**2021 Green Supply Chain CITI and Corporate CATI Evaluation Report Release**

**Dual carbon targets draw local and global brands together**

Press Release

(Embargoed until 3:00 p.m. GMT+8 time on October 21, 2021)

October 21, 2021 – The Institute of Public and Environmental Affairs (IPE) released the evaluation results of its eighth annual Green Supply Chain CITI and the first Corporate Climate Action Transparency Index (CATI) at the 2021 Green Supply Chain & Climate Action Forum, highlighting that the dual carbon targets have motivated local and global companies to reduce greenhouse gas emissions across its value chain. In this year’s evaluation, Levi's and Dell topped CITI and CATI respectively, while Huawei and Lenovo remained the first among mainland Chinese brands in the two Indices. Sinopec became the first listed company controlled by central State-owned Enterprise (SOE) to enter CATI Top 50.

The 2021 rankings covered 662 key local and global companies across 30 industries, covering the major global greenhouse gas emitting industries, of which the annual emissions disclosed by the key Chinese emitting enterprises included in the assessment amount to approximately 1.45 billion tonnes. The evaluations conducted by IPE show that a number of leading local and global brands have made climate and environmental commitments, continuously extended their management to the upstream supply chain, and empowered their suppliers in China to calculate and disclose their emissions, as well as setting targets via innovative technologies.

With China setting its dual carbon targets, a group of Chinese manufacturing companies are also taking proactive actions. To evaluate the effectiveness of their climate action, IPE included 58 listed companies controlled by central SOEs in this year’s CATI evaluation under the technical guidance of Chinese Research Academy of Environmental Sciences (CRAES). Results showed that their climate governance exceeds the rest of the companies in the Greater China region.

2021 experienced more natural disasters due to climate change. In August, the UN Secretary General called the sixth assessment report from the Intergovernmental Panel on Climate Change (IPCC) a “code red for humanity”. With more than 120 countries joining the Global Race to Zero, China is developing its 1+N policy system to achieve its dual carbon targets. Most recently, China's pledge to stop building new coal-fired power plants overseas reiterated its determination to become a global leader in climate governance. On the other hand, recent energy and power crunch around the world remind us of the challenges to achieve carbon peak and carbon neutrality.

As COP26 approaches, there is an urgent need for companies to play a greater part in global climate governance, whilst managing the environmental risks and extending carbon actions to the supply chain is no longer a mere issue of corporate social responsibility. "In the next decade, ensuring environmental compliance and managing carbon emissions along the supply chain, especially to the upstream will become the cornerstone to a sustainable business," said IPE Director Ma Jun, "Brands, suppliers and investors must not cling to ‘business as usual’. Instead, they should leverage more innovative solutions."

To guide enterprises to undertake their environmental and climate responsibilities, IPE has significantly increased the weight of climate governance in this year’s Green Supply Chain CITI evaluation. Moreover, with the technical guidance of CRAES, IPE has upgraded the Supply Chain Climate Action Index (SCTI) to Corporate Climate Action Transparency Index (CATI) to motivate more industries and enterprises to deepen their commitment to China's dual carbon targets and global climate governance. CATI not only makes indicators on measurement & disclosure, targets & performance, and climate action much more granular, but also incorporates more innovative solutions in the evaluation criteria. By adding weighting factors, CATI can assess both companies who outsource their production to suppliers as well as those manufacturing companies.

“We need to start a ‘virtuous circle’ in which one industrial actor’s proactivity, or one enterprise’s proactivity also inspires others to reduce carbon emissions and eventually build indirect pressure that new industry norms emerge in which all companies are continuously interrogating themselves, and especially their supply chains.” says Dr. Paul Joscha Kohlenberg, Chief Representative of Heinrich-Böll-Stiftung Beijing Representative Office, a co-host to this year’s Forum. “IPE’s CATI index induces actors from different industries to enter such a virtuous circle.”

