

Institute of Public and Environmental Affairs Supply Chain Oversight Program

May 2019

The Institute of Public and Environmental Affairs

IPE is an environmental NGO based in Beijing, China that was founded in 2006 by Ma Jun.

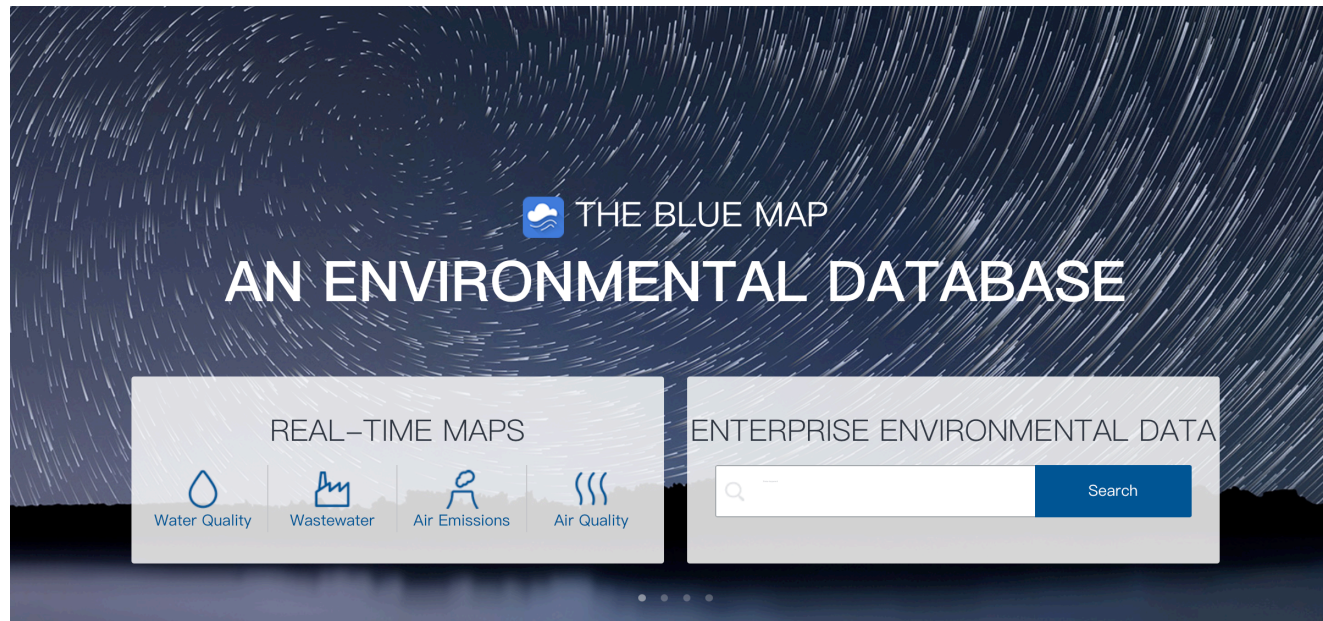
Mission: Use the power of information to drive environmental impact

Applications

- Provide tools for supply chain oversight
- Investigate polluting industries and enterprises
- Enable public participation and multi-stakeholder collaboration



The Blue Map Database: Cornerstone of IPE Efforts



IPE has continuously collected data since 2006 to provide a centralized platform for public information.

- Today, the Blue Map tracks 4,000 sources daily
- Uses only official data from all levels of government

The Blue Map has two platforms, including the [website](#) and [mobile app](#).



Environmental Quality Information

Air, water and soil quality data; weather forecast

Corporate Violation Records

Government records of environmental legal infractions

Real-time Emissions Data

Hourly emissions data from key polluting entities

Enterprise Feedback

Documents to verify or explain previous records and corrective actions

Officially Confirmed Petitions or Complaints

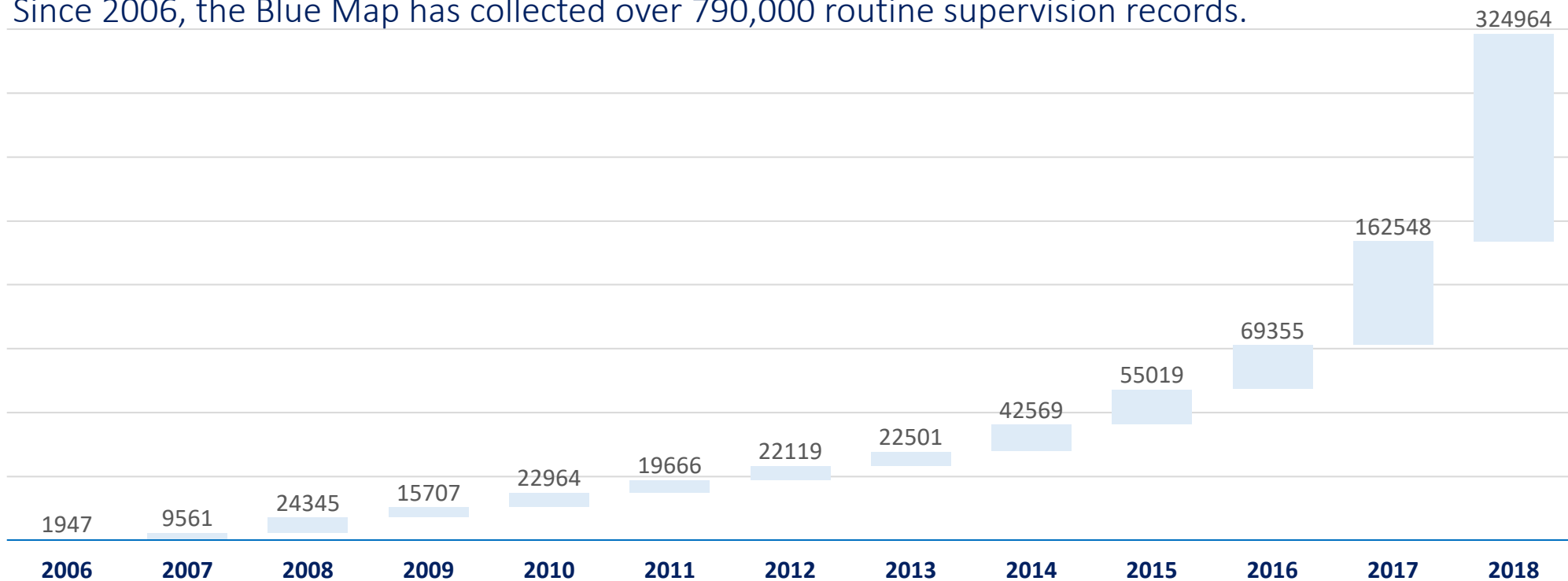
Reports from the public regarding environmental hazards

