

This week we feature our report on the question of outsourced responsibility by chemical giants, with a summary of our outreach and analysis, media response, related research & more [View this email in your browser](#)



Chemical giants remain silent in the face of dire supply chain risks

In May, IPE published a [report](#) on four multinational corporations suspected of significant business relationships with Jiangsu Tianjiayi Chemical Company (JTC), the source of the massive chemical explosion in Xiangshui County earlier this year. We identified JTC as a supplier to chemical giants BASF, DuPont, Clariant and Merck and contacted each company in turn to inquire whether they knew of the facility's poor safety and environmental performance record, and whether this incident provided motivation to improve their own supply chain oversight. In all, however, we were very disappointed in the responses.

We dedicated our newsletter this week to sharing the reports' major findings and media response, as well as highlighting related reports that shed background on regulatory gaps in the industry. Without an effective push to shed light on the lack of corporate responsibility in chemical supply chains, these chemical giants will continue to perpetuate a system that fails to comply with their own procurement standards and poses immense risk to public and environmental health.

Join our efforts by sharing the [report](#) and shining a spotlight on the continued inaction of chemical corporations, where their support is needed most. As always, thank you for your support and feel free to be in touch with comments or questions: gsc@ipe.org.cn

In this month's newsletter:

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- [Reuters and industry publication C&EN pick up the story](#)
- [Investigations by environmental groups highlighted similar industry issues years ago](#)

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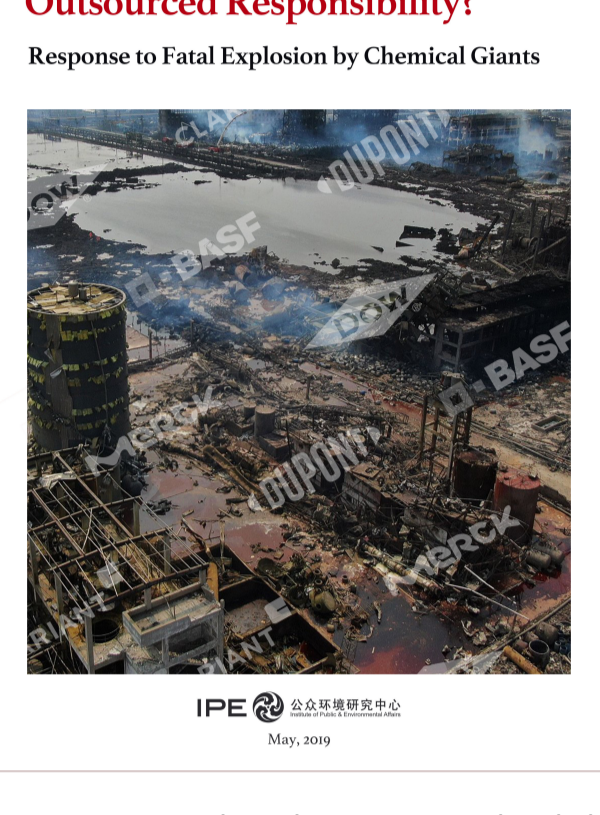
During the past month, these 49 brands actively pushed one or more of their suppliers to improve their environmental performance. These brands' efforts deserve recognition, especially from other brands, investors, government and consumers.

Click [here](#) to learn more.

Outsourced Responsibility? Response to Fatal Explosion by Chemical Giants

As detailed in our March [newsletter](#), the Jiangsu Tianjiayi Chemical (JTC) facility in Xiangshui County experienced an enormous explosion that caused an earthquake in the surrounding area. The most recent announcements maintain that 78 lives were lost, more than 600 people were injured and nearly 840 houses were damaged, in some cases beyond repair. The media response to this tragedy [uncovered](#) a grim picture in which the explosion was in fact foreshadowed by [numerous records](#) of illegal activity that transgressed the most basic environmental and safety regulations.

Global industry standards propagate an ethical framework of environmental and social responsibility; the explosion at JTC, however, demonstrated that several major chemical corporations do not attend to infringements of this responsibility beyond their direct suppliers. An investigative sweep of public import-export data platforms found that between 2014 and 2019, DuPont received shipments of 3.5 million kilograms of m-phenylenediamine, a chemical component found in textile dyes, and Merck KGaA purchased 'tris', a buffering agent with applications in medicine, from JTC in recent years. Following the explosion, Hifi Chemical Company announced business relations with JTC and, according to their 2019 IPO documents, Hifi Chemical's main customers include BASF and Clariant.



The intermediary Hifi Chemical and Lonza Group, a Swiss multinational chemical and biotech company were the only ones to openly admit procurement relations with JTC, demonstrating adequate accountability to their investors and the public. Merck KGaA, after an email probe by IPE, also admitted JTC was a Tier 2 supplier and asserted that it would further investigate its responsibility in the situation. BASF, DuPont and Clariant meanwhile, all denied that JTC served as a direct supplier, indicating that their scope of environmental concern ended beyond their Tier 1 suppliers.

But the environmental, social and health impacts of these companies do not end at Tier 1 suppliers, which often comprise only a fraction of the supply chain. Chemical companies so often tout their responsible manufacturing and procurement practices; in truth, however, public records from the Blue Map and import-export data platforms demonstrate they are taking advantage of a system that places severe pressure on suppliers to minimize prices and on the government to single-handedly manage a growing abundance of violations. Our aim with this report is to urge chemical companies to abide by their own values and speak up in light of historic tragedy.

Read the full report in English or Chinese [here](#).

