China Council for International Cooperation on Environment and Development (CCICED)

Corporate Social Responsibility in Green Development in China

CCICED Special Policy Study Summary Report

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Special Policy Study Members

**Co-chairs***:

- **HAO Fanghua**, Vice President, Beijing Normal University
- **William Valentino**, Professor and Deputy Director of the China Institute of Social Responsibility at School of Social Development and Public Policy, Beijing Normal University

**Vice Co-chair***:

- **LI Haisheng**, Director General of Appraisal Centre for Environment and Engineer, MEP

**Special Policy Study Members***:

- **PENG Huagang**, Research Bureau, State-owned Assets Supervision and Administration Commission of the State Council
- **ZHONG Hongwu**, Director of Corporate Social Responsibility Centre, Chinese Academy of Social Sciences
- **RENTong Hongyan**, Deputy Director General, Appraisal Centre for Environment and Engineer, MEP
- **Rolf Dietmar**, Project Director, Sino-German Corporate Social Responsibility Project
- **Peter S. Hofman**, Associate Professor in Corporate Governance & Corporate Social Responsibility, Nottingham University Business School China
- **HU Tao**, Senior Associate, International Financial Flows and Environment Project, World Resources Institute (WRI)

**Research Support Team**:

- **QI Ye**, Professor and Director of Climate Policy Institute at Tsinghua University
- **ZHANG Xiulan**, Dean, School of Social Development and Public Policy, Beijing Normal University
- **CHENG Hongguang**, Associate Professor at School of Environment, Beijing Normal University
- **CHEN Feng**, Division Director, Research Bureau, State-owned Assets Supervision and Administration Commission of the State Council
- **ZHANG En**, Deputy Director of Corporate Social Responsibility Centre, Chinese Academy of Social Sciences
ZHANG Xinfang, Chief engineer, Department of land environment & resources of Hainan province
ZHAO Lijian, Environment Program Officer of Beijing Office of The Energy Foundation (United States)
YANG Hongbin, Vice Director of Science, Technology and Environmental Protection Department of China Three Gorges Corporation
YU Xiaodong, Deputy Director of Department of Resources and Environment, CIECC
CHEN Cheng, Department of Resources and Environment, CIECC
ZHANG Xiaodan, Deputy Director General, China Environmental United Certification Center Co., Ltd
LIU Qingzhi, China Environmental United Certification Center Co., Ltd
XUE Jinghua, China Environmental United Certification Center Co., Ltd
YANG Lichao, Director, Overseas Chinese Business Research Center, School of Social Development and Public Policy, Beijing Normal University
XIE Jian, Deputy Director, Overseas Chinese Business Research Center, School of Social Development and Public Policy, Beijing Normal University
LI Yuanxiang, Assistant Director, China Institute of Social Responsibility, Beijing Normal University
OUYANG Wei, Associate Professor at School of Environment, Beijing Normal University
ZHANG Xuan, School of Economics and Business Administration, Beijing Normal University

Coordinators:

LI Yuanshi, Assistant Director, Appraisal Centre for Environment and Engineer, MEP
ZHANG Lei, Appraisal Centre for Environment and Engineer, MEP
WANG Bingyan, Director of Operation, Green Development Institute, Beijing Normal University

* Co-Chairs and Special Policy Study members serve in their personal capacities
I. Summary of key findings

1. Corporate Social Responsibility (CSR) has become a globally recognized and defined concept (see ISO 26000) and has moved from a perception of CSR depending on the philanthropy or charity of business owners to a core concept in business that reflects respect for the rule of law and going beyond compliance through taking environmental and social considerations into account in business operations. CSR incorporates corporate environmental responsibility (CER) which provides the basis for companies to contribute to and makes it an integral part of Green Development by adequately preventing and reducing environmental impacts of business activities.

2. Chinese companies are divided into three levels based on their compliance to environmental laws and fulfillment of CSR expectations. The government should develop strategies to punish enterprises that do not comply with the law and basic CSR expectations while encouraging others to develop and achieve more advanced CSR policies and strategies beyond compliance.

3. In China, CSR and CER are at early stages because there is insufficient awareness about these practices, corporations lack the capacity to ensure CSR/CER, monitoring and governance are weak, and there is no strong pressure from external actors. Most companies behave either under the baseline or as compliers with few taking leadership roles.

4. The central and local governments, corporations and civil society stakeholders will play a major role in shaping the future development of China's CSR. The government can assume the roles of promotion, enforcement, guidance and cooperation in ensuring CSR.

5. The experiences of developed countries demonstrate that businesses require support, commitment, and active participation from the government and other sectors. A national framework and effective public policies designed by the government must integrate the connection between economic development, sustainability, and CSR/CER.

6. Stakeholders, including governments, social organizations, residential community groups and the media, must actively guide, motivate and put pressure on companies to encourage them to act responsibly.

7. In order to promote sustainable development and create an ecological civilization, it is essential to create a national strategy and action plan for CSR/CER. Such a
plan should strengthen government coordination and cooperation, provide support and services to enterprises, and develop mechanisms to enhance information disclosure and transparency.
II. Summary of principal policy recommendations

Five categories of recommendations for government actions have been generated from the key findings of this study.

- Develop a national strategy and action plan
- Establish consensus and coordination mechanisms among relevant government entities, organizations and other stakeholders
- Expand capacity building and education for government, enterprises and other stakeholders
- Increase enforcement of environmental legislation and incentivize companies to go beyond compliance
- Strengthen mechanisms for better information disclosure and transparency

These five categories include the rationale behind the recommendation and detailed proposals for action
III. Introduction and reason for this special policy study

Globalization and China’s accession to the World Trade Organization (WTO) have significantly changed the opportunities for Chinese enterprises in the domestic and overseas markets. Chinese companies must comply with local laws and regulations, government approval and inspection, and respond to greater public scrutiny on the impact that they have on society and the environment. The financial crisis and global warming have increased the concerns of the public to include energy efficiency, pollution, life cycles of products, green supply chains, contributions that businesses make to community development, workers’ health and safety and timely disclosure of information. These issues influence the success of enterprises, the market performance of their products as well as the ratings and financial support provided by banks.

CSR increasingly affects the reputation and public image of businesses. Many international agreements and institutions such as the UN Global Compact, the International Labour Organization (ILO), the World Business Council for Sustainable Development (WBCSD) and international financial institutions advocate that businesses should conform to the principle of sustainable development and develop environmental-friendly technologies. Large multinational companies in developed countries attach great importance to the image that they project to investors and the public and therefore make substantial efforts to push forward Green Development. In China, many companies continue only to consider the financial cost of CSR, and are unaware of the potential business opportunities associated with good CSR practices. Some state owned and private enterprises even disregard CSR when they enter overseas markets, which seriously weaken their long-term competitiveness and damages China’s international reputation.

The November 2012 report of the 18th National Congress of the Communist Party of China emphasized including the concepts of ecological civilization, resource consumption, minimization of environmental damage and addition of ecological benefits into the economic and social development evaluation systems. The report also highlighted the need to improve the core competitiveness of large enterprises and accelerate and enhance the international operations of Chinese companies. Based on the requirements of the 18th National Congress, the report presented by this task force will, analyze the status of CSR and Green Development, the factors which influence them, policy requirements to develop CSR capacity and recommendations to push forward the implementation of CSR to ensure the Green Development and ecological progress of China. The objectives of the CCICED report on “Corporate Social Responsibility in Green Development in China” are:
1. To investigate the status of China’s CSR and Green Development policies, and analyze problems;
2. To explore international trends on CSR and Green Development;
3. To establish a framework for CSR in Green Development;
4. To provide policy recommendations on promoting CSR in Green Development.

