

# Top 10 CSR Trends in China (2021)



## Top 10 CSR Trends in China

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# Trend One

## A Better Business Blueprint in the 14th Five-Year Plan

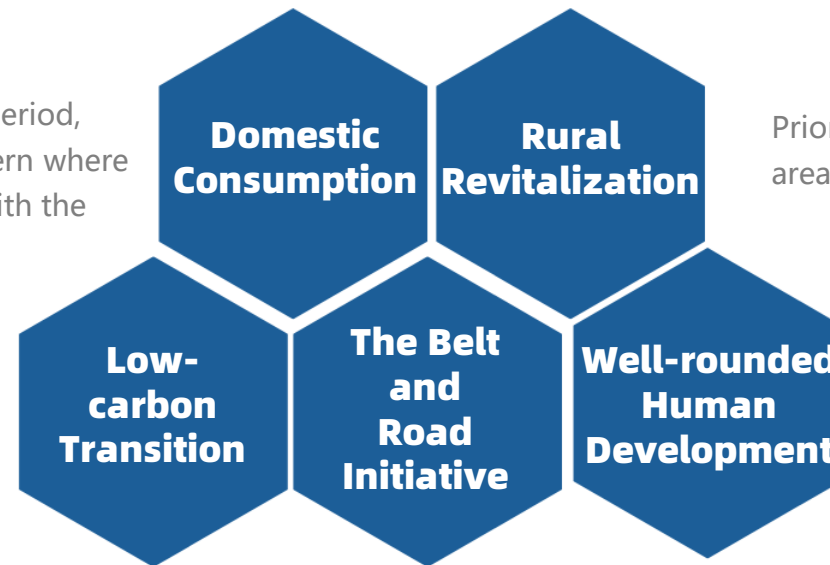


**The 14th Five-Year Plan has drawn up a blueprint for good business. Sustainable development will become a business consensus.**

In October 2020, the Fifth Plenary Session of the 19th CPC Central Committee adopted the 14th Five-Year Plan and Vision 2035 proposal, outlining the main ideas for China's economic and social development from 2021 to 2025.

Nurture a strong domestic market and establish a new development pattern. During the 14th Five-Year Plan period, China will speed up fostering a new development pattern where domestic and foreign markets can boost each other, with the domestic market as the mainstay.

Improve the overall coordination mechanism in the field of ecological civilization, build an ecological civilization system, promote the all-round green transformation of economic and social development, and build a modernization of harmony between human and nature. Accelerate green and low-carbon development, continuously improve environmental quality, improve ecosystem quality and stability, and comprehensively improve resource utilization efficiency.



Prioritize the development of agriculture and rural areas, fully advance rural vitalization.

Promote common prosperity, constantly enhance people's sense of gain, happiness and security, and promote well-rounded human development and social progress.

Pursue a new round of high-level opening-up, and open up a new situation of win-win cooperation. Promote the high-quality development of the Belt and Road Initiative and actively participate in the reform of the global economic governance system.

(Source: XINHUANET)



## Recommendations

### • Recommendation 1

Facing the impact of the 14th Five-Year Plan, companies can formulate or adjust their next five-year plans for CSR strategies.

### • Recommendation 2

Significant events in 2021: the 100th anniversary of CCP, the 50th anniversary of UN seat restoration, and the 20th anniversary of China's accession to WTO. Companies can combine these events to carry out CSR projects.

### • Recommendation 3

Companies can participate in rural revitalization and help villages establish local industries leverage their expertise to create shared value.

## Trend Two

### Internet Platform Economy Moving Towards Orderly Development



## China's Regulation on the Internet Platform Economy will be Strengthened in 2021

### *Guidelines on Promoting Standardized and Healthy Development of the Internet Platform Economy*

The General Office of the State Council of the People's Republic of China issued the guidelines, promoting the establishment of a new regulatory mechanism suited to the characteristics of the development of the Internet platform economy and creating a fair market environment.

