



Press release

Standard Chartered report: Hong Kong suppliers risk over USD200bn in exports for failing to cut carbon emissions

MNCs cutting suppliers that endanger their carbon transition plans

10 June 2021, Hong Kong – A new study by Standard Chartered reveals that 78 per cent of multinationals (MNCs) plan to remove suppliers that fail to curb carbon emissions in line with their carbon transition plans by 2025. For Hong Kong suppliers who fail to transition alongside their MNC partners, this could mean a loss in export revenue of USD205.5 billion.

According to the Carbon Dated report, which looks at the risks and opportunities for suppliers in emerging and fast-growing markets as large corporates transition to net zero, 15 per cent of MNCs have already begun removing suppliers that might scupper their transition plans. In total, MNCs expect to exclude 35 per cent of their current suppliers as they move away from carbon.

The study also found that:

- Supply chain emissions account for an average of 73 per cent of MNCs' total emissions
- More than two thirds (67 per cent) of MNCs say tackling supply chain emissions is the first step in their net-zero transition, rather than focusing on their own carbon output
- Suppliers in 12 key emerging and fast-growing markets can share in USD1.6 trillion worth of business if they can remain part of MNC supply chains
- 88 per cent of MNCs with a supply chain in Hong Kong have set emission reduction targets for their suppliers, asking for an average reduction of 31 per cent by 2025

The net-zero supply chain revolution

Racing against the clock to hit their net-zero carbon goals, MNCs are demanding their suppliers to become more sustainable, with companies based in emerging and fast-moving markets facing the biggest challenge.

Some 64 per cent of MNCs believe emerging market suppliers are struggling more than developed market suppliers with their net-zero transition and 57 per cent are prepared to replace emerging market suppliers with developed market suppliers to aid their transition.

MNCs are concerned that emerging market suppliers are failing to keep pace with for two key reasons: insufficient knowledge and inadequate data. Some 56 per cent of MNCs believe that the lack of knowledge among emerging market suppliers (41 per cent for developed market suppliers) is a barrier to decarbonisation.

With MNCs struggling with the quality of data, two-thirds are using secondary sources of data to plug the gap left by supplier emissions surveys and 46 per cent say that unreliable data from suppliers is a barrier to reducing emissions.

Risks and rewards

The study also reveals that the current approach taken by MNCs could create a USD1.6 trillion opportunity for the net-zero club: those businesses reducing emissions in line with MNC net-zero plans.

This represents a major opportunity for net-zero-focused suppliers across the 12 markets in this study, but also quantifies the potential losses to companies not embracing net-zero transition.

Market	Annual export revenue at risk (USD)
China	512.3bn
India	273.7bn
Hong Kong	205.5bn
Singapore	146.6bn
South Korea	142.5bn
The UAE	119.6bn
Malaysia	65.3bn
Nigeria	34.3bn
South Africa	33.7bn
Indonesia	25.6bn
Bangladesh	18.7bn
Kenya	3.9bn

MNCs are also willing to spend more on net-zero products and services. Some 45 per cent said they would pay a premium, of 7 per cent on average, for a product or service from a net-zero supplier.

Carbon, collaboration and compromise

MNCs are exploring other ways to help their suppliers' transition to net zero. Some 47 per cent are offering preferred supplier status – a sales advantage – to sustainable suppliers, and 30 per cent are offering preferential pricing.

Some MNCs are going further, offering grants or loans to their suppliers to invest in reducing emissions (18 per cent) or data collection (13 per cent).

How are MNCs supporting their suppliers to reach net-zero?	Percentage
Offering preferred supplier status to sustainable suppliers	47 %
Investing in new technologies on behalf of their suppliers	46 %
Helping educate them on effective energy efficiency strategies	37 %
Helping educate them on reducing waste from their operations	36 %
Providing access to industry specialists who will help suppliers reduce emissions	35 %
Investing in clean energy infrastructure in key suppliers' local markets	31 %
Preferential pricing for measurably sustainable suppliers	30 %
Grants or loans to invest in reducing emissions from operations	18 %
Grants or loans to invest in data collection	13 %

Bill Winters, Group Chief Executive of Standard Chartered says: “It’s no surprise that as multinational companies transition to net zero, they will have to ask their suppliers to evidence their own transitions. However, suppliers – especially those in emerging and fast-growing markets - cannot go it alone.

“MNCs need to incentivise their suppliers to help them kick start their transition journey, but governments and the financial sector have a role to play too by creating the right infrastructure and offering the necessary funding.

“Decarbonisation is vital for the survival of the planet, but a vibrant trade ecosystem is essential for maintaining an interconnected global economy. We must work together to ensure the supply chain is decarbonised in a way that delivers shared prosperity across the world.”

Ricky Kaura, Regional Head of Transaction Banking, Asia & AME, Standard Chartered, said: “Hong Kong has been an important regional trade hub in Asia for many years. To maintain competitiveness and, more importantly, to help save the planet for the future generations, Hong Kong suppliers can do more to reduce carbon emissions together with other parties in the whole trade ecosystem. As a top global trade bank, we have recently launched our unique Sustainable Trade Finance Proposition to help our clients build more sustainable transaction banking solutions and supply chains.”

Carbon Dated surveyed 400 sustainability and supply chain experts at MNCs across the globe. For more details, please visit: www.sc.com/carbon-dated

--- ENDS ---

Standard Chartered

We are a leading international banking group, with a presence in 59 of the world’s most dynamic markets and serving clients in a further 85. Our purpose is to drive commerce and prosperity through our unique diversity, and our heritage and values are expressed in our brand promise, here for good.

Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges.

The history of Standard Chartered in Hong Kong dates back to 1859. It is currently one of the Hong Kong SAR’s three note-issuing banks. Standard Chartered incorporated its Hong Kong business on 1 July 2004, and now operates as a licensed bank in Hong Kong under the name of Standard Chartered Bank (Hong Kong) Limited, a wholly owned subsidiary of Standard Chartered PLC.

For more stories and expert opinions please visit [Insights](#) at sc.com. Follow Standard Chartered on [Twitter](#), [LinkedIn](#) and [Facebook](#).