Reuters and industry publication C&EN pick up the story

Just a few days after IPE published the report, Reuters [featured](#) its findings with an update on the response efforts. The authors quoted government officials and our director, Ma Jun, who pointed to the economic slowdown as a significant incentive to allow for continued environmental noncompliance by enterprises.

"We all recognize the real problem is not about someone being immoral, and more a dynamic that basically rewards those who cut corners." Ma told Reuters. "Those who have gained the most from globalized outsourcing practices are basically taking advantage of a loophole instead of joining efforts to solve the problem," he added."

- Reuters, May 2019



To our surprise, the report was also picked up by an established chemical industry publication, *Chemical & Engineering News*, which called on western companies to take note of the economic risk due to closures from the Xiangshui Chemical Industrial Park, where JTC was located, as well as the safety and environmental hazards posed by facilities there.

"After the accident, China's State Council said local authorities were lax in enforcing safety regulations at the facility. But in a new report, the Institute of Public & Environmental Affairs (IPE), a Beijing-based environmental research group, charges that Western companies also perpetuate dangerous conditions at Tianjiayi and other Chinese chemical companies by purchasing from them in spite of documented safety and environmental shortcomings." - C&EN, May 2019

Last but not least, China Economic Weekly published the most detailed coverage of the report, drawing out the section on another chemical facility that would receive increased orders of m-phenylenediamine after the incident at JTC compromised a huge portion of the national supply. But this factory has also racked up a large number of safety violations and has thus far failed to provide sufficient rectification efforts, demonstrating that although the explosion occurred at JTC, the problems extend throughout the industry and will not be resolved by focusing on a single site. The reporters even contacted the companies directly and were similarly rebuffed in their efforts to confirm that Tianjiayi was a primary supplier or a supplier at all.

Investigations by environmental groups highlighted similar industry issues years ago

1) In May 2017, an investigative report published by Greenpeace called urgent attention to the environmental impact caused by the lax management of the chemical industry. The report elucidates the volume and complexity of hazardous chemicals found in the pollutant discharge of a chemical industrial park in Lianyungang, a historical city along the coast of Jiangsu Province that serves as a major chemical industry manufacturing base in China. The report also reveals the extensive violation records of environmental regulations incurred by the enterprises in the Lianyungang Chemical Industrial Park. ([Chinese](#), [English](#))



2) In November last year, we [highlighted a chinadialogue report](#) which zeroed in on several key chemical issues in China, namely the lack of regulation for chemical ingredients in consumer products and subsequent public health concerns. While these dangers are much less visible than an industrial park or factory emissions, they point to the same regulatory gaps that stem from rapid industry growth and limited government capacity. CD points specifically to a [pollutant release and transfer registry](#) (PRTR) systems as a proven solution to these gaps, calling upon other stakeholders such as brands, NGOs, the media and the public to do their part in putting pressure on polluters.

2017 IPE report on Proctor & Gamble previewed lapses in corporate responsibility for the chemical industry

In 2017, IPE published a report in response to a Proctor and Gamble (P&G) subsidiary's overconfident advertisement regarding the environmental quality of its products. The advertiser by anti-dandruff shampoo producer Head & Shoulders, read "Dandruff has nowhere to hide, and smog is not to be feared," in direct contrast to our findings that one of their suppliers' wholly-owned subsidiaries, Yunnan Xuan Wei Lincian Co. Ltd., was found guilty of emitting sulfur dioxide and nitrogen oxide above the legal standard, contributing to pungent odors that were repeatedly reported to authorities. Another phosphorus product supplier and a chemical supplier of P&G's were also found in violation of multiple environmental regulations.

When presented with this information, P&G offered a disposition to the chemical giants we recently contacted and failed to demonstrate meaningful action to resolve critical supply chain risks and impacts.



POLICY UPDATES & RESOURCES

Policy Updates

- The Ministry of Ecology and Environment (MEE) published [Self-Monitoring Technology Guidelines for Pollution Sources for the Food Manufacturing Industry](#) (Chinese) and [Self-Monitoring Technology Guidelines for Pollution Sources for the Alcohol Product and Beverage Manufacturing Industry](#) (Chinese) which outline the basic requirements for self-monitoring, the development of monitoring plans, information records and reports for polluting entities in the specified industries. These draft documents are seeking public comments through May 30, 2019.
- The Shandong Environmental Protection Bureau released a [Notice on Launching the Special Provincial Inspection for Environmental Safety Hazards and Environmental Risk Intercises](#) (Chinese) in response to the 3.21 explosion in Jiangsu Province to resolve any major risks in the region. The special inspection began in late March and will run through the end of July.
- Nine departments of the Zhejiang Provincial Government jointly published an [Implementation Plan for Comprehensive Pollution Control in Hangzhou Bay](#), targeting eutrophication, wetland damage, solid waste disposal and other environmental issues in order to protect the Yangtze River and the province's coastal ecosystems.

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 2025 Environmental Governance Project Policy Resource Center](#) (Bilingual)
- [China Hazardous Chemicals Management Resource Center](#) (Bilingual)
- [China Law Translate](#) (crowd-sourced English translations of Chinese laws)

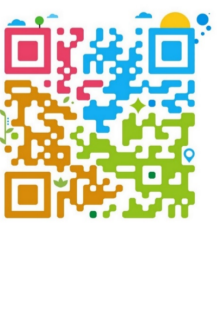
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[Will China help countries unlock the circular economy?](#)
chinadialogue, May 23, 2019

[China Goes Circular: 6 Success Stories](#)
China Water Risk, May 16, 2019

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