Pollutant Release and Transfer Registry Data

Data voluntarily reported by enterprises regarding hazardous chemical, energy and water use

Growth of the Blue Map Database

Since 2006, the Blue Map has collected over 790,000 routine supervision records.



Year-on-year increase of routine supervision records, 2006-2018

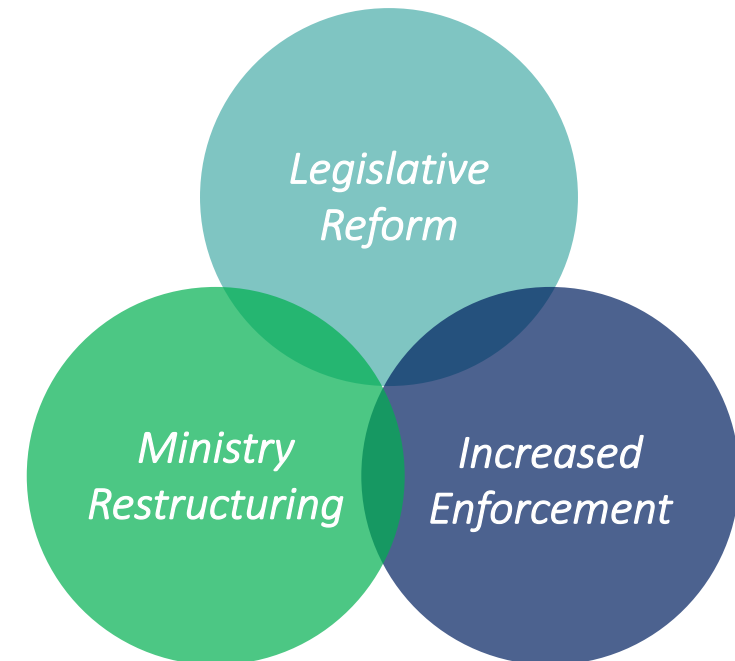
Advancing alongside growth in government environmental efforts

Why has the Blue Map data base seen so much growth?

We are living in a time of unprecedented environmental change in China. Over the past five years:

- All major environmental laws were revised to highlight information disclosure
- High impact enterprises were required to install real-time monitoring equipment for air and water emissions
- Central government inspections cracked down on local inaction and raised penalties for polluters
- Local authorities were legally required to provide emissions data and compliance records to the public

For more on the growth of government disclosure, read the [Pollution Information Transparency Index](#), published annually.



The Blue Map Tool enables Supply Chain Oversight

The Blue Map Database provides the foundation for brand companies to identify environmental supply chain liabilities in China. IPE now leads an active movement among multinational corporations to take responsibility for their supplier impacts.

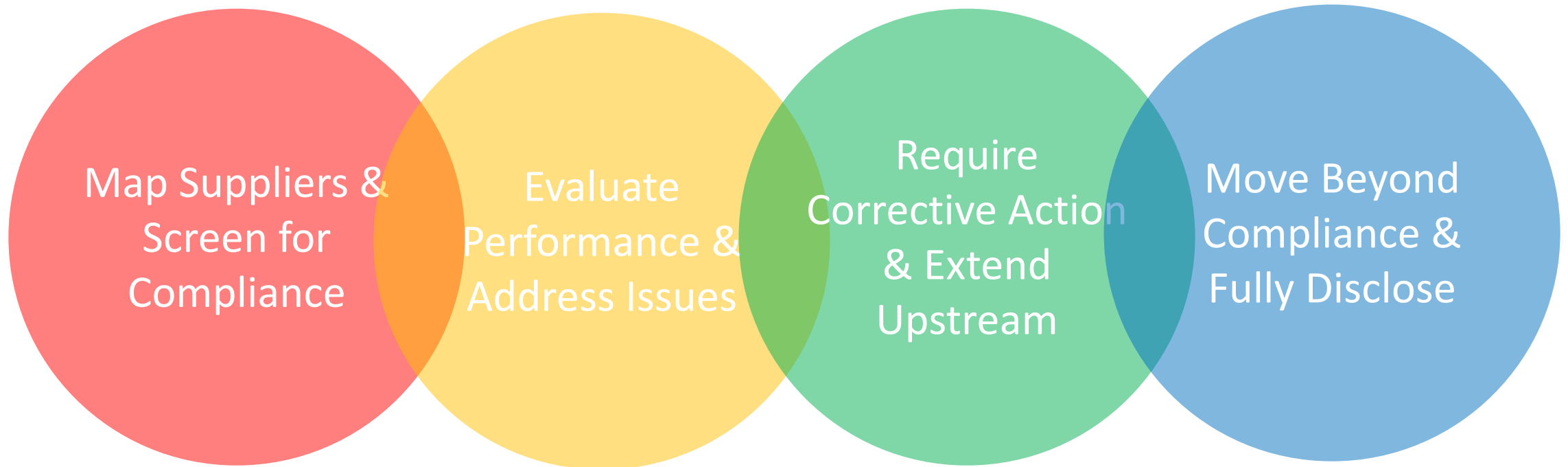


Number of brands approached by IPE for supply chain responsibility

Supply Chain Oversight

The IPE roadmap for environmentally responsible procurement

Key Elements of Supply Chain Oversight



Step 1. Map

The first step to supply chain management is to know the names and locations of your suppliers. Brands should be sure to include the factories with highest impact in their supply chain – beyond Tier One assembly facilities – to properly accomplish this mission.

