

2021 GREEN SUPPLY CHAIN CITI EVALUATION REPORT

EXECUTIVE SUMMARY

The Intergovernmental Panel on Climate Change reaffirmed in its report released in August that human influence has warmed the atmosphere, ocean and land. In response to the climate crisis, in September 2020, China joined the Global Race to Zero by setting a "dual carbon" target to cap GHG emissions by 2030 and reach net zero emissions by 2060. It also put in place a synergetic approach to reducing pollution and carbon emissions for the 14th Five-Year Plan period (2021-2025) and beyond. In spite of these ambitions, China's surge in manufacturing for export in the post-Covid 19 era has led to an increase in the country's energy consumption and carbon emissions. Moreover, the country continues to face air, water, soil and marine pollution, while plastic waste, hazardous chemicals and biodiversity loss pose potential threats to the ecological environment.

To engage the private sectors to address these issues, IPE jointly developed the [Green Supply Chain CITI Evaluation](#) with the Natural Resources Defense Council (NRDC) back in 2014. By dynamically assessing brands' performance in five areas, namely: responsiveness and transparency, compliance and corrective action, extended management to upstream supply chain, energy conservation and emissions reduction, as well as performance disclosure, CITI provides a roadmap for brands to conduct supply chain environmental management and climate governance in China. As CITI focuses strictly on supply chain, where the heaviest environmental impacts and carbon hotspots lie, the evaluation makes an important complementary contribution to broader global sustainability initiatives and reporting indices developed for the private sector.

Since 2014, IPE has upgraded the CITI evaluation criteria for eight consecutive years and conducted annual evaluation accordingly. This year, to guide brands to implement a more synergetic strategy to reduce pollution and carbon emissions along their supply chains, IPE increased the weight of climate governance in CITI to 20%. (IPE has a separate evaluation, [Corporate Climate Action Transparency Index \(CATI\)](#) for ranking corporate climate performance.) To visually showcase the leading and lagging areas of work in the five evaluation areas of the CITI scoring system, IPE added a spider chart on the Blue Map website for each brand.

2020

"DUAL CARBON" TARGET ANNOUNCED

2030

GHG EMISSIONS CAP

2060

NET ZERO EMISSIONS



EVALUATION RESULTS

[Results from this year's evaluation](#) which covered **613** brands from **21** industries showed continuing high performance by leading brands from the IT and textile & apparel industries, including Apple, Dell, Levi's, C&A, Cisco, Nike, Inditex, Primark, Adidas, Foxconn, Target and VF, who continued their high achievements in promoting supply chain compliance and driving emissions reductions. In addition, Kao, P&G, Schaeffler and Danone from the personal care, automotive parts and food & beverage industries also improved their supply chain management in 2021. An unprecedented **7** Chinese brands, namely Huawei, Avary Holding, Lenovo, Landsea Holding, Li-Ning, Grandblue and Esquel entered this year's Top 50 list alongside these multinationals. Three new brands — Lenovo, the Very Group and Kao — joined 21 other multinationals to publicly disclose their supplier lists, adding to a total of **2,417** Chinese suppliers identified for the public via the [Green Supply Chain Map](#) launched by IPE and NRDC in 2018.

For many years, brands have either relied on annual audits to oversee supply chain performance or limited their scope to overseeing only their direct suppliers. Now it is more important than ever that they mature their supply chain oversight and extend both environmental management and carbon governance to **further upstream** in their supply chain, where the bulk of the impacts and emissions lie. As has been explained above, CITI provides a practical roadmap for brands who source from China to undertake such measures and rewards substantial points in this regard for targeting upstream material manufacturers. Increasingly, leading brands have begun to undertake this effort, such as a handful of apparel brands that have collected the lists of dye and auxiliary manufacturers, logistics and freight suppliers, as well as wastewater treatment plants and solid waste (including hazardous waste) treatment facilities used by their suppliers and started to monitor their performance.

Reflecting important progress on greenhouse gas emissions measurement and reporting, **25** brands required suppliers to measure and publicly disclose their energy and water consumption, greenhouse gas, wastewater and air pollutant emissions, energy efficiency targets and progress towards them, as well as solid waste (including hazardous waste) generation and transfer data via IPE's Blue Map website. Among them, Apple, C&A, Dell, Levi's and New Balance began to require their suppliers to conduct environmental and carbon management of their own supply chain by pushing their own suppliers to start measuring and disclosing relevant data.