- Improve market access requirement, reduce compliance costs;
- Develop new methods of regulation, exercise inclusive and prudent supervision;
- Encourage the development of new business in the platform economy, accelerate the cultivation of new growth points;
- Optimize the development environment, lay solid foundations for the growth of new business forms;
- Effectively protect the legitimate rights and interests of participants in the platform economy, and strengthen the legal guarantee.

### **The People's Bank of China: Strengthening prudential regulation of financial activities of Internet-based companies**

The work conference in 2021 required that financial risks should be continuously prevented and defused in 2021, and strengthening prudential regulation of financial activities of Internet-based companies.

### *Anti-monopoly Guidelines on the Platform Economy (Draft for Comments)*

The State Administration for Market Regulation issued the guidelines to prevent monopolistic behaviors in the area of platform economy, guide operators in such areas to operate in compliance with the law and promote the sustainable and healthy development of the online economy. The following principles are adhered to in carrying out anti-monopoly regulation in the area of platform economy:

- Create a fair competition order
- Strengthen scientific and effective regulation
- Stimulate innovation and creativity
- Promote the healthy development of the industry
- Protect the legitimate interests of all parties





# Recommendations

- **Recommendation 1**

Companies should focus on mapping out stakeholders, clarifying CSR strategy , and promoting the Internet platform economy to move toward orderly and healthy development.

- **Recommendation 2**

Formulate the CSR governance system of the platform economy, and strengthen governance and establish an all-around governance system covering internal compliance, platform supervision, and external partnership.

- **Recommendation 3**

Design CSR projects for vulnerable stakeholders and provide appropriate assistance.

## Trend Three | Continuous Impacts of Covid-19 on CSR Strategies



**The Covid-19 will continue to affect companies' CSR strategies in 2021.**

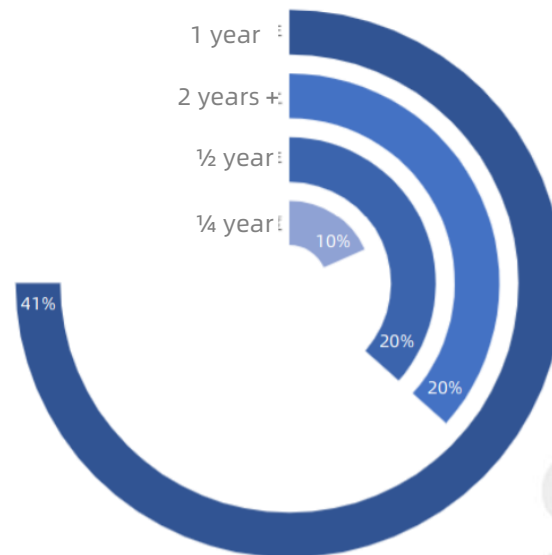
### WTO: The effects of the pandemic will last for decades

In July 2020, WHO convened an Emergency Committee to assess the situation of the Covid-19 and make recommendations. WHO Director-General Tedros claimed that the Covid-19 was a once-in-a-century health crisis whose effects would last for decades.

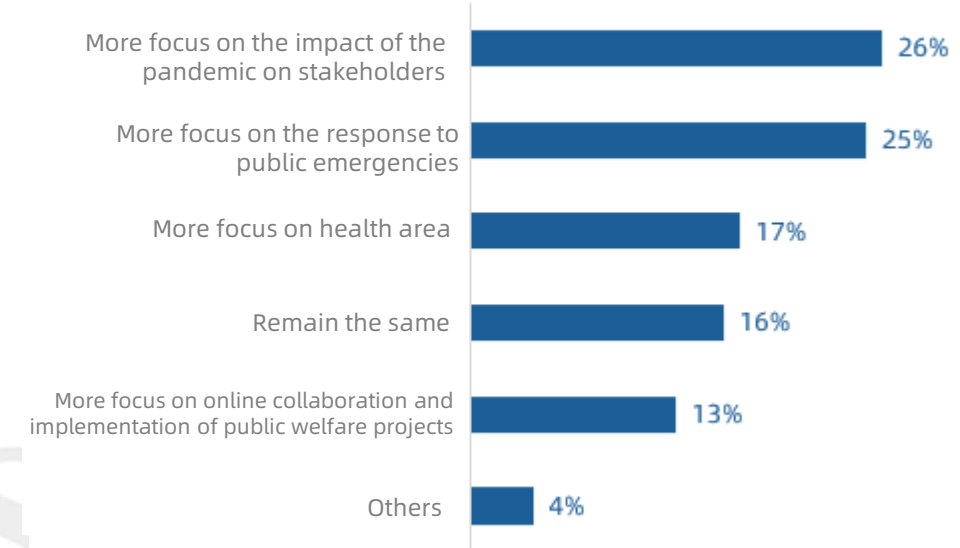
(Source: China Youth Daily )