Company Name	City	Province

NOTE: Use suppliers' Chinese name in characters to ensure a match.

Benefits of Supplier Mapping

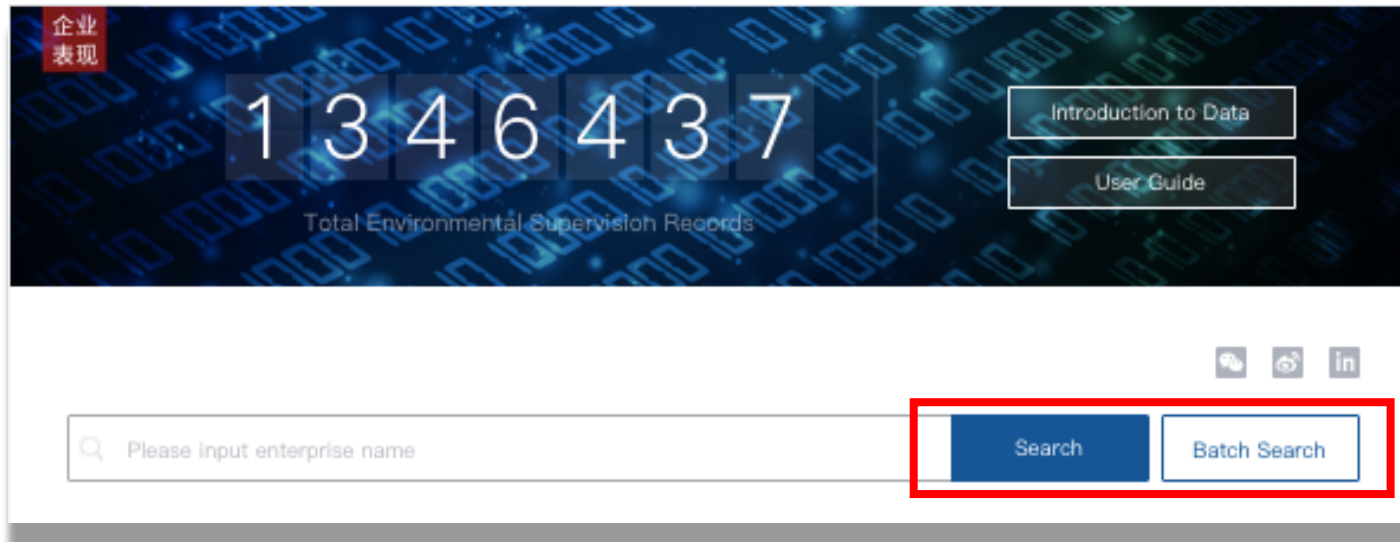
- Understand the number and distribution of suppliers, identify hot spots of environmental impact
- Complete basic due diligence by anticipating geographic, political and regulatory risks based on suppliers' local environment
- Build a foundation of knowledge for effective management

Step 2. Screen

With their list of suppliers, brands can use the [Blue Map Database](#) to screen their suppliers in China and identify which ones have outstanding violations. Brands can *single search* suppliers one at a time (recommended for supplier lists of less than 50 factories) or *batch search* for larger quantities.

Benefits of Supplier Screening

- Understand which suppliers comply with local regulation
- Analyze common issues
- Minimize supply chain risk by staying up to date on liabilities

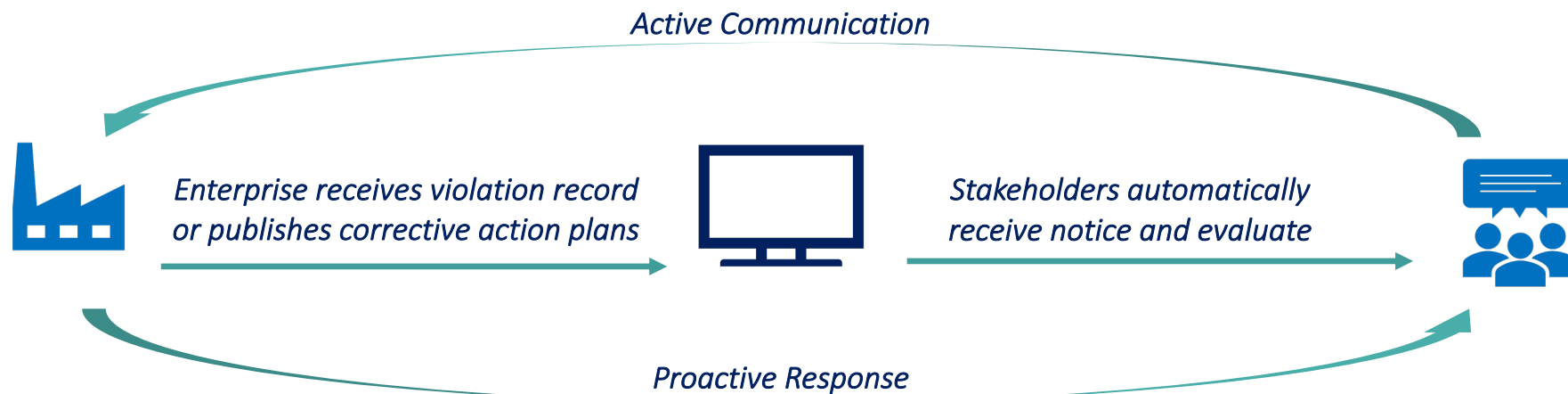


NOTE: To batch search, brands must register an account on the IPE website.

