

Xiaomi admits supply chain environmental non-compliance for the first time, Levi's and Tesco join the Green Supply Chain Map, pharmaceutical giant Takeda starts pushing suppliers to address environmental violation records & more

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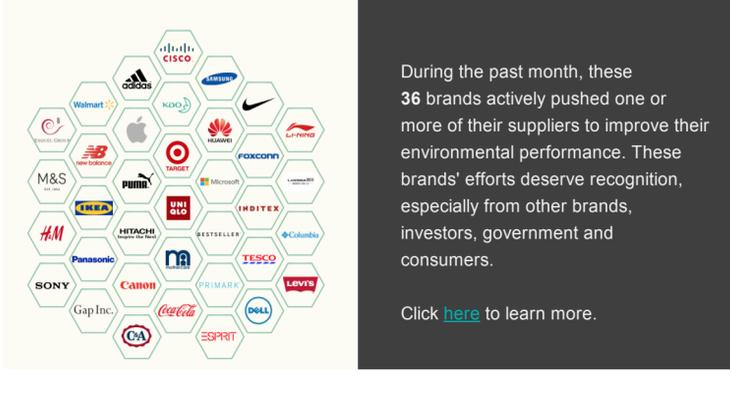
On July 9, Chinese brand Xiaomi debuted on the Hong Kong Stock Exchange (HKEX), taking major media headlines by storm. As a mainstream smartphone brand, Xiaomi has become a focus of both Chinese and foreign investors due to the success story of its product sales. But perhaps less known is that during Xiaomi's rapid expansion over the past four years, its supply chain has repeatedly encountered pollution-related problems, according to a [report](#) released in May by environmental groups IPE and Lüse Jiangnan.

Facing concerns from environmental groups and the public during the past two months, Xiaomi has finally made adjustments to its IPO document, admitting for the first time that "the current suppliers of the Group have experienced environmental non-compliance incidents".

In this month's newsletter:

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- [Levi's and Tesco join the Green Supply Chain Map](#)
- [Pharmaceutical giant Takeda starts pushing suppliers to address environmental violation records](#)

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During the past month, these 36 brands actively pushed one or more of their suppliers to improve their environmental performance. These brands' efforts deserve recognition, especially from other brands, investors, government and consumers.

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**Xiaomi admits supply chain environmental non-compliance for the first time**



An [investigative report](#) published by environmental groups IPE and Lüse Jiangnan on May 21<sup>st</sup> highlighted that Xiaomi has turned a blind eye to pollution along its supply chain for the past four years. In response to public pressure, in the [Prospectus for Depository Receipt](#) published via China Securities Regulatory Commission website on June 14<sup>th</sup>, Xiaomi admitted for the first time that its current suppliers have experienced historical environmental non-compliance incidents. On June 21<sup>st</sup>, in the [Post Hearing Information Pack](#) released by HKEX, Xiaomi states that its non-compliance suppliers "may have adverse impact on business operation and financial results". IPE's report also drew public attention to one of Xiaomi's non-compliance suppliers – Ichia Suzhou. According to the [Taiwanese media](#), Ichia Technologies, Inc. (Code: 2402) has been suspended for trading on June 29<sup>th</sup> following an announcement that the production of Ichia Suzhou has been put on halt by Suzhou environmental protection bureau.

With China's current efforts to strengthen environmental enforcement, supply chain environmental risks may become financial risks for any brands lacking environmental management, which could well lead to investment risks. We hope that Xiaomi will establish an effective supply chain environmental management systems to manage and control risks in its supply chain, and gradually establish social trust and ultimately attain a genuine sustainable development pattern.

For more information, please see the [follow-up articles](#). The report can be downloaded in [Chinese](#) and [English](#) on the [IPE website](#).