**41% of CSR managers claimed that the pandemic would continue to affect their business within a year. Stakeholders, the approaches to response to public events and health area will become the direction of companies' CSR development.**

The duration of the pandemic impacts on companies



Statistics on the adjustment direction of corporate CSR after the pandemic



Source: CSR Managers Survey Report 2020

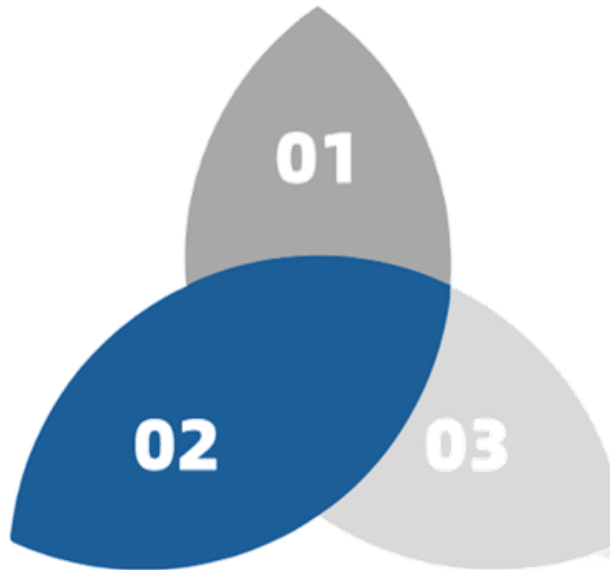
## Trend Three | Continuous Impacts of Covid-19 on CSR Strategies



### Recommendations

Since the situation of COVID-19 changes rapidly, CSR managers should analyze the impact of the pandemic on CSR projects and take action to respond.

We also recommend that companies make good use of tools such as the Social Return on Investment (SROI) to scientifically measure the social, environmental, and economic impacts generated by their projects when summarizing the achievements of their CSR projects.



Companies should rethink the way to use core advantage to solve social issues to create shared value.



## Trend Four | Reframing of Supply Chain Responsibility in the Post-Covid-19 Era



### Supply Chain Due Diligence Legislation

#### The Covid-19 pandemic have had a profound impact on supply chain responsibility management.

The pandemic has caused supply chain disruption and triggered adjustments and shifts. On the flip side, the pandemic will call on suppliers from both upstream and downstream to pay more attention to the construction of responsible partnerships, and further enhance social protection for relevant parties involved at the end of the supply chain. The cancellation of orders that occurred during the pandemic has once again increased the international community's attention to responsible procurement.

#### Human rights and environmental due diligence legislation in the supply chain will be the significant trend.

- Following the supply chain due diligence legislation introduced by the UK, France, the Netherlands, Switzerland, and other countries, in 2021, the European Union will draw up a new supply chain directive, requiring companies to perform mandatory cross-sectoral due diligence on the environmental, human rights and governance impacts in their supply chains.
- The Draft UN Treaty on Business and Human Rights
- Chinese companies are beginning to formulate and publish human rights policies.