Register an account [here](#).

Step 2. Screen

IPE recommends that brands can continuously track suppliers and receive automated updates on violations and corrective actions using our Blue EcoChain tool. Brands can also choose to screen suppliers manually at least every quarter.



Benefits of Blue EcoChain

EcoChain dramatically increases the efficiency of supply chain management by providing automated updates on suppliers brands and other stakeholders follow, allowing them to track large numbers of suppliers and allowing suppliers to register to proactively track their own performance.

Step 3. Evaluate

Through the screening process, brands will collect the information they need to understand the compliance status of each factory screened in their portfolio.

In this step, they should take stock of the results: the types, severity and dates of recent violation records, and whether suppliers have responded to the record via feedback or corrective action. They should develop priorities for action from this work.

Key Polluting Entities are designated by the government as high environmental impact facilities and thereby required to install real-time monitoring data that tracks the concentration of certain pollutants in their air and wastewater emissions.

This real-time monitoring data is updated on the Blue Map every hour or two hours. If an enterprise has exceeded the standard to a significant extent in the past 30 days, it will appear in the screening record.

Name	Number of Violation Records	Year of Most Recent Record	Real-time monitoring data	Provided Feedback/Explanation	Corrective Action	Passed GCA Audit

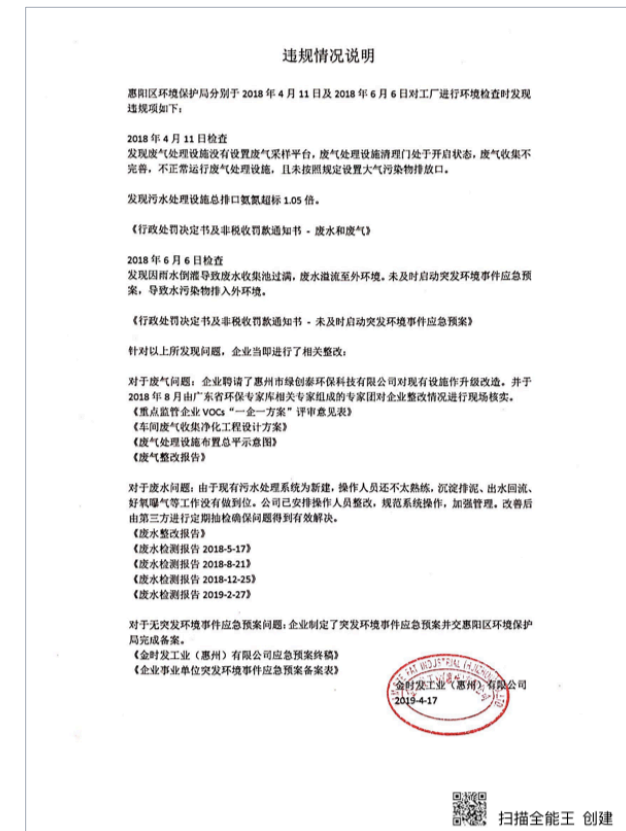
Step 4. Address

Once the supplier portfolio has been evaluated, brands should reach out to problem suppliers and request that they respond to the record by contacting IPE and providing feedback on the Blue Map database. Non-compliance issues should be the highest priority.

Facility feedback should include an explanation for why the violation record was received and an update on the status of corrective actions planned or completed.

Benefits of Publishing an Explanation

- Verify the violation record, demonstrating accountability to stakeholders and an awareness of the issue at hand
- Offer a reasonable explanation for the violation record
- Update stakeholders of plans to regain compliance status



Supplier explanation 4/11/2019

Step 5. Correct

In addition to publishing explanations, brands should require their suppliers to take corrective action and remediate any outstanding pollution issues.

Once corrective action is complete, suppliers can undergo one of two procedures to remove their violation record(s) from the Blue Map database:

1. For minor infractions and records issued over two years ago, suppliers can simply send in documents to verify their current compliance.
2. For more severe infractions, the supplier must undergo an audit to verify the effectiveness of their corrective actions.

For more details on the audit process, please see the [Guide to Addressing and Removing Records](#).

Benefits of Record Removal

- Demonstrate positive corrective action and present compliance
- Replace violation records with compliance certifications
- Join the enterprise white list and receive industry distinction



Step 6. Extend

After the brand has addressed all major problems with its own suppliers, IPE recommends urging their direct suppliers to screen their own suppliers, thereby extending environmental oversight and responsibility upstream in their supply chains.

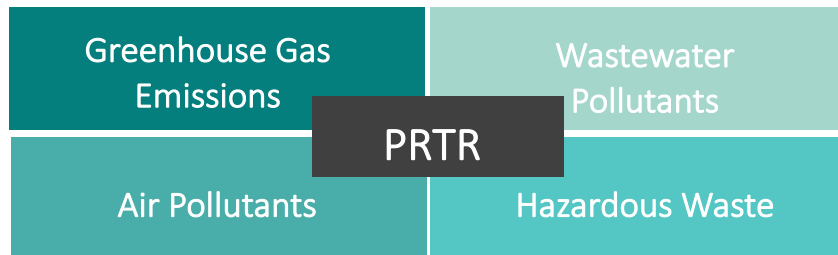
Suppliers can use the same screening procedure and tools as brands, outlined in Steps 2-4. The primary benefits of extending upstream are strengthening supplier partnerships and ensuring change reaches high environmental impact sectors.