The special policy study collected and analyzed CSR reports of enterprises from a multitude of sectors. A Chinese team and a foreign team collaborated in over 20 workshops, seminars and meetings. The project management group connected with the CCICED Secretariat throughout the process and made regular reports during key stages in order to ensure successful implementation.
Contents

I. Summary of key findings ................................................................. i
II. Summary of principal policy recommendations ............................. iii
III. Introduction and reason for this special policy study .................... iv
IV. Report and recommendations ...................................................... 1
1. Background: Understanding Corporate Social Responsibility and
Green Development ........................................................................ 1
  1.1. Overview .................................................................................. 1
  1.2. Corporate Social Responsibility (CSR) and Green Development ........ 2
  1.3. Levels of implementation of corporate environmental social responsibility .... 3
2. CSR, CER and Green Development in China .................................. 4
  2.1. Overview .................................................................................. 4
  2.2. State and evaluation of CSR/CER implementation by enterprises in China ........ 4
  2.3. Analysis of CSR/CER .................................................................. 6
  2.4. CSR/CER perspectives from various stakeholders ....................................... 8
  2.5. Shift of CSR/CER from legal compliance to competitive advantage .................. 9
3. Policies and Regulations to Promote Corporate Environmental and Social
Responsibility in China .................................................................... 10
  3.1. Overview .................................................................................. 10
  3.2. Analysis of policies from Central Government to promote enterprises’
  performance of CSR / CER .................................................................. 10
  3.3. Analysis of the Chinese Central Government’s mechanisms for the
  promotion of CSR/CER performance .................................................. 12
  3.4. The role of local government ................................................................ 13
4. CSR and Green Development in a Global Context .......................... 14
  4.1. Green Development and CSR in a global perspective ......................... 14
  4.2. Public policies in Green Development: Country Profiles .......................... 17
5. Framework of CSR/CER Implementation in Green Development ....... 18
  5.1. CSR/CER framework ................................................................. 18
  5.2. A framework for CSR/CER in Green Development .............................. 19
6. Policy Recommendations to the Chinese Government .................... 21
  6.1. Recommendation1: Develop a national strategy and action plan ............ 21
  6.2. Recommendation 2: Establish coordination mechanisms and consensus
  among relevant government entities and other stakeholders .......................... 22
  6.3. Recommendation 3: Expand education and capacity building for
government, enterprises and a broad set of stakeholders .................................. 23
  6.4. Recommendation 4: Strengthen enforcement of environmental legislation
  and simultaneously incentivize companies to go beyond compliance ................. 25
  6.5. Recommendation 5: Strengthen mechanisms for better information
disclosure and transparency .................................................................. 26
V. Conclusion ................................................................................... 27
VI. Acknowledgments ........................................................................ 29
IV. Report and recommendations

1. BACKGROUND: UNDERSTANDING CORPORATE SOCIAL RESPONSIBILITY AND GREEN DEVELOPMENT

China’s economic success is dependent on social and environmental stability. Its ongoing prosperity requires sustainable growth based on thinking and actions that take a balanced approach to development. China should continue to pursue the concept of a “balanced-growth future”, better known as following a “path towards green reform”.

This Special Policy Study is focused on CSR in Green Development and their connection to environmental challenges facing China as a result of rapid and unprecedented growth over the past three decades. Increasing environmental and social problems are negatively impacting the welfare and health of Chinese citizens, which in turn threaten to jeopardize the societal achievements that have been realized.

1.1. Overview

The globalization of economies and businesses increasingly emphasize the widespread dimensions of both CSR and Green Development as business and development concepts and as public policy instruments that promote local, regional and global sustainability and stability.

It is important to find a way to balance economic growth and sustainability. The public and private sectors must collaborate to ensure that sustainability is promoted at an individual and group level, but also on a global, regional, national and local scale.

CSR and Green Development are subsets of sustainable development, which is a preoccupation for economists, politicians, policy makers, business leaders, entrepreneurs, activists, environmentalists and individuals.

The concept of CSR now includes environmental issues (CER – Corporate Environmental Responsibility) and is driving the paradigm that it is critical for companies that seek sustainable development to take measures to ensure environmental protection. Companies are increasingly realizing that their integrity is affected by their responsibility and compliance to laws and regulations. As a result, in China attitudes have been changing, with the private sector becoming a more active partner in environmental development and protection. A growing number of governments and businesses are realizing that environmental protection and economic growth are not always in conflict. Companies are beginning to understand that what is
fundamentally good for society and the environment is actually good for business.

The evolution of CSR with Chinese characteristics results from the general direction of China’s development path and the expectations regarding the impact companies should have on society. Therefore CSR/CER is not simply the promotion of environmental protection and balanced economic development through legislation. The concept of CSR in China reflects thinking that moves away from a focus on “growth at any cost” toward a sustainable model that balances growth with social harmony, and innovation with environmental stewardship. This has been one of the key themes of the 12th Five Year Plan (2011-2015). Themes that have consistently surfaced in the thinking and policies of China’s top leaders over the past decade include concepts and policy frameworks such as “building a Xiaokang (well-off) society”, “harmonious society”, a “scientific outlook on development”, “circular economy”, “low–carbon economy”, and the short-lived “Green GDP”. More recently, this direction continues to be proclaimed in President Xi Jinping’s “China Dream” and “the great renaissance of the Chinese nation”

1.2. Corporate Social Responsibility (CSR) and Green Development

The November 2010 ISO 26000 definition reflects the most authoritative international understanding of SR or CSR by the international community so far.

“...the responsibility of an organization for the impact of its decisions and activities on society and the environment, through transparent and ethical behavior that

• contributes to sustainable development, including health and the welfare of society;
• takes into account the expectations of stakeholders;
• is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practised in its relationships.” (ISO26000, 2010)

During its earliest stage, CSR was deemed as the charity of corporate owners. The growth in numbers and scale of corporations means that they must become accountable and responsible for their negative environmental and social impacts. Generally, corporations will not initially pay for remediation costs that occur beyond their boundaries, but will be forced to internalize them through governmental regulations. Compliance with governmental regulations is an important aspect of corporations assuming social responsibilities and constitutes the second phase of CSR development.

The incorporation of CSR into their decision-making process is largely due to companies changing and evolving in the way in which they operate. CSR has become an important tool in corporate strategy and has gradually evolved into becoming a
core component of the strategic planning and decision-making process of global businesses.

Green Development decouples growth away from a heavy dependence on resources and carbon while promoting growth through the creation of new green product markets, technologies, investments, and changes in the behavior of consumption and conservation. It is driven by harsh economic and environmental realities, changing global priorities, and growing technological possibilities.

Traditionally, environmental protection has been an issue of public interest and governments have therefore assumed the main responsibility for assuring its preservation. In this role, governments have directed the private sector to adopt environmentally sound behavior through regulations, sanctions and occasionally, through incentives. When environmental problems have arisen, the public sector has generally borne the responsibility for mitigating the environmental damage.