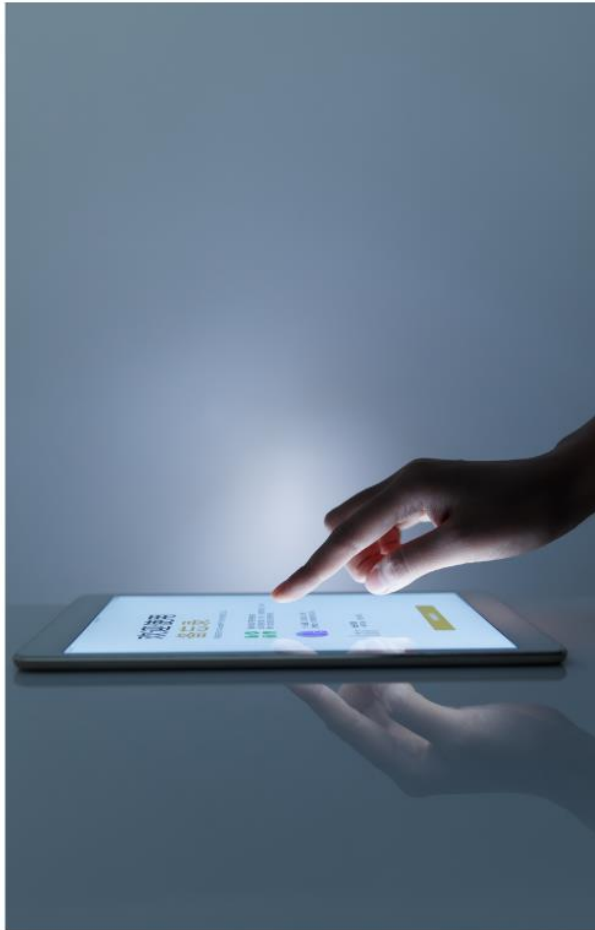
#### Companies start to develop Human Rights policies at the corporate level



(Source: Internet)



## Trend Four | Reframing of Supply Chain Responsibility in the Post-Covid-19 Era



### Recommendations

#### • Recommendation 1

Review the CSR policy of supply chain, and adjust the direction and policy of CSR in time to promote responsible management of supply chain.

#### • Recommendation 2

Pay attention to compliance. International trade frictions may lead social responsibility issues to be generalized and politicized. Guidance and regulations issued by the UN and the EU will also have an impact on Chinese companies.

#### • Recommendation 3

Consider formulating and publishing human rights policies to prevent and mitigate human rights risks in their businesses and value chains.

## Trend Five | The ESG Eco-system Beginning to Take Shape



### The ESG eco-system in China will enter a booming stage in 2021

#### The size of China's responsible investment market has grown significantly

According to available public data in October 2020, a rough estimate of the total size of China's responsible investment market is about 13.71 trillion RMB, an increase of about 22.9% from last year. This includes 11.55 trillion RMB of green loans, 120.9 billion RMB of pan-ESG public offering securities funds, and 23 billion RMB of ESG financial products. A total of 1.16 trillion RMB of green bonds and 782.7 billion RMB of social bonds were issued, and the actual investment of the green industry fund was 97.661 billion RMB.



#### Continuous Improvement in ESG Rating

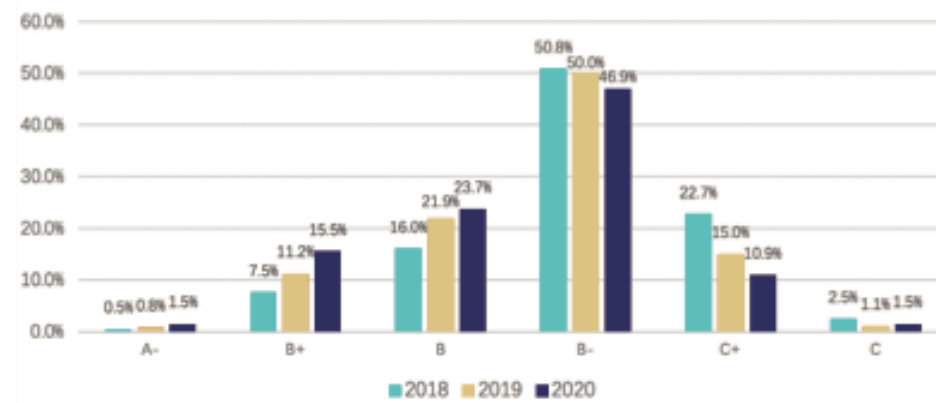


图4 中证800ESG评级分布 (2018-2020)

(Source: Syntaogf/China SIF)

#### The ESG Eco-system Beginning to Take Shape



(Source: Internet) 11

# Recommendations

## Recommendation 1

Companies can analyze the impact of ESG on CSR, understand and study ESG, promote CSR reporting and ESG reporting to have an impact on corporate value to give full play to the value of non-financial disclosure.