This step ideally extends not only upstream, but also to all enterprises in which the company has invested or relies on for production, including all tiers of material production, subsidiaries, logistics and service providers, and waste treatment plants.

Step 7. Beyond Compliance

An important step in supply chain management is to go beyond compliance. Beyond compliance measures can include tracking and reporting energy and water use as well as specific pollutant discharges, as well as efforts to steadily reduce environmental impacts in these areas. Brands can accomplish this by working with suppliers to voluntarily disclose emissions data through the PRTR platform on the Blue Map.



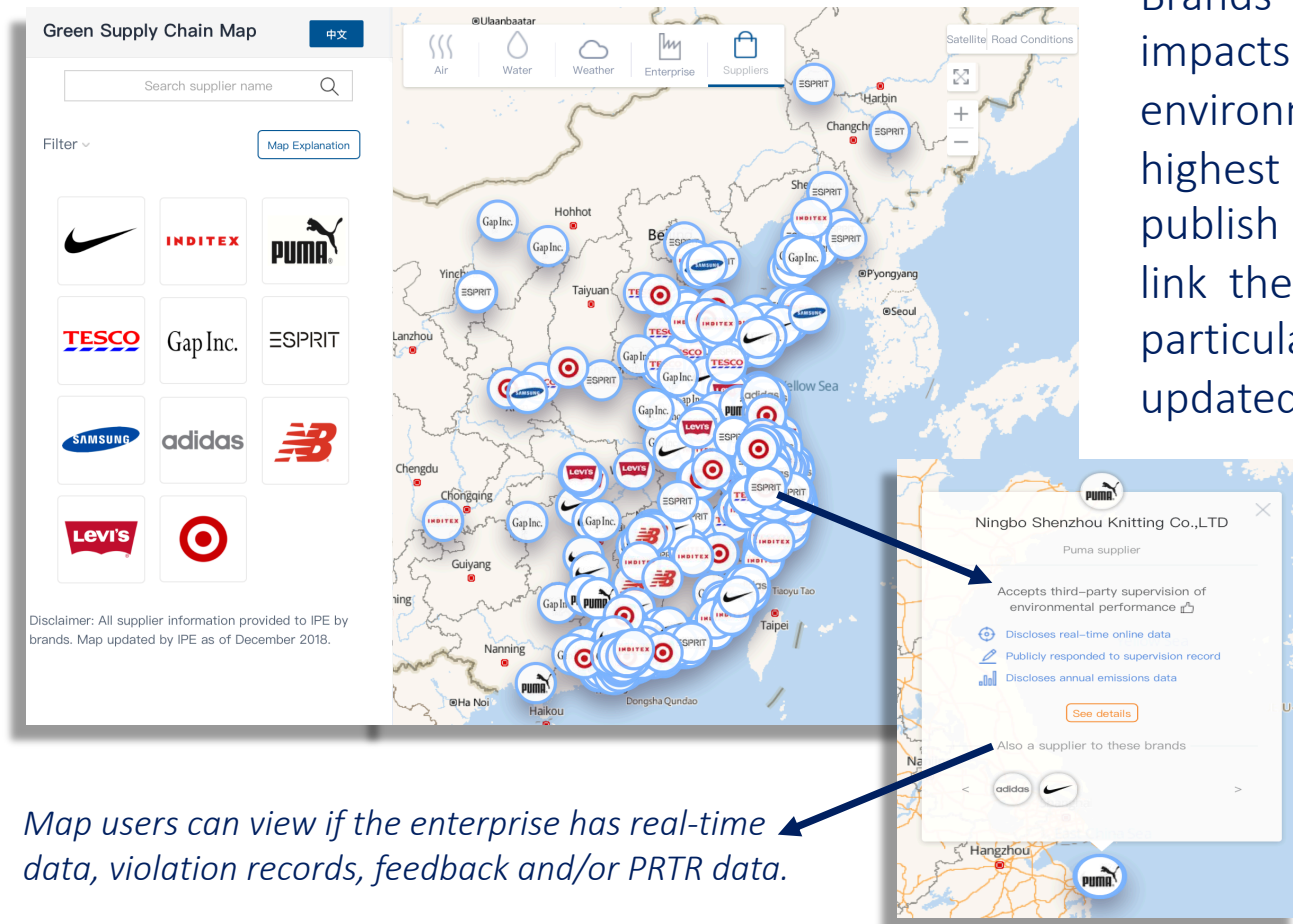
Benefits of Publishing PRTR and other Data: Benchmark and monitor superior supplier performance; understand high impact areas; establish effective targets; demonstrate year-on-year reductions

Pollutant Release and Transfer Registry (PRTR) systems are environmental databases that track enterprises' use, treatment and disposal of conventional and hazardous chemicals, as well as their overall energy and water consumption. By disclosing this data, enterprises provide a quantitative estimate of their environmental footprint each year.

Since the establishment of the U.S. Toxics Release Inventory (TRI) system in 1986, PRTR systems have been launched in over 50 countries worldwide. IPE has long advocated for the establishment of a nationwide PRTR system for China. In 2013, we launched our own platform for voluntary disclosures, with a chemical list based on the U.S. TRI, E.U. PRTR and China National Registry of Hazardous Wastes.

For more information, please see the report: [Establishing a PRTR Disclosure System in China](#)

Step 8. Disclose



Brands best leverage improvement in supply chain impacts with transparent, public reporting on the environmental performance of their suppliers. The highest level of commitment in this regard is to publish their supplier lists on the IPE [Brand Map](#), and link their logo to supplier performance. Map users, particularly consumers and investors, can stay updated on brand environmental management.