In recent years, the roles of these sectors have been changing. The private sector has become an active partner in environmental protection mainly in response to increased awareness and expectations of stakeholders. Through CSR engagement, governments and businesses are now beginning to realize that environmental protection and economic growth are not always in conflict.

CSR alerts business to the need to be part of new sustainable growth models and to replace unsustainable ones. Focusing on the environmental pillar of the triple bottom line of people, plants and profits leads to CER. This demonstrates the fundamental role that businesses play in reversing the environmental misuse and degradation of our planet’s eco-systems.

1.3. Levels of implementation of corporate environmental social responsibility

Compliers. In order to ensure corporate environmental responsibility, it is of foremost importance that businesses comply with laws and regulations including national laws and environmental standards. Legal obligation is the minimum standard of corporate responsibility but is of principal importance. At present, there are still many corporations that do not comply with environmental laws, regulations and standards in China. These corporations should assume their legal responsibilities.

Active cooperators. These are corporations that take environmental and social responsibilities and contribute to the sustainable development of the economy, environment and society. Modern corporations with a strong sense of social responsibility are very sensitive to their influence on the environment and society.
They respond in a prompt and active manner to national requirements and make great efforts to ensure environmental protection and sustainable development.

**Future leaders.** Given the transition towards a global green economy, businesses will increasingly look into the future, seize opportunities and take leadership roles in this economic transition.

The policies instated by the government should encourage CSR at these three levels and should promote companies to move towards the second and third stages while ensuring strict compliance within the first class.

## 2. CSR, CER AND GREEN DEVELOPMENT IN CHINA

### 2.1. Overview

China's economy has enjoyed a steady and rapid growth for 35 years with an annual average growth rate of 10.7% between 2003 and 2011. China’s GDP ranks 2nd globally after the USA. This high economic growth has been accompanied by a high use of energy (20.3% of world’s total in 2011), high raw material consumption (almost 60% of cement, 49% of iron and steel), extensive environmental degradation, the world’s highest carbon emissions rates and extensive pollution (30% of domestic rivers only reach Grade IV water quality levels; air quality in 76% of key monitored cities cannot meet acceptable standards).

The negative impacts of pollution on China’s economic development are a source of increasing social unrest and turmoil. A key to China’s continued economic growth is a sustainable development path for its enterprises and the country as whole. This puts CSR, CER and Green Development at the top of the agenda for ensuring China’s future growth and stability.

### 2.2. State and evaluation of CSR/CER implementation by enterprises in China

China has based its CSR/CER implementation on the International Standards Organization’s guideline for Social Responsibility, which is known as ISO 26000. This contains guidelines for environmental responsibility, accountability, compliance with laws and regulations, operational transparency and developing a multi-stakeholder approach.

In recent years, Chinese enterprises have made great strides and enjoyed

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3 Ministry of Environmental Protection of China (MEP), China Environment Report 2012
achievements in reducing pollution. According to official environmental statements and governmental reports, **although pollution persists, the situation is ameliorating.**

1) **Pollution Prevention.** Data over the past 10 years shows that the organic compounds, ammonia nitrogen, petroleum waste and other heavy metals from industrial enterprises have been decreasing in industrial wastewater. Industrial emissions of SO$_2$ and smog-dust both decreased year by year during the 11$^{th}$ Five-Year Plan period and NO$_x$ emissions increased slightly. While the gross industrial output value has increased, emissions per 10,000 Yuan of output have decreased$^4$.

However environmental accidents during the past five years indicate that companies still face large problems with pollution prevention and control. These accidents include: the Guangxi Longjiang cadmium spill, pollution from the Harbin Pharmaceutical Factory and Yunnan Luliang Chemical Industry’s dumping of chromium slag. In almost all cases, the companies concealed information or used local government protection to keep it dissimulated. There are many other pollution incidents that have not yet raised concerns and in some places pollution is commonplace and considered as normal.

2) **Resource Use:** During 11$^{th}$ FYP period, the 7% annual increase of energy consumption was lower than the 10% economic growth$^5$. Energy-consumption-saving reached 0.63 billion tons coal equivalent (tce) through energy conservation and efficiency improvement. Chinese enterprises actively invest in new energy and renewable energy areas. The capacity of wind, solar and biomass power generation reached 0.4 billion MW, 1000 MW and 50 million MW respectively by the end of 2011. To reduce resource consumption and improve the rate of energy utilization, many companies have started to look for a way to achieve sustainable development through the development of a circular economy.

Chinese enterprises have not yet solved the issues of high energy and raw materials consumption and low efficiency. Total energy consumption has increased significantly, but energy efficiency is not keeping up with this rapid rise. China’s of coal, oil, natural gas and electricity continue to increase which reveals that the ongoing industrialization and economic growth required for China necessitates that the consumption of energy will continue to rise.

3) **Climate Change:** China’s enterprises took steps to tackle climate change through their “energy saving and emission reduction” activities, by which 1.46 billion tonnes of CO$_2$ emission were reduced during the 11$^{th}$ Five Year Plan period. Significant energy saving and emission reductions were achieved in many energy consuming

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$^4$ MEP, Environmental Statistics Year Book 2011  
$^5$ China Energy Research Society, China's energy development report 2013
industrial sectors such as the power and coal sectors. Energy-saving and emission reduction activities for enterprises can be categorized into three levels: adaptive, proactive and strategic. (Figure 2-1)

4) **Information Disclosure.** The main channels of CSR/CER information disclosure are the CSR, sustainability and environmental reports of companies and their websites. The number of sustainability reports released by Chinese enterprises has increased rapidly between 2006 and 2011 (Figure 2-2). Published sustainability reports include environmental information, but key quantitative data such as GHGs emissions, energy consumption, water consumption, gas emissions, waste water generation and generation of solid waste, are not disclosed. The disclosure of environmental information on websites is very simplified and only meets the lowest requirements.

![Figure 2-1 Three levels of enterprises’ energy-saving and emission reduction activities](image)

![Figure 2-2 CSR reports released in China by year](image)

### 2.3. Analysis of CSR/CER

#### 2.3.1. Awareness of CSR/CER

Chinese enterprises should learn to differentiate between environmental awareness and environmental responsibility. Environmental awareness is understanding the harm caused by environmental pollution. In a study that looked at 574 Sustainability Report from companies, nearly 1/3 indicated their greenhouse gas emissions but very few indicated their CO2 emissions. Some Chinese companies do not clearly understand or recognize their role in causing environmental problems.

Many enterprises lack an awareness of environmental responsibility, and are driven by economic benefits instead of wanting to address pollution reduction and environmental protection by reducing emissions, using resources sustainably and tackling climate change.

#### 2.3.2. Capacity of Enterprises to Implement CSR/CER
Many enterprises not only lack the awareness, but also the capacity to understand and implement CSR/CER. China's small and medium sized enterprises (SMEs) account for 99% of the total number of enterprises and have usually low technical capabilities and inefficient management. SMEs need to increase capacity building, upgrade their technology and better understand how CSR/CER can change their unsustainable mode of operation and management. State-owned enterprises and large private enterprises that have CSR/CER awareness also need to enhance environmental literacy, the management of environmental impact and technological innovation.