## Recommendation 2

We recommend that companies analyze strategies to improve ESG rating, enhance the quality of ESG disclosure, improve ESG performance, establish a sound ESG governance structure and actively maintain good communication with ESG rating agencies to effectively and sustainably improve their ESG rating.





## Trend Six | Quantitative Targets Driving Digitization of ESG Disclosure



### Improve the ESG data Management of listed companies

In December 2020, the 17th Meeting of the Central Committee for Deepening Overall Reform adopted *the Reform Plan for the Law-based Environmental Information Disclosure System*, pointing out that the legal disclosure of environmental information is an important part of corporate environmental management and a fundamental element of the ecological civilization system. We expect that mandatory environmental information disclosure and ESG reporting requirements for listed companies are on the horizon, with the next step focusing on high-quality ESG disclosure and efficient ESG data use.

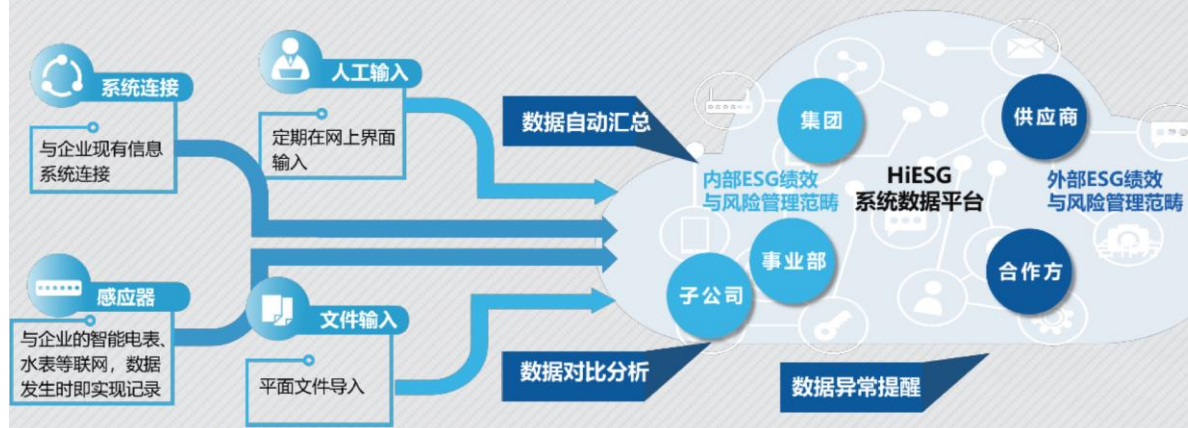


(Source: Internet)

#### HiESG 系统应用效果

HiESG 系统发布至今已协助来自金融、房地产、医疗保健、半导体、零售等多行业的上市公司及大型企业完善 ESG 信息管理体系与体系，提高其 ESG 绩效表现。在此基础上协助企业规划 ESG 管理战略目标，助力企业 ESG 品牌的建设。

- ✓ 基于企业自身网络环境进行部署
- ✓ 配置符合企业所属行业及标准需求的模板
- ✓ 全年的培训、指导与技术支持





## Trend Six | Quantitative Targets Driving Digitization of ESG Disclosure



### Recommendations

#### Recommendation 1

Companies can decide to separate or merge CSR reports and ESG reports according to their own needs.

#### Recommendation 2

Strengthen the disclosure of quantitative information to comprehensively collect and manage CSR/ESG related data and improve the quality of CSR/ESG reports.

#### Recommendation 3

Adopt digital tools to automate their ESG information management and disclosure processes.