**Levi's and Tesco join the Green Supply Chain Map**



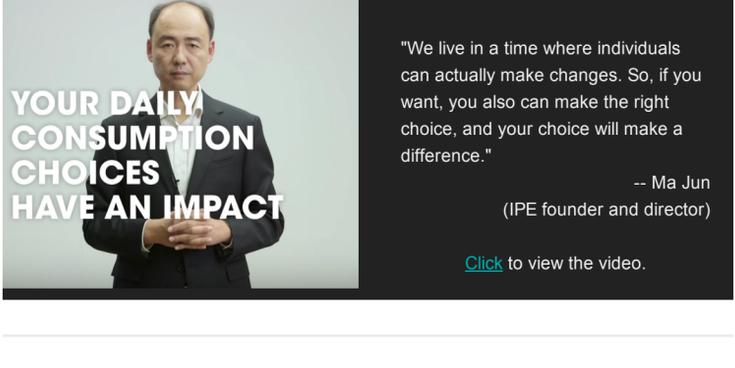
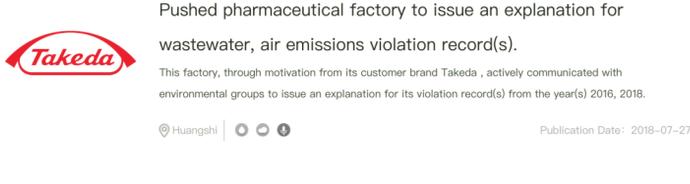
Levi's and Tesco recently joined [the Green Supply Chain Map](#), demonstrating their leadership in supply chain transparency and environmental management. Levi's was the eighth brand that voluntarily joined the map. The map showcases the environmental performance of 70 Levi's suppliers, including those with high environmental impact wet processing operations. Tesco also joined the map this month, presenting information such as name, address and geolocations of 145 Tesco suppliers in China. Map users can filter by brand to view individual companies' supply chains. The map also allows users to click on a supplier to check its environmental performance, including the real-time data for air emissions and wastewater discharge, feedback about environmental supervision records, as well as their annual emissions and resources usage data.

And it's never too late to join, either. To be included on the map, brands need to fill out a supplier list template with relevant information about their suppliers, including their Chinese and English names and location information, and submit it to IPE.

**Pharmaceutical giant Takeda starts pushing suppliers to address environmental violation records**

Japanese company [Takeda](#) has become the first pharmaceutical brand taking steps to actively mitigate supply chain environmental risks in China. As one of the member companies of [Pharmaceutical Supply Chain Initiative \(PSCI\)](#), Takeda follows PSCI's Principles for Responsible Supply Chain Management and has strict requirements for suppliers' environmental compliance. Takeda has conducted comprehensive screening using the [IPE Blue Map Database](#) and penciled down a list of problem suppliers, requiring them to contact IPE to publicly respond to their previous supervision records. Most recently, Takeda prompted one of its suppliers to issue public explanation regarding wastewater discharge and air emissions violation.

In recent years, [investigations](#) found that many pharmaceutical enterprises with repeated environmental non-compliance issues in China are also active pharmaceutical ingredient (API) suppliers to global brands. We look forward to seeing more pharmaceutical brands abide by their commitment to responsible supply chain management, map out their upstream supply chain and push problem suppliers to transparently address their violation issues.



**POLICY UPDATES & RESOURCES**

**Policy Updates**

- [Solid Waste Pollution Prevention and Control Law](#) (Chinese) – Draft seeking public comments through August 18, 2018
- [Soil Environmental Quality Risk Control Standard for Soil Contamination of Development Land \(GB36600-2018\)](#) (Trail) (Chinese) – Published by the Ministry of Ecology and Environment on July 3, 2018; goes into effect on August 1, 2018.

**Policy Resources**

- [Environmental Protection Tax Law of the P.R.C.](#) (English)
- [Soil Pollution Action Plan \("Soil Ten"\)](#) (Unofficial English translation)
- [Amendments to China's Air Law \(passed in August 2015\)](#) (English translation)
- ["Water 10" Action Plan \(issued in April 2015\)](#) (English translation)
- [Made in China 2025](#) (policy summary)
- [EU-China Environmental Governance Project Policy Resource Center](#) (Bilingual)
- [China Hazardous Chemicals Management Resource Center](#) (Bilingual)
- [China Law Translate](#) (crowd-sourced English translations of Chinese laws)

**RELATED NEWS AND REPORTS**

[China releases 2020 action plan for air pollution](#)  
- *Chinadialogue*, July 6, 2018

[China jails hundreds of officials for pollution violations](#)  
- *Reuters*, July 9, 2018

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