2.3.3. Institutional Barriers for companies to implement CSR/CER

The institutional barriers for companies to implement CSR/CER are mainly from government and enforcement institutions. Local governments focus mainly on GDP growth and financial results, giving little attention to environmental issues. In many cases collusion of local officials with polluters escalate the problem and make it difficult to find solutions. Zijing Mining contributed to almost 60% of local revenue of Shanghang County, and won a prize for “Corporate Integrity” in the same year that they caused a series of pollution accidents. This is indicative of how the government lacks the ability to monitor and also protects individuals who collude with the polluters.

Another institutional barrier is that many large state-owned enterprises (SOEs) do not face regulations from local governments. In June 2013, Anqing Pec., a company under Sinopec, was fined for the first time by a local environmental protection bureau for air pollution that started when the factory began operations forty years ago. This is known as “strong company, weak government” in China.

2.3.4. External Pressures affecting the implementation of CSR/CER

There are not enough external pressures for implementation of CSR/CER in China. China lacks sufficient stakeholders, such as government bodies, media, environmental protection organizations, powerful NGOs, and activist consumers who can consistently put pressure on, and demand more transparency and accountability from, companies. Currently, the ministry of environmental protection and the media place the most pressure on companies. But economic development goals often mean that the legal enforcement and media monitoring are weakened. The number of environmental protection organizations and NGOs in China is smaller and less powerful than in other countries.

2.3.5. CSR/CER in SMEs and OFDI Companies
SMEs require special attention because they are numerous, make huge economic contributions and are the main source of environmental pollution. Many SMEs must maintain low operational costs and are averse to investing in environmental technologies. SMEs choose to favor economic results instead of ensuring environmental protection. In addition, SMEs are difficult to monitor and supervise because they are numerous, and small in size.

As the number, scale and diversity of Outward Foreign Direct Investment (OFDI) increases, special attention should be paid to their environmental responsibility. Some Chinese-funded enterprises invest in projects that are in sensitive ecological environments where problems can easily arise. Western media often exaggerates the negative repercussions of Chinese companies abroad with titles such as “Chinese environmental threats” or “ecological dumping”. This adversely affects the international image and impedes further overseas investment by China. To counteract these perceptions, Chinese-funded enterprises should strengthen their environmental and social practices and actively communicate them with local stakeholders.

2.4. CSR/CER perspectives from various stakeholders

1) **Government.** The government is an important stakeholder in the promotion of CSR/CER. The government can exercise four functions in the implementation of environmental responsibility by enterprises: a) regulation and legislation through laws and standards, b) supervision and punishment against illegal acts, c) support by promoting CSR/CER in enterprises and providing them with the training to build capacities, and d) cooperation to jointly promote CSR/CER with other stakeholders such as the media and environmental protection organizations.

2) **Media.** The media is becoming an important driver for CSR/CER as it plays a major supervisory and monitoring role in the environmental performance and decision-making of enterprises. The exposure by media drives the central and local governments to concentrate on finding solutions for environmental issues. Social media delivers continuous coverage, faster, with a deeper analysis and much sharper criticism.

3) **Investors.** Investors are including corporate environmental issues in the evaluation of investment risks. The intervention of investors through Socially Responsible Investment (SRI) is becoming an important factor that drives the implementation of CSR/CER.

4) **Industry Associations.** Industry associations play an important role in promoting CSR awareness, reporting, establishing standards and training. For example, the China Enterprise Confederation actively promotes the United Nations Global
Compact and the textile association developed CSC 9000T industrial standards for their industry.

5) **Environmental Protection and Non-Governmental Organizations.** These organizations provide education, publicity and initiatives, which is instrumental in increasing the awareness of CSR/CER among companies. Some have shifted to taking decisive actions against polluting enterprises, forcing them to become more accountable for their impacts. Other NGOs partner with the government or become mediators between the government and enterprises to actively promote the implementation of CSR/CER.

6) **Academic Institutions.** Universities, academies and non-governmental think tanks have been paying more attention to CSR/CER and have published influential reports, including "Climate change and China’s enterprise", "Annual Report of China's Green Development Index" and the "Annual Review of Low-Carbon Development in China". Academic institutions also play a major role in promoting CSR in MBA and MPA programs and in executive trainings.

7) **Public.** Companies fail to recognize that a more environmentally conscious public pays more attention to the pollution emitted by enterprises which may cause mass protests. Citizen campaigns typically include “NIMBY”(Not in My Backyard) and “Compensation politics” approaches, whereby the creation of an external supervisory force for CSR/CER is neglected until the threat of instability is circumvented and a more orderly participation in social affairs can be assured.

### 2.5. Shift of CSR/CER from legal compliance to competitive advantage

Society has become very concerned about environmental issues, especially the ones that have a direct impact on quality of life such as air pollution and food safety. Because of this, companies face mounting pressure and are forced to become more proactive.

Activism is becoming more prevalent in society, thereby drastically changing the external environment. For enterprises, an environmental crisis causes high costs of clean-up, heavier restrictions, loss of reputation and stricter controls. Companies must ultimately comply with regulations and shift their thinking to risk avoidance and long term cost savings by adopting new technologies that ensure sustainability and environmental compliance. Enterprises must integrate CSR/CER strategies into their overall business strategies with the goal of creating competitive advantages in the future.
3. POLICIES AND REGULATIONS TO PROMOTE CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY IN CHINA

3.1. Overview

Faced with increasingly severe environmental problems and growing public expectations, the government must create an enabling environment for CSR/CER and Green Development. To achieve these goals, the government must be committed to the overall planning and coordination of all parties by providing effective institutional and policy frameworks. This requires a bilateral relationship between the government and enterprises to jointly meet the expectations of the public and other stakeholders.

Over the past 30 years, the government’s process for driving environmental responsibility has transitioned from a single to multi-faceted mechanism that encompasses administrative regulations, economic incentives, social cooperation and legislative reforms. The role of local governments in CSR/CER is more localized and diversified, showing the characteristics of regional differentiation with good practices and the promotion of regional competitiveness. The central and local governments, enterprises and relevant stakeholders should form strategic partnerships to achieve a greater impact on environmental performance and sustainable development.

3.2. Analysis of policies from Central Government to promote enterprises’ performance of CSR / CER

At first, the Central Government solved environmental issues via a vertical legal system and through administrative intervention. Since the 1990s, the Central Government has been using economic policy and the encouragement of more public participation to address issues. In recent years, environmental legislation, public interest and litigation have developed rapidly and have been strengthened to promote the concept of environmental responsibility.

3.2.1. Control over large enterprises while relaxing control over small enterprises

The emphasis of the central government has been on increasing regulations for large enterprises such as state-owned enterprises, listed companies, and Chinese enterprises investing abroad, while neglecting attention to small enterprises.

In 2008 the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) released its “Guidance Opinions on the Fulfillment of Social Responsibility of Central Enterprises” which required SOEs to behave in environmentally and socially responsible manners and to publish CSR reports. In 2007, the Shenzhen Stock Exchange issued the “Social Responsibility Guidelines of Listed Companies of the Shenzhen Stock Exchange,” and in May 2008, the Shanghai
Stock Exchange issued “Environmental Information Disclosure Guidelines for Listed Companies of the Shanghai Stock Exchange”. These required publicly listed companies to become more transparent in disclosing environmental data and to follow Socially Responsible Investment trends.