# Trend Seven | Carbon-neutral Target Pushing for Corporate Climate Ambition

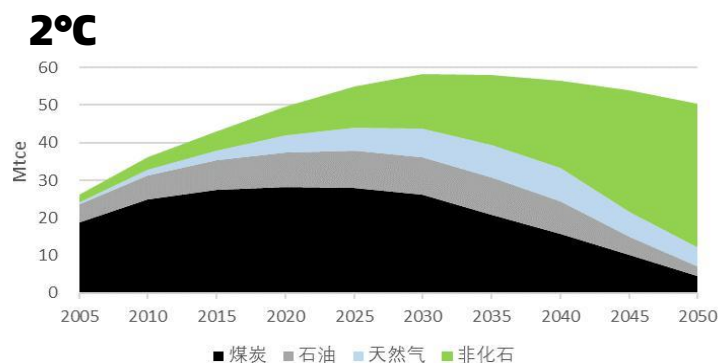


## 2060 Carbon-neutral Target Promotes Companies' Carbon Reduction

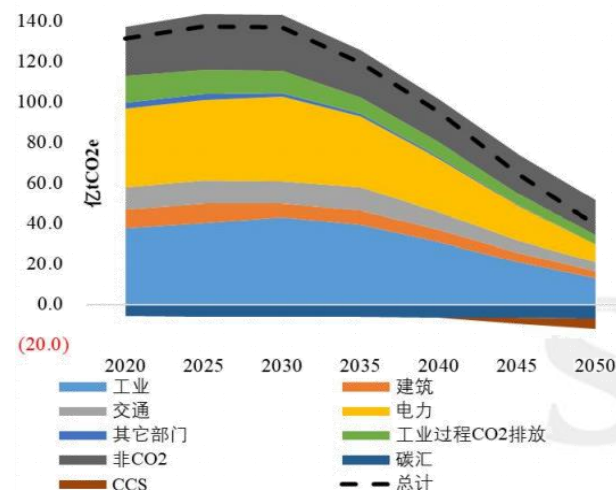
Measures for companies to promote the achievements of carbon-neutral Targets:



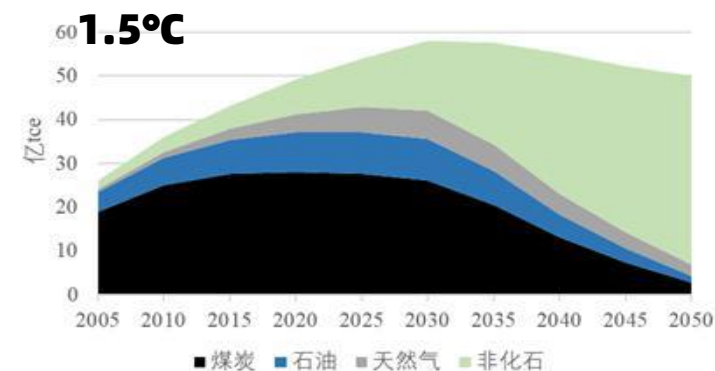
## The achievement of Carbon-neutral Target promote the changes of energy composition



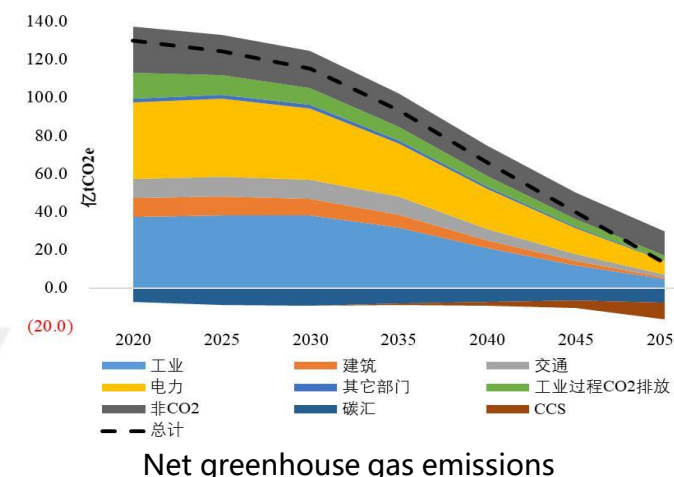
Primary energy composition



Net greenhouse gas emissions



Primary energy composition



Net greenhouse gas emissions

Source: Research on China's Low Carbon Development Strategy and Transition Path, Institute of Climate Change and Sustainable Development, Tsinghua University