Benefits of Joining the Brand Map

- Demonstrate the highest level of supply chain transparency and accountability
- Inform concerned customers of supply chain responsibility
- Provide assurance that problems will be dealt with in a timely manner

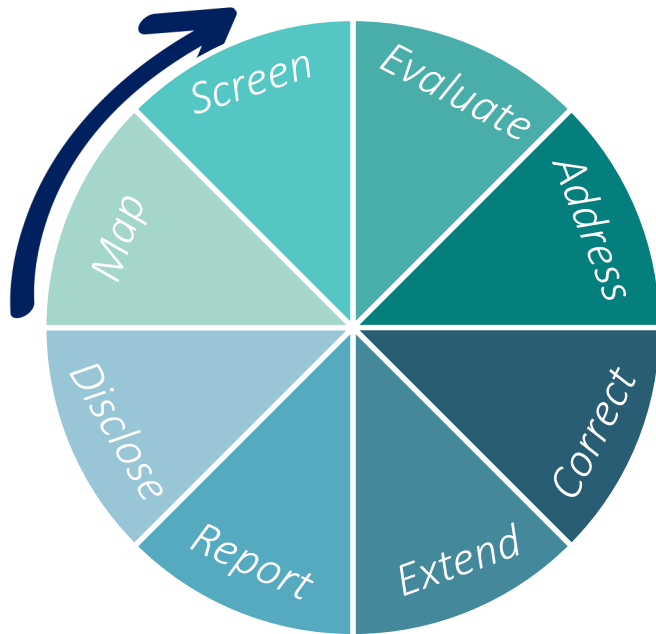
Map users can view if the enterprise has real-time data, violation records, feedback and/or PRTR data.

Lead the movement

Brands demonstrate exemplary leadership by inspiring green production through green procurement. Only by changing the culture of business and consumption will good practice eventually drive out the bad.



Why is supply chain management important?



Government inspections between 2016-2018 not only doubled the number of violations issued annually, but also increased the severity of penalties. Enterprises now face frequent risk of production halts and seized equipment, potentially disrupting business contracts and the greater supply chain.

When brands undertake supply chain oversight, they provide important supplements to government inspections. They can catch problems before they become so severe that the government suspends operations and disrupts supply.

When brands ignore the environmental performance of their suppliers, they become a drag on other stakeholder efforts to improve environmental conditions in the country.

Read more about risk and how to navigate the new era with the [U.S.-China Business Council](#) (2019) and [Greenment](#) (2019).

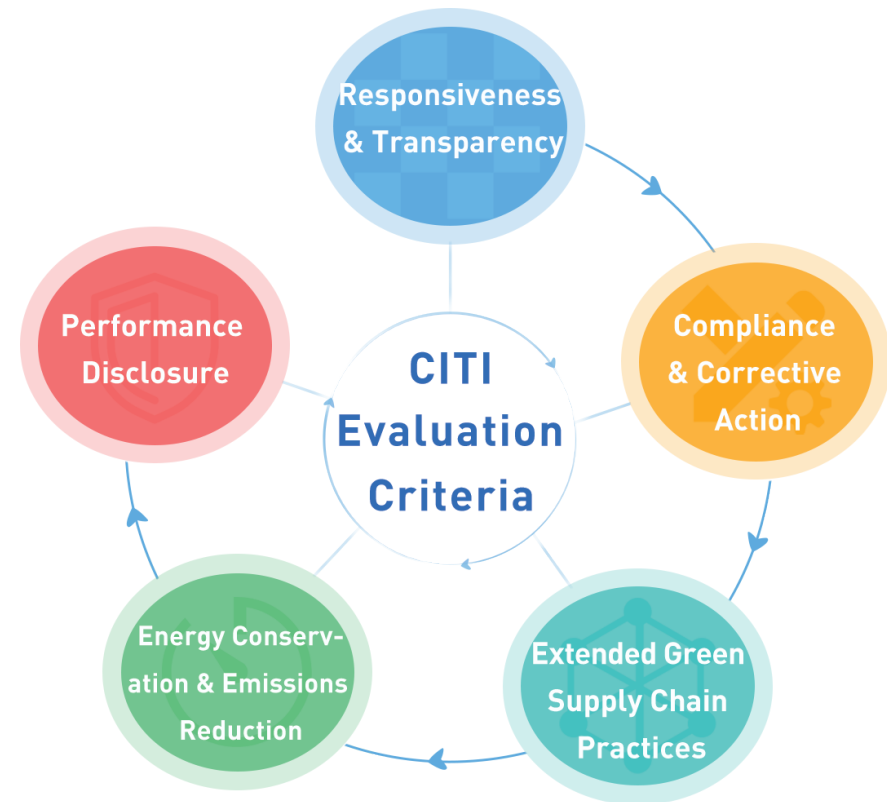
Corporate Information Transparency Index

Brand rankings for environmental supply chain management

Green Supply Chain Evaluation

Every year, IPE evaluates brands' environmental management of their supply chains in China, using five indicator areas that provide a roadmap for improved management, detailed in earlier slides.

Now in its sixth year, the **Corporate Information Transparency Index (CITI)** showcases the practices of leading brands and highlights inaction from major industries. Read the 2018 CITI report [here](#).