In early 2013, the Ministry of Commerce and the Ministry of Environmental Protection jointly issued the “Environmental Protection Guidelines for Foreign Investment Cooperation” which requires foreign companies to pursue CSR/CER by complying with the environmental protection laws, standards and practices adopted by international organizations and multilateral financial institutions.

Unfortunately, these initiatives do not address relevant guidelines and capacity building for SMEs which makes it more difficult for them to fulfill and easier to neglect their responsibilities.

3.2.2. Multiple economic policies to promote CSR/CER

As environmental problems increase, it has become more difficult to control environmental violations through administrative supervisory systems alone. Additionally, the cost of administration and supervision measures is very high. Since the 1990s, the government has adopted a series of economic instruments to encourage enterprises to eliminate their externalities and implement environmental social responsibility through energy-saving and emission reduction policies, the clean production policy, green credit, compulsory insurance of environmental pollution and through the cultivation and development of strategic emerging industries. In February 2012, the China Banking Regulatory Commission issued the “Green Credit Guidelines” with the aim to organize and manage green credit, effectively control environmental and social risks, and support the green economy, low-carbon economy and circular economy. Through this initiative, China was the first country in the world to enforce environmental standards in the national banking sector.

3.2.3. Overseeing of CSR/CER by society

Through the "Provisional Measure of Public Participation in Environmental Impact Assessment" and the trial of an "Approach to Environmental Information Disclosure ", the government is creating social cooperation, encouraging the public, media, NGOs, research institutions, industry associations and other stakeholders to actively participate in the supervision of CSR/CER behavior, promoting corporate social responsibility, and providing multiple views for environmental management and decision making.

3.2.4. Legislative reform
China's environmental legislation has gone through three stages since the 1980s: Initial creation, strengthening, and evolving with Chinese characteristics. The *Law of Water Pollution Prevention* and *the Law of Air Pollution Prevention* are amongst others, part of the Environmental Protection Act and listed in the 2011 legislation plan of the 11th National People’s Congress to promote environmental protection. With the awakening of civil consciousness, and an increase in the number of environmental violations, environmental litigation cases have increased year by year.

3.3. Analysis of the Chinese Central Government’s mechanisms for the promotion of CSR/CER performance

Governments play a significant role in driving the CSR/CER of companies. The “ice hockey player” theory by Nobel Prize winner Tom Shelling explains the importance of government control in environmental responsibility. Though the helmets used in hockey insure player safety, they are initially rejected because using them hinders performance. The National Hockey League must ultimately step in and make it mandatory for all ice hockey players to wear helmets in order to participate in a competition. Like the National Hockey League, the government must formulate rules and requirements to standardize all enterprises and make them jointly assume environmental protection responsibilities to remain in the economic and commercial game.

According to the World Bank scholar Fox, the government can assume four roles in encouraging corporate environmental responsibility.

Four roles that the government can assume in encouraging CER:

<table>
<thead>
<tr>
<th>Regulations (Creating and overseeing the implementation of laws, regulations, standards and disciplinary actions)</th>
<th>Incentives (Economic, acknowledgment, and other rewards)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance (Planning, information disclosure, researching funding)</td>
<td>Cooperation (With the media, environmental organizations and NGOs)</td>
</tr>
</tbody>
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6 The role model originally from T Fox, H Ward, B Howard, 2002, Public sector roles in strengthening corporate social responsibility: a baseline study.
POSITIVE ASPECTS OF GOVERNMENT ENGAGEMENT IN CSR AND CER

+ Environmental protection has become a state policy
+ The 12th Five-Year Plan focus is on environmental protection and compulsory environmental indicators
+ Advocating supervision from media and public ensures the participation of the whole society
+ Measures on Publishing Environmental Information Publicity (trial stage)
+ The China Certification Committee for Labeling Environmental Products was established in 1994
+ Most state-owned enterprises and overseas funded enterprises have CSR departments
+ Government always proactive in implementing relevant international laws and international conventions

NEGATIVE ASPECTS OF GOVERNMENT ENGAGEMENT IN CSR AND CER

- Lack of coordination between national and local governments for environmental protection
- The overall degree of environmental information disclosure by enterprises is lower than expected
- No introduction of CER practices to Small- and Medium Size Enterprises
- No relevant coordination and management organizations have yet been developed for CSR/CER
- No research or training funds for CSR and CER
- No laws on environmental and social responsibility reporting and no laws to protect informers of environmental problems
- The number of government inspections of the environmental practices of enterprises have decreased
- Influence of international organizations related CSR / CER is limited in China, and there is a lack of communications with the government

The roles and impacts of government shown above suggest that it faces substantial challenges in promoting environmental social responsibility among enterprises. The government should tailor the four aspects of encouraging CSR/CER according to the different levels reached by enterprises. Companies which do not yet meet CSR/CER regulations should be motivated and guided to comply with basic requirements, companies meeting the regulations should be encouraged to surpass and create voluntary measures and enterprises that create and meet voluntarily targets to increase their corporate responsibilities should be promoted and upheld as good examples among other businesses and the society.

3.4. The role of local government

The National 12th Five-year Plan on Environmental Protection states that local governments are the main bodies responsible for improving environmental planning. At the end of 2013 and 2015, medium-term and final assessments on local government performance will be reported to the State Council and the public.

In urging enterprises to fulfill their social responsibility for the environment, local governments take integrated approaches that reflect the complex relationships between the local government, enterprises and the public. These include law enforcement, supervision, facilitation and cooperation, including actively issuing policies specifying enterprises’ social responsibility for the environment, development
of assessment system of enterprises’ social responsibility for the environment, conduct training sessions to improve capabilities, passively disclosing information, and environmental law enforcement.

Measures taken by local governments to promote social responsibility reflect that:

- The protection of offending enterprises by local officials is widespread, and is a major cause for the number of illegal and polluting enterprises.
- Many decision makers in local governments still lack a clear understanding of the significance of CSR and Green Development. This affects the effectiveness of local public policy and innovation to promote environmental social responsibility of enterprises.
- Environmental responsibility is sometimes built into the local government performance evaluation system and has occasionally become an important competitive driver for regional sustainable development. The Pudong District in Shanghai and Yantai in Shandong have elevated the concept of CER to a local development strategy which makes it easier for the government to enforce environmental social responsibility among enterprises.

4. CSR AND GREEN DEVELOPMENT IN A GLOBAL CONTEXT

The globalization of economies and businesses increasingly emphasize the value of CSR and Green Development as public policy instruments that ensure local, regional and global sustainability and stability.

4.1. Green Development and CSR in a global perspective

Global CSR governance and measurement systems that have become points of reference include the OECD’s Guidelines for Multinational Enterprises, UN Global Compact, International Organization for Standardization’s ISO 26000 and the Global Reporting Initiative’s Guidelines for Sustainable Development.

4.1.1. Regional perspectives of global corporate social responsibility

CSR presents a proliferation of approaches that differ for developed countries, developing countries and emerging/transitional economies (Crane, Matten & Spence). 7

A modern definition of Corporate Social Responsibility was introduced by developed Western countries including Europe and the United States because a vast amount of academic literature and good practices exist in those regions. In the United States, where personal freedom and responsibility is in high regard, social problems including education, medical treatment and charity, become core elements of CSR. European governments have instated these social issues as norms that have increased the concern of European companies on social and environmental issues. In societies across the globe, indigenous approaches to CSR inspire elements of CSR practice.