## Trend Seven | Carbon-neutral Target Pushing for Corporate Climate Ambition



## Recommendations

### Recommendation 1

According to the characteristics of companies, they can set up their own carbon peak and carbon-neutral target to promote the achievement of 2060 carbon-neutral target.

### Recommendation 2

Design carbon-related CSR projects, and think about how to use CSR strategies to create shared value.

### Recommendation 3

Carry out carbon accounting, set science-based targets, transform and upgrade their process and technology, implement energy-saving and emission reduction projects to achieve high-quality development.



## Trend Eight | COP15 Raising Corporate Engagement in Biodiversity Issues



In 2021, the 15th Meeting of the Conference of the Parties (COP 15) to the Convention on Biological Diversity (CBD) will be held in Yunnan, China. This will put a spotlight on biodiversity and natural capital.



*Sustainable Blue Economy Finance Initiative* aims to positively influence ocean-related mainstream investment, insurance, and lending to promote the development of a sustainable blue economy, facilitate financial sector's engagement, build a sustainable blue economy, and achieve SDG 14 – LIFE BELOW WATER.

### Biodiversity



Convention on  
Biological Diversity

2021 UN Biodiversity Conference



# Recommendations

### Recommendation 1

—  
Analyze the relationship between biodiversity issues and companies' businesses and formulate measures to reduce or minimize adverse impacts on biodiversity.

### Recommendation 2

—  
Focus on issues such as blue economy and natural capital, combine them with green finance to form new highlights.

### Recommendation 3

—  
Join initiatives and actions related to Biodiversity and Marine conservation to promote sustainable development.



## Trend Nine | New Programs Advancing Well-being of Women and Children



### Protect the rights and well-being of women and children

#### National Program for Women's Development (2021-2030) and National Program for Children's Development (2021-2030)

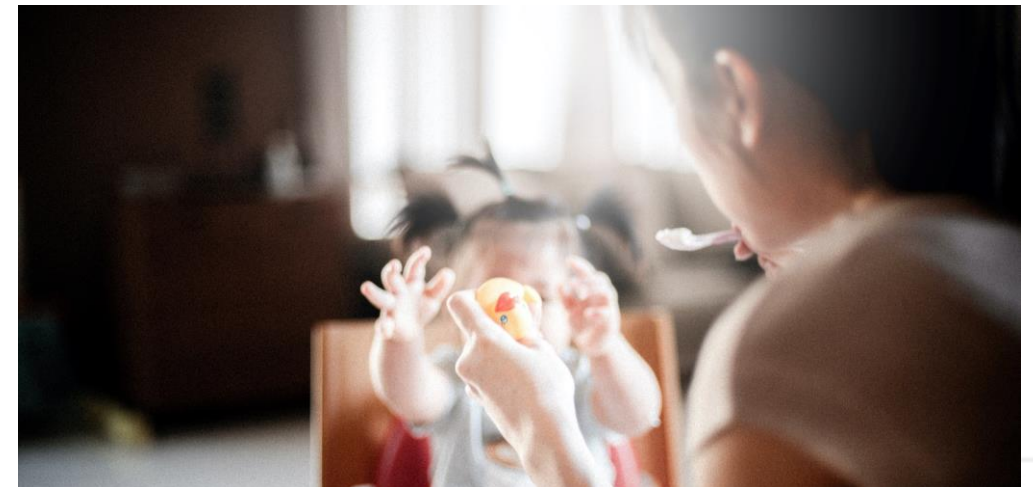
The 2020 statistical monitoring report shows that the overall implementation of the National Program for Women's Development (2010-2020) and the National Program for Children's Development (2010-2020) is progressing smoothly. Most goals have been achieved ahead of schedule, but there are still gaps in individual indicators. The new programs will be released and implemented in 2021. It will set out the overarching requirements for women and children's work from 2021 to 2030. Provinces and municipalities will also plan and carry out the work for women and children.