Green Supply Chain CITI Evaluation

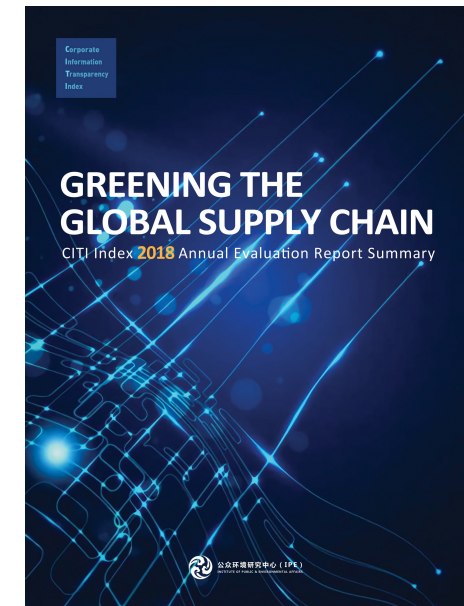
01 84 (score) 	02 82 	03 76 	04 NEW 69 	05 NEW 68 
06 NEW 64 PRIMARK	07 62.5 	07 62.5 	09 61 INDITEX	10 60.8 
11 60 ESPRIT	11 60 	13 59 M&S EST. 1884	13 59 adidas	13 59 Gap Inc.
13 59 	17 56.5 Panasonic	18 56 FOXCONN	19 50.5 ESQUEL GROUP 	19 50.5 PHILIPS
21 46 	22 NEW 45 mothercare 	23 41.5 LANDSEA 朗诗 	23 NEW 41.5 BURBERRY 	25 NEW 40 CISCO 
26 NEW 38 UNIQLO 	27 NEW 37 Microsoft 	28 36 Canon 	28 36 kao 	30 NEW 35.5 IKEA 

2018 Top 30 CITI Brands

The CITI evaluation now covers over 350 brands across 16 industries in China. Brands are brought into the system when IPE has identified a supplier with an outstanding violation record and attempted to communicate this information to the brand.

The CITI report is published every fall, however, the rankings are updated throughout the year as brands communicate supplier activity to IPE.

See the dynamic [CITI rankings](#) and [communication updates](#) of brand and supplier action every day.



Recognition for IPE and CITI

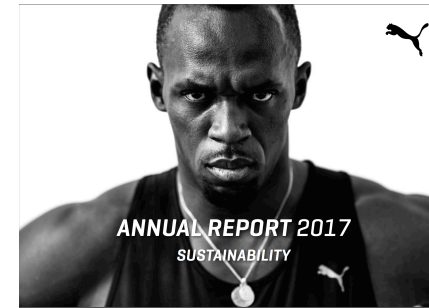
We have added IPE's enterprise environmental data to our supplier audit list and supplier self-checklist. When query results show that a supplier violates environmental rules, Huawei immediately asks them to solve the problems within a designated timeframe.

In 2017, routine queries about the environmental data of 500 key suppliers revealed 19 violations of environmental protection rules, and these violations were properly addressed. Together with IPE, we audited three suppliers onsite and requested that they make improvements to meet our requirements within a predefined timeframe.

Huawei 2017 Sustainability Report



2017 Sustainability Report
Huawei Investment & Holding Co., Ltd.



PUMA 2017 Annual Report

To ensure a high degree of transparency and to promote the sharing of environmental and social data with our industry peers, we have chosen to work with external and often public databases, including:

- The Chinese NGO IPE for the publication of supplier environmental data, including IPE's Green Supply Chain Map

In the same way, we work with the Chinese Institute of Public and Environmental Affairs (IPE) to improve the environmental management of our supply chain in China. In 2017, we worked with the IPE to prepare a map that will show the commitment to transparency and monitor the environmental performance of our suppliers in China.

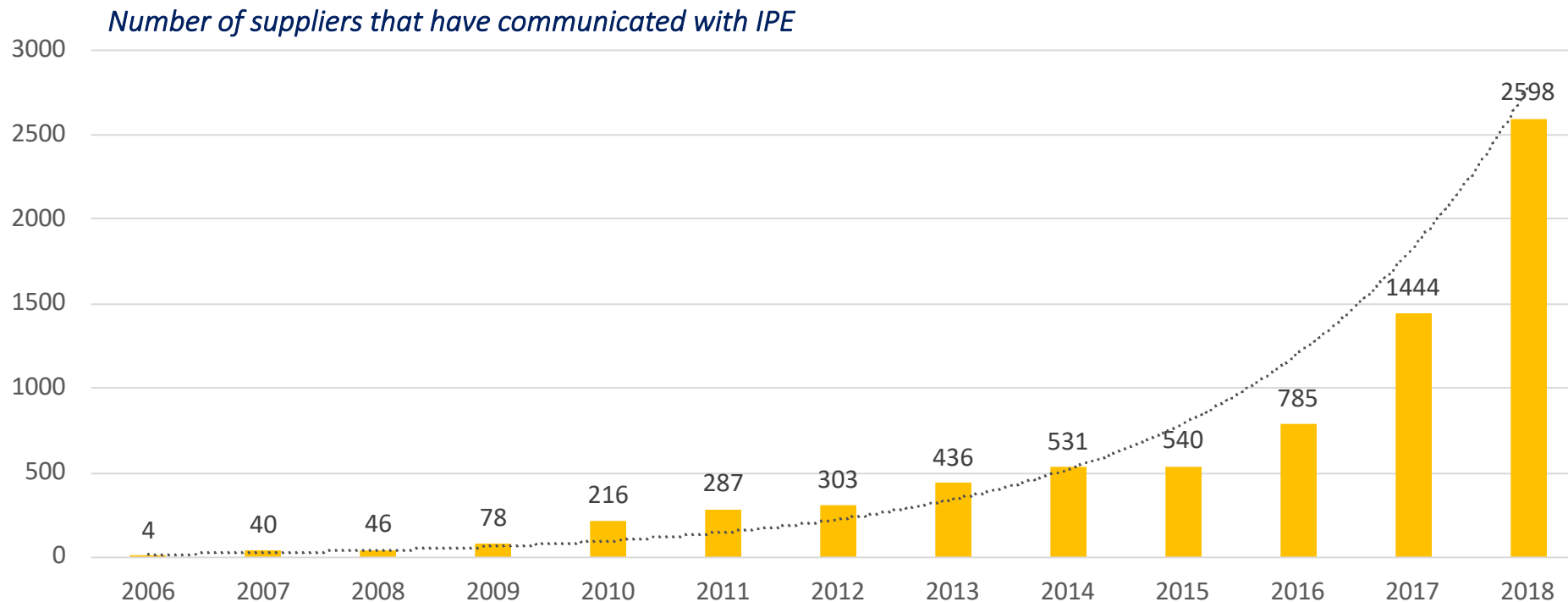
Inditex 2017 Annual Report



INDITEX

Supplier Engagement

To date, IPE partners have pushed over 7,500 factories to respond to environmental records. As of April 2019, our green supply chain program received calls or emails from 10-20 suppliers per day.



