**2021 Corporate Rankings on Supply Chain Pollution and GHG Responsibility**

**are Released**

**China’s Carbon Reduction Targets can motivate both local and global companies to further prioritize supply chain emissions**

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) today released the evaluation results of its eighth annual Corporate Green Supply Chain Responsibility Index (CITI) and Corporate Climate Action Index (CATI) at its 2021 Green Supply Chain & Climate Action Forum, highlighting the role that China’s recently announced carbon reduction targets can play to motivate local and global companies to prioritize emissions reductions across their supply chains. In this year’s evaluation, Levi's and Dell topped CITI and CATI respectively, while Huawei and Lenovo maintained their first-place standings among mainland Chinese brands in the two Indices. Sinopec this year became the first Chinese state-owned enterprise (SOE) to enter the CATI Top 50. The 2021 rankings covered 662 Chinese domestic and global multinational companies across 30 industries, covering the major global greenhouse gas emitting industries -- 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 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 significant number of leading local and global brands have made climate and environmental commitments, extended their management focus to upstream suppliers, where the bulk of their emissions lie, and empowered their suppliers in China to calculate and disclose their emissions using IPE’s innovative accounting platform to help them. Forty four percent of all 662 enterprises had disclosed their Scope 1 and Scope 2 emissions, and 27% had disclosed their Scope 1 and Scope 2 emissions reduction targets.

Nevertheless, this year’s reports pointed out that, with the exception of a handful of leading companies, most of the enterprises have not yet extended their environmental and carbon management to the Scope 3 emissions of their supply chains, especially to their very important upstream raw material suppliers, 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 (often more than 90%) of carbon footprints for most brands, this lack of Scope 3 supply chain activity will make it difficult for multinational companies to effectively implement or achieve the climate commitments they have publicly announced and for brands and suppliers to address future risks such as the potential arrival of a carbon border adjustment mechanism (CBAM).

To better understand the impact of the carbon reduction targets that China announced this year (peak emissions by 2030 and carbon neutrality by 2060), IPE worked with the Chinese Research Academy of Environmental Sciences (CRAES) to evaluate 58 listed companies controlled by central SOEs in this year’s CATI evaluation. Results showed that the climate governance in this group of companies indeed exceeded the rest of the companies in the Greater China region; the companies scored an average of 8.86 in CATI, whereas the average for companies of the Greater China region was only 3.29. Of the 58 listed enterprises evaluated, 78% disclosed GHG emissions for both Scope 1 and Scope 2. Among them, Sinopec, PetroChina and Baosteel also disclosed their carbon peak and carbon neutral targets, while 55% of the 58 companies took action to reduce GHG emissions from their own operations.

COP26 heralds the urgent need for companies to play a greater part in reducing GHG emissions, stepping up focus on supply chain emissions, where the bulk of their impact lies, for reasons beyond mere corporate social responsibility.

"In the next decade, ensuring environmental compliance and managing Scope 3 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 for the transformative changes that we need."

“We need to start a ‘virtuous circle’ in which one industrial actor’s proactivity, or one enterprise’s proactivity 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 industries to enter such a virtuous circle.”

To guide and motivate 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 revised its former Supply Chain Climate Action Index (SCTI) and created the new Corporate Climate Action Transparency Index (CATI) to better track and reward deeper commitments and actions aligned with China's carbon reduction targets and its global climate governance goals. To do so, IPE’s new CATI provides more granular indicators of measurement & disclosure activities and climate targets & performance that incorporates reliance upon more innovative tools for tracking and reporting emissions in the evaluation criteria. Furthermore, CATI assesses both those companies that outsource their production to suppliers as well as those companies that manufacture on their own.

IPE recommends that local and global multinational enterprises align themselves with China's ‘dual carbon’ reduction strategy and that they improve their supply chain environmental management and climate governance. Specifically, IPE recommends that multinational 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 for hot spots of their own GHG supply chain emissions. Chinese enterprises should equally strengthen the measurement and disclosure of emissions data, set science-based targets and reduce emissions from their own operations. Central SOEs, in particular, should play a leading role in driving the low-carbon transformation.

IPE also recommends that financial institutions benchmark against global best practices, integrate climate change policies into their investment portfolios and decision-making mechanisms to support actions to reduce energy use and GHG emissions. A number of Chinese banks and investors have started to monitor enterprises’ environmental and climate performance in this way. Among them, Postal Savings Bank of China has started to pilot digitalised carbon accounting for lending enterprises, in addition to controlling lending risks using the environmental big data available in IPE’s Blue Map database and other sources.

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), the National Center for Climate Change Strategy and International Cooperation (NCSC), and heads of foundations and well-known local and global environmental groups. Executives from 12 leading brands and suppliers gave keynote speeches and participated in panel discussions on topics of China’s dual carbon reduction targets, corporate actions and innovative solutions.

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The Corporate Green Supply Chain Index, 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.

Newly developed in 2021, the Corporate Climate Action Index, CATI, developed by IPE under the technical guidance of CRAES’s Center for Carbon Neutrality, is a quantitative system for assessing brands’ climate performance on such matters as governance, measurement & disclosure, targets & performance, and climate action. Through the use of weighting factors, CATI can assess both companies who outsource their production to outside suppliers as well as those companies that manufacture themselves.

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 it 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.