Developing countries have a huge potential to improve CSR practices as they typically have low standards for working conditions and environmental protection, corruption and poor provision of healthcare and education. CSR in these countries has gradually shifted from being about aid and charity to responsible behavior for development (Crane, Matten & Spence). Current trends show that the governments in developing countries are beginning to view CSR activities as a means to enhance sustainable development strategies and as a component for them to compete for foreign direct investment and better position their exports globally.

4.1.2. CSR in key regions

A global perspective of CSR comes from examining what is happening in the key regions around the globe.

A) North America: CSR is viewed as a tool for companies to present themselves as socially responsible organizations and is driven by a large array of stakeholders. In order to build their image, most companies give resources to the community through philanthropic programs and volunteerism. Companies tend to appear as being socially responsible by emphasizing their involvement in initiatives that go beyond simple promotional activities. They tend to focus on issues linked to the welfare of the community, education, quality of life, culture and environmental issues such as global warming and climate change.

B) Europe: CSR in Europe is shaped by the diversity of economic, political and cultural landscapes across the continent. The idea that companies can contribute to societal well being beyond their legal obligations has a long tradition in many European countries. The development of CSR has been driven by proactive strategies adopted by pioneering businesses, European institutions and national governments, and by external pressures from stakeholders such as civil society and investors.

C) Asia: There is no single Asian approach to CSR because Asia is so diverse. Asian CSR has a long tradition of philanthropy, through implicit obligations that were embedded in business practices and institutional frameworks. Drivers of CSR range
from religious traditions, notions of trusteeship, family philanthropy role models within countries, company responses to regulation, NGO and civil society pressure, and requirements of national and international business partners.

4.1.3. Policies on promoting CSR – EU case

In October 2011, the European Commission published a new policy on corporate social responsibility that defined it as “the responsibility of enterprises for their impacts on society.” To fully meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders.”

The commission’s earlier definition, adopted in 2001, called for companies to integrate “social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.” The 2001 definition explicitly recognized CSR as voluntary. Companies were expected first and foremost to be businesses, but were encouraged to address social and environmental issues arising in their operations and in dealing with employees, customers, and other stakeholders.

The new strategy proclaims a “Modern Understanding of Corporate Social Responsibility” in which CSR becomes the defining purpose of the company. The new strategy describes the aim of CSR as “maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large.” The European Commission issued an action agenda on corporate social responsibility for 2011-2014. This agenda aims to increase the visibility of corporate social responsibility to promote good practices; improve the level of trust in businesses; promote self regulation of enterprises; improve market returns for companies that have good CSR practices; encourage the disclosure of environmental and social information; incorporate CSR into education, training and research; emphasize the important of national and regional CSR policies for which the EU Commission invited EU member States to present their plans for the promotion of CSR by mid 2012; and better align EU and global approaches to CSR.

In 2011, the European Commission also stressed that member governments should "promote legislation in high school and college curriculum” and encouraged European Business School to sign the Commitment on Responsible Management of Education Standards (EC, 2011:12).
The EU CSR policy increases awareness, the dissemination of good practices and creates a framework that fundamentally redefines the EU’s approach to CSR and signals a new era of more social and environmental regulation.

The 2011 communication of the European Commission on its renewed strategy for CSR also emphasizes the role that member states can play in encouraging education establishments to integrate CSR, sustainable development and responsible citizenship into relevant education curricula, including at secondary school and university level. European business schools are encouraged to sign the UN Principles for Responsible Management Education” (EC, 2011: 12).

4.2. Public policies in Green Development: Country Profiles

Green Development with a goal to change the mode of consumption and maximize the use of resources has become an important mode of growth in many developed countries.

A) Germany’s New Energy Plan. In May 2011, Germany announced that it would close all of its nuclear plants by 2022 and become the first industrialized country to completely shift to clean energy by increasing investment and R&D in renewables and energy efficiency. Nuclear power currently provides 22 percent of Germany’s electricity. To fill the gap in its energy supply after it abandons nuclear, Germany has proposed the vigorous development of wind, solar, and biomass; new standards for thermal efficiency of buildings; and the creation of a continent-wide super smart grid which would include the import of power from sun-rich North Africa.

(World Bank and DRC of the State Council, China 2030 Building a Modern, Harmonious, and Creative Society 2013)

B) The Republic of Korea: a leader in the implementation of green growth. Korea’s move towards green growth stems as a response to the global financial crisis of 2008 and combines three mutually-reinforcing objectives: (i) responding to the latest economic crisis through a green stimulus, (ii) reducing energy dependency, (iii) and rebalancing its economy towards green sectors in the long term. The financial crisis exposed Korea’s reliance on imported energy as a major weakness in its growth. Korea imports 96 percent of its energy, which accounts for 2/3 of its total imports. To rebalance this situation by 2030, Korea aims to decrease its energy intensity by 46 percent and increase the share of renewable energy in total energy usage from 2.4 percent in 2007 to 11 percent. Furthermore, the latest Five-Year Plan allocates 2 percent of GDP to 10 green growth strategies, each containing quantitative objectives and well-defined projects. Korea aims to increase its global market share of green technology exports from 2 percent in 2009 to 10 percent by 2020.
C) Japan’s energy efficiency strategy. Japan’s energy intensity decreased 26% between 1980 and 2009 and it is now one of the most energy-efficient countries in the world. Nevertheless, Japan pledged to go further with its 2006 “Energy Conservation Law” by improving energy efficiency by another 30 percent by 2030 relative to 2006. The plan’s implementation strategy fosters energy conservation technologies and develops a benchmarking approach to monitor energy conservation. In addition to promoting the most advanced technologies across the energy sector, the plan also introduces integrated energy consumption standards for all buildings and aims to create zero-energy houses by 2020, which will become a nationwide norm by 2030. Japan’s Top Runner Program, tests 21 types of appliances—ranging from vending machines and air conditioners to television sets—to determine the most efficient model, and make that model’s level of efficiency the new baseline. Manufacturers then have the obligation to meet the new baseline within four to eight years. Japan’s newest innovation is the concept of “smart community”, a model city that maximizes the use of renewable energy and relies on smart grids to mitigate the intermittent nature of renewables. Four large-scale pilot projects were started in 2010.

Countries and enterprises throughout the world are facing problems including environmental degradation and resource depletion. An increasing number of countries have abandoned development through economic growth. Under the auspice of Green Development, CSR has become a means for global development. Countries are exploring development paths and modes of their own. China should actively learn from those international experiences, and create a new growth mode with Chinese characteristics.

5. FRAMEWORK OF CSR/CER IMPLEMENTATION IN GREEN DEVELOPMENT

5.1. CSR/CER Framework

A framework for CSR/CER is represented by a pyramid with four levels. (see Figure 5-1.) The bottom layer shows companies that do not comply with minimum regulations. The successive levels demonstrate companies that meet the standards for laws and regulations, those that have taken voluntary measures to exceed minimum regulations and companies with standards as part of their strategic integration are at the top. All enterprises must reach the level of compliance with regulations. Responsibility above “compliance with regulations” is a voluntary action that raises
enterprises to a higher level and includes the adoption of stricter pollutant emission standards, more efficient resource use and cleaner production processes. “Strategic integration” requires enterprises to incorporate Green Development responses into business strategies, lower their carbon footprint, recycle and ensure that products comply with cradle-to-cradle design.