#### Notice on the Establishment of Cooperation Mechanisms for Promoting Work on the Protection of Women's and Children's Rights and Interests

It requires procuratorial organs and women's federations to strengthen cooperation and enhance the punishment to combat crimes against the rights and interests of women and children.

#### Civil Code of the People's Republic of China

Above Civil Codes emphasizes that all civil subjects, including women, are equal in their legal status in civil activities and all-natural persons are equal in their capacity for civil rights; the implementation of the equal marriage system: husband and wife have an equal status in marriage and family, husband and wife have equal right of disposal and equal inheritance of common property.



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Sustainable Solutions

## Trend Nine | New Programs Advancing Well-being of Women and Children



### Recommendation 1

Design CSR projects centered around eliminating gender discrimination in employment, improving the health care level of rural women and children, promoting better education for rural children, especially girls, and protecting rights and interests of women and children.



### Recommendation 2

Combine the issues that related to women and children with rural revitalization and COVID-19 relief strategies to protect the rights and interests of women and children.

## Sustainable consumption drives consumption upgrading

### Guidance on the Establishment of a Green Low Carbon Cycle Development Economic System

It emphasizes the implementation of green planning, green design, green investment, green construction, green production, green circulation, green life and green consumption throughout the whole process, so that development is based on the efficient use of resources, protection of the ecological environment and effective control of greenhouse gas emissions, and make overall plans to promote high-quality development and high-level protection.

### Opinions on Strengthening the Control of Plastic Pollution

Orderly ban and restrict the production, sale, and use of some plastic products, actively promote alternative products, regulate the recycling of plastic waste, establish and improve the management system for the production, circulation, use, recycling, and disposal of plastic products, and make efforts to build a beautiful China.

### Sustainable consumption is directly related to a moderately prosperous society

According to SynTao 2020 Sustainable Consumption Report, more than 99.85% of the public believe that sustainable consumption is relevant to a moderately prosperous society, as evidenced by its impact on key issues such as quality economic development, ecology and health. The public recognizes the power of sustainable consumption. Moreover, their ideal moderately prosperous society is aligned with several of the UN 2030 Sustainable Development Goals.

#### 公众心中小康社会的内涵



## Recommendations



### • Recommendation 1

Focus on promoting the sustainability transformation of products throughout the life cycle to establish new competitive advantages.

### • Recommendation 2

Strengthen the communication with consumers and guide them to improve their consumption concepts and behaviors through cause-related marketing and advocacy activities.

### • Recommendation 3

Combine business characteristics of enterprises to promote plastic reduction through production and service.

# Top 10 CSR Trends in China



## Long-term (>5years)

14th Five-Year Plan,  
Carbon-neutral Target

### Trend One

A Better Business Blueprint in  
the 14th Five-Year Plan

### Trend Seven

Carbon-neutral Target Pushing  
for Corporate Climate Ambition

### Trend Nine

New Programs Advancing  
Well-being of Women and  
Children



## Mid-term (3-5 years)

COVID-19, The ESG Eco-system

### Trend Three

Continuous Impacts of Covid-19  
on CSR Strategies

### Trend Four

Reframing of Supply Chain  
Responsibility in the Post-Covid-19  
Era

### Trend Five

The ESG Eco-system Beginning to  
Take Shape



## Current (1-3 years)

Internet, ESG Disclosure,  
Sustainable Consumption

### Trend Two

Internet Platform Economy Moving  
Towards Orderly Development

### Trend Six

Quantitative Targets Driving  
Digitization of ESG Disclosure

### Trend Eight

COP15 Raising Corporate  
Engagement in Biodiversity Issues

### Trend Ten

The New "Dual Circulation"  
Boosting Sustainable Consumption





Beijing • Shanghai • Guangzhou • Chengdu • Washington D. C



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