



BSR Conference 2009

Reset Economy. Reset World.

The State of Sustainability in China

Breakout Session Summary

Wednesday, October 21, 2009 | 1:45-2:45 p.m.

Speakers

- » **Chris Coulter**, Vice President, Global Insights & Strategy, GlobeScan
- » **Wei Dong Zhou**, Director, China, BSR
- » **Jeremy Prepscious**, Managing Director, Asia, BSR (moderator)

Highlights

- » The gap between consumer expectations and perceived performance of companies on corporate social responsibility (CSR) has widened across the world; a trend that is also reflected in China.
- » The increased interest among the Chinese population regarding sustainability issues is directly correlated with more open media, increased political focus on sustainability, and consumer trends similar to those in the United States.
- » CSR is now broadly accepted in China. Historically, a few of the Western companies operating in China were considered the leaders in CSR performance and reporting. In the last two years that's changed dramatically. Chinese companies now top the list. This is a phenomenon with parallels in India and, to some extent, in Brazil.

Memorable Quotes

"You need to understand China, you need to understand the culture: [action is] top down—it has to be [driven by] policy first. ... At the same time, bottom-up, practical actions on issues such as energy efficiency are happening." —Wei Dong Zhou, Director, China, BSR

"The sophistication within the regulatory environment here is interesting and growing. It is entirely possible to find your suppliers blacklisted on a website in the public domain—because the government has mandated local government to monitor this." —Jeremy Prepscious, Managing Director, Asia, BSR (moderator)

"On climate change, the Chinese consumers surveyed stand out on two measures: Firstly, they believe actions around climate change are good for the economy. Secondly, the Chinese were the most positive out of 24 countries surveyed in saying that we should still do something about it even if it is bad for the economy." —Chris Coulter, Vice President, Global Insights & Strategy, GlobeScan

Overview

Prepscious started the session by noting that China's impact on sustainability is significant. He then introduced Coulter, who presented GlobeScan's CSR Monitor research, with an emphasis on key results from the China portion of the study. The research sheds light on where the sustainability trend has come from and where it is going across a range of 32 countries. The study of consumer perspectives is based on a sample of at least 1,000 people per country; in China those surveyed were from the 20 largest metropolitan regions.

The research revealed that consumers in China have changed their expectations of the private sector in recent years. Between 2005 and 2007 there was a sudden increase in expectations of corporate CSR performance, similar to the trend seen in the EU and the United States.



Interestingly, the same trend is not evident in other emerging economies such as India and Brazil. Zhou echoed the findings and suggested that this change in perception correlated with increased government discussion on whether the development of standards such as SA8000 would address CSR concerns in China, and whether CSR was good for China. Since 2007, he has seen even more interest in CSR from companies and the public there.

The Chinese population was also found to be toward the more engaged end of the global spectrum with regard to consumer empowerment and activism. For example, 34 percent of consumers reported that they have punished a company on sustainability performance indicators by boycotting a product. The relaxation of media controls, such as the freedom to blog and to use Google, has resulted in new forms of transparency. The recent public health and product safety scandals have also contributed to more active engagement.

Coulter also observed that the Chinese have very American perspectives when it comes to consumerism—with brand image, aspiration, loyalty, and optimism being critical and very powerful motivators. For example, the Chinese are among the top 14 countries to say that “owning a big house is a very important goal in my life.” Another lifestyle indicator showed that the Chinese are a highly responsive consumer set: There was a significant drop in “frequency of using own bag in store/market” in reaction to Chinese Government regulations on bag usage that were put in place in 2008.

Zhou then summarized the challenges and drivers for China with regard to sustainability. At the macro level: population, urbanization, and the environment are key. With one quarter of the world’s inhabitants, half of whom will be living in urban areas by 2010, China’s natural resources and social well being are under pressure. Zhou cited China’s Premier Wen Jiabao, who has noted that, in China, any small issue multiplied by 1.3 billion becomes huge—and any huge achievement divided by 1.3 billion becomes very small. At the micro level: labor issues; environmental, health, and safety standards and performance; and transparency are the key focus points. For example, voluntary CSR reporting is on the increase: 126 Chinese companies issued a CSR report last year, in both Chinese and English versions, and many Western multinational companies issued a China-specific country CSR report.

The discussion also touched on government changes in acting on CSR. The government has begun to use its industry associations to advance CSR, such as the China National Textile and Apparel Council (CNTAC), which is working with 100 companies in the garment clothing sector to promote CSR. In addition, the Shanghai and Shenzhen stock exchanges have created the first Chinese CSR indexes, similar to the Dow Jones Sustainability Index. And while civil society activism is still not easy in China, following the earthquake last May the government has started to accept NGOs working in China. There are many solution-based NGOs emerging, reflecting a change in how local and national governments and civil society are working together.

Regarding Chinese business operations outside China, such as in Africa, Prepisci commented that over time there has been a realization in China that CSR standards differ among countries. In response, large companies such as PetroChina and Sinopec are starting to develop their CSR strategies, with a particular focus on human rights issues.

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