Most Chinese enterprises do not observe basic environmental regulations and standards, and therefore fit in the bottom part of the pyramid. These companies recklessly discharge pollutants to avoid extra costs and continue to subsist. A few companies such as IKEA, China Industrial and Commercial Bank of China, China Mobile comply or reach higher stages of the pyramid. This pyramid model demonstrates the complexity and difficulty of promoting CSR/CER in China.

The ideal shape to demonstrate CSR compliance and responsibility of Chinese companies is a spindle where there are few enterprises not complying with the minimum regulations and few pioneering enterprises achieving strategic integration with most companies achieving compliance with regulations and voluntarily taking environmental protection actions. In reality, in China the form for this chart is a vase, which indicates that there are many enterprises which do not comply with regulations and the number of enterprises at the higher levels reduce even further.

![Figure 5-1 CSR/CER Framework](image)

5.2. A framework for CSR/CER in Green Development

 Integrating CSR and CER into a company’s strategy is the core of Green Development and requires knowledge of the right concepts, effective management and active engagement of these efforts. Transparency and communication with all stakeholders is critical in the successful implementation of CSR and CER. Ultimately environmental development and sustainability are a responsibility of the business sectors and of all society.
The “**Three Circle Framework of CSR/CER**” framework is structured to demonstrate the responsibilities of stakeholders and society.

The framework consists of three concentric circles, as shown in Figure 5-2. The core is the strategy integrating CSR/CER/Green Development in which environmental responsibilities are combined with enterprise operations.

The second ring consists of four parts: 1) Awareness for environmental responsibilities of enterprises, including the collection of relevant information; 2) Responsibility management which includes the implementation of environmental responsibilities, systematic management, framework organization of a code of conduct and an assessment system; 3) Environmental responsibility and action on issues such as pollution prevention and control, responding to climate change and ensuring biological diversity; 4) Transparent communication on environmental topics with stakeholders through channels and report. Although corporate environmental responsibilities are divided into four parts, the boundary between them is not very obvious and content may overlap.

The two spheres above describe mechanisms for enterprises to perform their environmental responsibilities internally. The outermost layer is the external environment where enterprises collaborate with stakeholders including the government, environmental protection organizations, media, civil society, industry associations, research institutes, think tanks, other enterprises in the same industry and consumers. These interactions are essential in guiding enterprises to perform their social responsibilities.

When enterprises are aware of the external support and constraints, they increase their knowledge, implement management, carry out the practice, and use feedback from other stakeholders to constantly improve and eventually form a strategy to respond to external pressures. This framework provides an entry point for policy suggestions to see if it can improve the capability of the enterprise in the aspects of awareness management, practice and external communication.

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8 Xie Jian and Jiang Chulin, 2009. Study on Resource-based Corporate social Responsibility (soft science project of Guizhou Science and Technology Department)
6. POLICY RECOMMENDATIONS TO THE CHINESE GOVERNMENT

6.1. Recommendation1: Develop a national strategy and action plan

Developing a national CSR strategy and action plan is part of a more comprehensive national policy strategy building and planning process. In order to gain maximum support for the strategy and plan, they should be developed on the basis of a multi-stakeholder consultation process. Generally, a national CSR strategy and action plan consists of the following components:

- Introduction and clear definition of CSR with references to internationally and nationally relevant strategies, plans, regulations and guidelines;
- Rationale why CSR is needed as part of a comprehensive sustainable development strategy;
- Outline major elements of a strategic approach to enhancing CSR;
- A defined action plan and timeline, which explains the measures that will be implemented, how they will be implemented and by whom.

A national CSR strategy and its associated action plan are of high relevance for CSR in Green Development because they are embedded in the general national strategic development and planning framework (e.g. the 5-Year-Plan). Creating a national...
strategy for CSR will clearly define the focus period of time, and measures to enhance awareness, knowledge and application of CSR.

Recommended Actions (Recommendation 1):

1. Develop a National CSR Strategy for a fixed period of time (e.g. three or five years) that clearly outlines the Chinese understanding of CSR in Green Development, its relevance and how it should be promoted.
2. Launch the “action initiative for corporate social responsibility” in relevant government departments, and increase awareness on CSR among the staff. For example, the Belgian government proposed the “civil servants initiative of corporate social responsibility” in 2006 and built a global framework of corporate social responsibility. The departments shall further clarify their roles and use to their respective advantages to promote environmental social responsibility among enterprises. For instance, the National Development and Reform Commission, Ministry of Commerce and State Administration of Work Safety shall identify their position when taking part in the environment social responsibility activities of enterprises.

3. Evaluate the central government requirements for the social responsibility of enterprises. Given the large number of small and medium-sized enterprises in China, the government must provide a favorable environment for small and medium-sized enterprises to enact environmental and social responsibility. The government must also attach importance to the CSR/CER of China’s overseas enterprises in order to enhance their international competitiveness.

6.2. Recommendation 2: Establish coordination mechanisms and consensus among relevant government entities and other stakeholders

Two mechanisms for better coordination and stakeholder involvement and communication regarding CSR-related work are necessary for the promotion of CSR in Green Development:

- A cross-sector coordination mechanism to coordinate the work of government entities;
- A multi stakeholder platform to build consensus among relevant stakeholder groups relevant to and interested in promoting CSR in Green Development through cooperation with the government.

Currently, there is no centrally coordinating body or coordination mechanism in the government that steers CSR-related activities. For example, at the central level, the Ministry of Environmental Protection shares its responsibilities to protect the
environment with other government bodies such as the National Development and Reform Commission, the Ministry of Agriculture and the Ministry of Land Resources. In order to coordinate integrated policies that respond to the impacts that companies have on the environment, a central coordinating agency would have to be established so that it can work closely together with a multi-stakeholder platform consisting of government, associations, trade unions, and NGOs.

The effective promotion of CSR in Green Development needs a coordinated approach among the central, provincial and local government entities. In addition, a multi-stakeholder platform with advisory and information sharing functions needs to be established.

Recommended Actions (Recommendation 2):

1. Designate an existing or create a newly formed government organization at the central, provincial and local levels to become a coordination mechanism for CSR in Green Development work in China. The European Commission has a coordinating department that is responsible for CSR under the DG Enterprise and established a multi-stakeholder platform on CSR in 2001. In Germany, the German Ministry of Labour and Social Affairs is responsible for CSR coordination on central government level, and a multi-stakeholder platform was founded in 2009 to develop the National CSR Strategy and Action Plan.

2. Establish a multi-stakeholder forum or platform, whose work and regular meetings are organized by the coordinating mechanism or agency. The platform should allow performance evaluation and information disclosure to allow industry associations, social organizations, and media to participate fully and expand social participation and strengthen cooperation through constructive dialogue.

3. Chinese companies should strengthen their cooperation with the international community and the Chinese government should become an active participant in the international governance of CSR so that it can introduce international standards and practices. It is also important to share the environmental protection experience of Chinese enterprises to reveal the global responsibility of large developing countries and perhaps set up an international model for developing countries.