Supplier Engagement

After initial communications, follow up actions by suppliers may require additional support from brands and local NGOs. These efforts have demonstrated immense progress over the past two years.

Communicated with IPE to resolve an environmental issue



Published an explanation in response to a violation record



Conducted audits to verify corrective action



Published PRTR data



 2017  2018

Exemplary Brand Accomplishments

From Zero to Hero

Apple started out as one of the primary offenders in IPE's 2010-2013 IT sector investigation, yet quickly transformed into a leader in supply chain oversight, ranking No.1 in the CITI evaluation for the past five years.



All-Star Industry Leadership

Chinese building company Landsea took the unprecedented step of rallying 70 peer companies to join the Real Estate Industry Green Supply Chain Action industry alliance in 2016, which later formed a white list of suppliers based on Blue Map data.

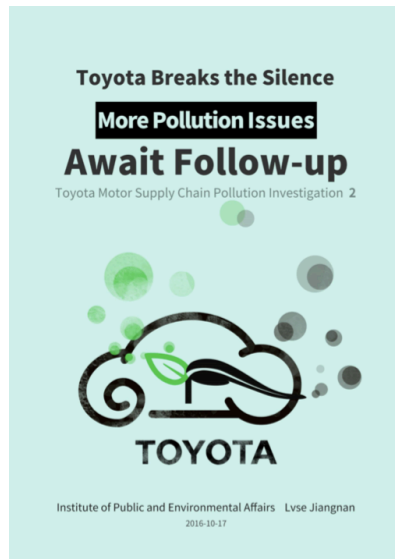
Collective Brand Advocacy

After receiving complaints from five multinational brands, fabric producer Saintyear Textiles stopped its illegal wastewater discharge practices and carried out corrective actions in 2014. Now, up to 10 million tons of wastewater are treated to the legal standard every year.



Industry and Brand Investigations

IPE investigates sectors with inadequate supply chain oversight with good results



The automobile industry has pushed over 40 suppliers since IPE's 2016 [investigation](#) and continues to extend to unique sectors such as auto parts, accessories and glass.

In 2017, Xiaomi [changed](#) its IPO risk documents, admitting the potential economic risk of noncompliant suppliers following an IPE [report](#).

Most recently, in 2018, Starbucks [pushed](#) eight suppliers to respond to environmental violation records after IPE [published](#) evidence that one of its reusable cup suppliers had discharged high concentrations of copper and nickel into the greater Pearl River Delta.

Partnerships & Resources

Support for green supply chain management

NGO and Consultant Partners



[Lvse Jiangnan](#) is a local NGO that works with IPE to oversee factory compliance audits as part of the Green Choice Alliance, a coalition of 58 Chinese NGOs dedicated to promoting green production through green procurement.



The [Natural Resources Defense Council \(NRDC\)](#) has supported supply chain and information disclosure projects at IPE since 2008. The NRDC [Clean by Design](#) program also pioneers best practices to reduce energy and water use in the textile industry.



The [Carbon Disclosure Project \(CDP\)](#) partnered with IPE to design part of the energy use and carbon CITI evaluation indicator in 2018. Their [Supply Chain Program](#) works with over 115 brands to quantify and reduce climate impacts.



[China Dialogue](#) is a strategic communications NGO and leading bilingual publication on environmental topics in China. Its website has featuring [op-eds](#) from our director, Ma Jun, since IPE's founding and continues to provide a resource for our research.



[Greenment](#) is an environmental consultancy that worked with IPE to develop the DERA risk assessment tool based on the Blue Map Database. Today, clients can order comprehensive enterprise risk evaluations through the DERA interface.



[China Water Risk](#) is a nonprofit research group dedicated to analyzing the drivers behind water scarcity in China. Similar to IPE, their reports offer industry spotlights, take note of big picture trends, and provide a resource for diverse stakeholders.

Green Finance & Green Credit

IPE joined the national government Green Finance Committee in 2017 as an NGO representative and advisor.

To support the development of green finance in China, IPE developed the Dynamic Environmental Credit Risk Assessment (DECRA) tool that collates data from IPE's various projects and categorizes millions of enterprises by their economic risk. DECRA is now available for banks and investors, while DECRA for brands is in development.

Enterprises are ranked on a four-color scale to match the government system



Additional Resources

For monthly updates on IPE and Chinese environmental policy, subscribe to our [Green Choice Newsletter](#)

More research from IPE

[Pollution Information Transparency Index](#), our annual evaluation of government information disclosure

[Supply Chain Climate Transparency Index](#), our analysis of brand climate action in China (2018)

[Blue Sky Roadmap](#), periodic analyses of air pollution sources and governance

See our website for [Frequently Asked Questions](#) and the [Document Download Center](#).

Recommended reading on supply chain responsibility

[Supply Chain Sustainability: A Guide for Continuous Improvement](#), BSR and UN Global Compact (2015)

Thank you!

If you have questions or comments, please don't hesitate to reach out:
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the Blue Map app*