

Corporate Information Transparency Index

China

Status | Project | Contact

Implemented | Supply Chain Environmental Management Evaluation System | IPE

The water pollution and soil pollution are also major challenges that the country faces. Official sources showed that nearly 60% of groundwater monitor readings showed water quality to be “poor” or “very poor”, and nearly 20% of croplands are identified as polluted.

Existing corporate environmental standards and evaluation tools have certain limitations and many do not pay close attention to the impact on the environment that global supply chains have. Although a number of evaluation systems recognize that this problem exists and would like to add more focus on supply chains, the complex conditions surrounding supply chain issues and the difficulties in identifying how well brands are performing means that many leave out a complete evaluation of supply chain management.

Thanks to progress made in environmental information disclosure in China over the past few years, and also developments in public participation in environmental governance, in 2007, IPE and partner NGOs were able to launch the Green Choice Alliance - Supply Chain Management project. Using qualitative assessments tools developed as part of this project, IPE and NRDC went on to develop the Corporate Information Transparency Index (CITI). The multi stakeholder approach that the CITI uses means that it can make up for some of the deficiencies that exist in the supply chain management evaluation sections of other evaluation systems.

The issue

Case background/context

The textile industry is the third worst water polluter in China, discharging, according to the *Annual Statistical Report on Environment in China*, 2.37 billions tons of wastewater in 2012; 11.7% of the country's total wastewater discharge. Within the textile industry, the dyeing and finishing sectors have the largest contribution. In recent areas where the dyeing industry is concentrated, including Hangzhou Bay, Taihu Basin, Pearl River Delta estuary and Pearl River Delta region, water pollution has become an extremely serious problem, thereby indicating that pollutant discharge exceeds environmental carrying capacity.

When reviewing companies that have environmental compliance violations because their wastewater discharge was in breach of the regulatory standards, companies within the textile industry made up a significant portion representing more than 6000 cases. In June 2014, using Chinese keyword searches for “textiles”, “dyeing”, “washing”, and “dyeing and finishing” returned as many as 6900 environmental violation records.

Multi-national companies that have the manufacturing node of their commodity chain located in China take advantage of the monitoring and evaluation rules in China and do not take effective measures to guarantee that local suppliers fulfill commitments in water resources protection and sustainable development. This has implications upon the quality of the water and its ability to be effectively within other sectors such as food production and ecosystem maintenance.

The response

The main objective of the case

In order to evaluate the extent to which brands push their suppliers to improve their environmental performance, and to encourage brands to implement more thorough environmental data disclosure, the Institute of Public and Environmental Affairs (IPE) used the Corporate Information Transparency Index (CITI) Evaluation Criteria to evaluate 147 Chinese and foreign brands from eight industry sectors.

The CITI is based on collected data and publicly disclosed information. Brands need use the power of public supervision to ensure that their supply chains can meet environmental standards, even under complex societal conditions. The government should expand information disclosure and use market oriented measures to push for environmental protection. Consumers in China and abroad can look at the CITI evaluation results and use their purchasing power to support and encourage those brands that are willing, and have systems in place, to address environmental pollution problems in their supply chains, thus helping to address some of the environmental challenges faced by China and the wider world.

The CITI is not only a quantitative evaluation system; the five levels contained in each of the 10 evaluation criteria provide a step by step process, from easy steps to more challenging ones, that provides brands with a roadmap on how to green their supply chain.

The results

Outcomes

This inaugural CITI assessment looked at eight industrial sectors with significant environmental impacts: IT, textiles, food and beverage, household and personal care, automobile, breweries, and leather. This consisted of 147 brands. Apple, H&M, Esquel Group, GAP, C&A, HP, Microsoft, Puma, Panasonic, M&S and etc. are all leading brands that have begun to extend green supply chain practices to their main materials suppliers.

Based on CITI evaluation results, a large number of brands have already started to use a supplier screening mechanism that makes use of open environmental information. Using this data, these companies can proactively identify pollution problems in the supply chain, and some have pushed suppliers to implement corrective actions. However, regardless of those top performers, 47 of investigated brands were unable to provide any sort of response to questions about their supply



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chains, demonstrating that there's a long road ahead before the goal of green supply chains can be attained.

Looking at the brands on a regional basis, some European and American brands have a good performance, but there are also many laggards. Japanese and Korean brands are generally all consistent with their performance, but more progress could be made. The performance of brands from the greater China region vary wildly, with some brands, including Esquel and Huawei, making good progress. However, most are just starting out or have not begun to do anything at all.

References

IPE and NRDC. (2014). Greening the Global Supply Chain http://www.ipe.org.cn/Upload/IPE-Reports/CITI%20Report%20final_EN.pdf