Finally, as in previous years, we happily bring attention to several leading textile brands such as Inditex and C&A who created labels and displayed posters in stores, directing public attention to their efforts to reduce environmental impacts and carbon footprints along the supply chain.

In spite of this progress, nearly half of the brands scored by IPE — **309** brands — scored 5 points or less in this year's evaluation, indicating they are doing nothing significant to oversee or curtail their supplier environmental impacts.

CITI Impact as of December 2021

15,928 facilities engaged with IPE regarding their violation records or environmental information disclosure

5,944 Green Choice Audits (GCA) conducted to verify the effectiveness of suppliers' rectification measures

5,387 sets of annual carbon & pollutant release and transfer registry (PRTR) data disclosed

29,312 facilities employed Blue EcoChain to monitor their own environmental performance

RECOMMENDATIONS

For the upcoming year of 2022, in the face of the strengthened environmental law enforcement and the pressure to meet China’s “dual carbon” targets, IPE recommends the following:

- Brands who have yet to oversee their supply chain should begin by immediately identifying their lists of suppliers and screen their compliance status with IPE’s [Blue Map database](#), which collects and showcases the environmental violations of over 10 million facilities in China;
- Brands who have made a modest start should accelerate their efforts by employing automated tools such as the [Blue EcoChain](#) developed by IPE to extend the screening scope and frequency, and track the supply chain performance in a more dynamic manner;
- Brands who scored well overall should prioritize greater efforts to focus on upstream in their supply chain where the bulk of environmental impacts and carbon footprints lie and require suppliers to oversee their own supply chain performance to magnify the impact of this effort;

Finally, IPE recommends that in 2022, all brands make it a top priority to calculate carbon emissions from their supply chain in China, set clear and ambitious emissions reduction and supplier engagement targets accordingly, and track the progress in their reductions. Brands should also require their suppliers to measure and publicly disclose their own greenhouse gas emissions, set reduction targets, track progress, and reduce their emissions.

CITI

Evaluating brands' environmental management of their supply chains in China (2014–2021)

14%

WEIGHTING

Responsiveness & Transparency

Respond to public inquiries regarding supply chain environmental violations;

Publish supplier list in China to receive public supervision



22%

WEIGHTING

Compliance & Corrective Actions

Screen suppliers' environmental compliance performance in China;

Require suppliers to take corrective actions and issue public explanations




32%

WEIGHTING

Extend Green Supply Chain Practice to Upstream

Extend responsible management of chemical suppliers, logistics suppliers, and wastewater and solid waste;

Push direct suppliers to control environmental risks along their own supply chains in China



24%

WEIGHTING

Energy Conservation & Emissions Reduction

Push suppliers to reduce their energy use and carbon footprint AND disclose energy and carbon data;

Push suppliers to reduce resource use and pollutant emissions AND disclose pollutant release and transfer data



8%

WEIGHTING

Promote Public Green Choices

Guide the public into choosing products made by supply chains with comparatively superior environmental performance



CITI TOP 50

The Green Supply Chain CITI Evaluation dynamically assesses brands on the environmental management of their supply chains in China. The evaluation uses government supervision data and public information published by the brand to assess performance. Scores are updated throughout the year as brands work with their suppliers on pollution issues as they arise. The CITI report has been published annually since 2014.

01  83.41	02  80.86	03  73.82	04  72.08	05  71.57
06  70.25	07  69.07	08  68.79	09  68.2	10  65.9
11  65.89	12  63.49	13  61.75	14  61.44	15  59.52
16  57.81	17  56.38	18  56.06	19  55.98	20  55.53
21  52.63	22  52.43	23  52.09	24  50.63	25  50.51
26  50.50	27  47.88	28  45.12	29  44.49	30  43.25
31  41.66	32  40.91	33  38.69	34  38.57	35  37.85
36  37.21	37  37.15	38  36.88	39  36.75	40  36.53
41  36.02	42  34.13	43  33.34	44  33.29	45  32.17
46  31.77	47  30.92	48  30.85	49  29.07	50  28.06