For the first time, IPE included 58 listed companies controlled by central SOEs into this year’s CATI evaluation, making the total number of companies under evaluation to 662 and that of industries to 30, including petrochemical, electric power, gas, non-ferrous, iron and steel, building materials, machinery and equipment, transportation, civil aviation, auto parts, photovoltaic industry and other industries. The evaluation showed that 44% of enterprises disclosed their Scope 1 and Scope 2 emissions, and 27% set and disclosed their Scope 1 and Scope 2 emissions reduction targets. In the first year after the announcement of China’s dual carbon targets, of the 58 listed enterprises evaluated, 78% disclosed GHG emissions for both Scope 1 and Scope 2. Among them, Sinopec, PetroChina and Baosteel disclosed their carbon peak and carbon neutral targets, while 55% of those listed companies also took action to reduce GHG emissions from their own operations.

Nevertheless, this year’s reports pointed out that, with the exception of the leading companies, most of the enterprises have yet to extend their environmental and carbon management to their supply chains, especially upstream raw material production, nor have they required their suppliers to set their own emission reduction targets, track and disclose their progress. Since supply chain emissions constitute the largest proportion of carbon footprints for most brands, the lack of management will make it difficult for multinational companies to effectively implement their climate commitments and for brands and suppliers to address future risks such as the potential arrival of a carbon border adjustment mechanism (CBAM).

To this end, IPE recommends that local and global enterprises should align themselves with China's ‘dual carbon’ strategy and improve their supply chain environmental management and climate governance. Specifically, multinational should make use of digital technology to push their suppliers in China to ensure environmental compliance, take measures to save energy and reduce emissions, and start looking into their own supply chains. Chinese enterprises should equally strengthen the measurement and disclosure of emissions data, set science-based targets and reduce emissions from its own operation. Central SOEs, in particular, should play a leading role in driving the low-carbon transformation.

IPE recommends that financial institutions benchmark against global best practices, integrate climate change policies into their investment portfolio and decision-making mechanisms to support actions to reduce energy use and carbon emissions. Currently, a number of Chinese banks and investors have started to monitor enterprises’ environmental and climate performance. Among them, Postal Savings Bank of China has started to pilot digitalised carbon accounting for lending enterprises, in addition to controlling lending risks via environmental big data.

The 2021 Green Supply Chain & Climate Action Forum was co-organized by IPE, Natural Resources Defense Council (NRDC), Heinrich-Böll-Stiftung Beijing Representative Office, SEE Zhujiang Branch, and ClientEarth Beijing Representative Office, under the technical guidance of CRAES’s Center for Carbon Neutrality. Representatives from Ministry of Ecology and Environment (MEE), CRAES, Ministry of Industry and Information Technology (MIIT), and the National Center for Climate Change Strategy and International Cooperation (NCSC), heads of foundations and well-known local and global environmental groups, as well as executives from 12 leading brands and suppliers gave keynote speeches and participated in panel discussions on topics of dual carbon targets, corporate actions and innovative solutions.

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The Green Supply Chain CITI, co-developed by IPE and the Natural Resources Defense Council (NRDC) in 2014, is a quantitative system for evaluating green supply chain practices in China, assessing brand performance on such matters as public engagement and responsiveness, requirements for supplier compliance and corrective action, and data disclosure and transparency.

Developed in 2021, Corporate Climate Action CATI dynamically assesses brands’ climate performance in governance, measurement & disclosure, targets & performance, and climate action. By adding weighting factors, CATI can assess both companies who outsource their production to suppliers as well as those manufacturing companies.

The Institute of Public & Environmental Affairs (IPE) is a non-profit environmental organization based in Beijing, China. Since its establishment in May 2006, IPE has developed and operated the Blue Map Database (<http://wwwen.ipe.org.cn/>), and launched the Blue Map app in June 2014, consolidating nationwide environmental quality and real-time emissions data with publicly released government supervision records. IPE aims to leverage its Blue Map Database and app to promote environmental information disclosure and public participation in order to improve environmental governance systems and reduce pollution.