6.3. Recommendation 3: Expand education and capacity building for government, enterprises and a broad set of stakeholders

The promotion of CSR can take place through a range of government policies that are formulated and implemented by a large number of government bodies. There is a need for information sessions and formal training for government officials that take up
CSR related positions. This is important to ensure that government bodies and officials on central, provincial, and local levels are able to provide leadership by example. There also exist organizations with regular contact with businesses that can play a role in promoting CSR in companies. These include:

- Industry associations and chambers of commerce which provide industry handbooks and guidelines to firms about practices and technologies that can lead to improved performance
- The management of industrial parks and hi-tech zones which introduce environment friendly practices, pollution prevention and pollution treatment practices to firms
- Civil society organizations (CSOs) which can play an important role in monitoring and signalling negative environmental impacts created by industries and supporting initiatives for sustainable, green and healthy (safe) products

China needs to promote the capacity building of the government, enterprises, and other stakeholders to solve the “no pressure, no motivation, no capability” problem of the enterprises.

Recommended Actions (Recommendation 3):

1. Form an institutionalized and standardized management system in competent departments that will promulgate and popularize ESR for enterprises.

2. Encourage and support initiations and research activities of professional intermediary organizations that ensure the CSR of enterprises. The British government has realized the importance of intermediary organizations in between government agencies and enterprises and has given them the ability to dialogue, propose and disseminate good practices, propose bills, and implement and evaluate policies.

3. Promote education, training and scientific research on corporate social responsibility, and establish a professional academic research institution based out of the universities to provide intellectual support for CSR practices of the enterprises in the country. The Dutch government has carried out a university research program on corporate social responsibility, in which the universities organized research institutions to maintain the benign interaction between government policy and business practice. China will also encourage the establishment of corporate social responsibility institutions in universities to carry out scientific research, personnel and skill training, provide services and support for the government, enterprises and various stakeholders.
6.4. Recommendation 4: Strengthen enforcement of environmental legislation and simultaneously incentivize companies to go beyond compliance

There is a continued need to update and strengthen environmental laws and regulations and develop effective enforcement strategies. Companies should feel obliged to move beyond compliance and be motivated to make a positive contribution to society and deliver products and services in a responsible manner in order to strengthen long-term competitive advantages.

Government agencies must fulfil various roles in the promotion of CSR ranging from legislation and enforcement to providing guidelines for information and discussion of CSR. Other roles include endorsing and incentivizing CSR practices.

Several studies suggest the relevance of incentives. SMEs do not react significantly to environmental legislations and are more likely to respond to simple and effective financial incentives.

Recommended Actions (Recommendation 4):

1. Strengthen legal mechanisms for Company Law, Environmental Protection, Consumer Rights and Interests Protection Law and Labor Law. In addition, China should increase penalties for violations, improve the judicial practice of environmental courts for local issues initiated by the public, allow environmental protection groups to have a strong supervisory role, and collect references of legal cases.

2. Actively establish and promote responsible investment into credits and funds that foster environmental and social responsibility. Concurrently offer tax exemptions and subsidies for enterprises with good environmental and social responsibility performance. An amendment to the British Pension Bill requests pension trust institutions to consider social and environmental impact when investing. This move has promoted the development of socially responsible investments in the market and has become a model that many countries now follow.

3. Set up labels to indicate the environmental and social behavior of companies, promote responsible consumption, carry out green public procurement, and encourage consumers and government departments to buy products with these signs. The government should give preferential support to purchasing from enterprises with good social responsibility performance.
6.5. Recommendation 5: Strengthen mechanisms for better information disclosure and transparency

When environmental impact information from companies is transparent, the public is able to oversee more effectively, government departments can have clear targets in pollution control, and investors can get a comprehensive understanding of the environmental performance of the company.

Currently the information disclosure mechanism and quality of information available for enterprises in China is poor. The government and the public have limited ways to supervise information disclosure. The enterprises tend to emphasize form and neglect the quality of content in an effort to meet the government’s mandatory disclosure requirements. This means that companies fail to integrate valuable information of their business operations.

Recommended Actions (Recommendation 5):

1. Further revise the Measures of Environmental Information Disclosure and strengthen their enforcement. Attach great importance to the basic work of reserving, organizing and analyzing environmental information, and establish a tracking system of the social and environmental information of the enterprises. Modify the inapplicable provisions in the measures, and expand the channels of information access. Supervise the environmental information disclosure of the enterprises and strengthen the rewards and punishment measures for the information disclosure of enterprises.

2. Emphasize the standards and certification of the social and environmental responsibility reports of enterprises. Formulate norms for industry reports that allow enterprises to clarify their reporting standards. In this way, the public can obtain accurate business information. At the same time, encourage professional institutions to do audits and certifications for their business.

3. Establish a “national information center for the environmental social responsibility of enterprises”. Austria’s corporate social responsibility association is an exchange platform that was requested by the enterprises and is funded by the government. Gather information and cases from all stakeholders, to promote information disclosure and dissemination, improve the transparency of information on environmental social responsibility of the enterprises; encourage the establishment of an information center for the environment social responsibility of the enterprises with emphasis on the small and medium-sized enterprises, and guarantee the disclosure of environmental information.
V. Conclusion

This Special Policy Study concludes that the link between CSR and Green Development offers tremendous opportunities for China to more effectively deal with the environmental challenges it faces today. The main reasoning behind this is the realization that environmental issues are increasingly placing constraints on economic growth and social development; this negatively impacts the welfare and health of Chinese citizens and threatens to jeopardize future growth.

Sustainability is the baseline for this study. CSR, representing the relationship between business and society has become a driver of environmental sustainability through Corporate Environmental Responsibility (CER) and how this both supports and promotes Green Development. This relationship offers a mapping for how China’s economy should develop and provides deeper insights into how environmental development in China affects China and the world. CER presents a framework for solving environmental issues and creates a platform that supports national economic growth, transformation, innovation and stability.

The key findings of the study reaffirm the strong belief that through a multi-stakeholder approach, CSR and CER not only have an essential role to play in forming public policy that supports Green Development but also creates value as potential economic growth drivers. This promotes greater commitment and active participation of enterprises in the areas of both compliance as well as voluntary action.

The study recognizes that the Chinese government, in addition to enacting laws and regulations and formulating public policies that explicitly require enterprises to perform the statutory environmental liabilities, must also act through various methods of guidance, motivation, and cooperation, to create a good institutional environment for enterprises to become more socially and environmentally responsible and proactive.

The recommendations in this study emerged from the analysis of the government’s role and mandate to ensure a clean and sustainable environment for its citizens. They recognize that this is accomplished through a mix of legislation, regulations, monitoring, incentives, education and actions that create an effective enabling environment for the business sector to wholeheartedly embrace ecological efficiency and Green Development. The successful combination of government control, company compliance but also the willingness of companies to go beyond just compliance and contribute to the bigger picture of sustainable development is what is needed to drive participation and greater investment in Green Development by the business sector.
The bottom line of this report is that China’s environmental future rests largely in the hands of its government, business sector, civil society and the Chinese people themselves. China’s local governments have the authority necessary to reform local industries, and must take responsibility for achieving ecological transformation at local levels. They have attained powers that make them important players in determining China’s environmental future. Given the tremendous pressures put on local governments to deliver GDP growth, the trade-off between environmental sustainability and local economic development must be replaced by growth strategies that have sustainable impacts. Experiences in China and abroad have shown that investments in environmental sustainability are key to securing long-term economic viability and growth, ecological balance, and social stability.
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