

# EXECUTIVE SUMMARY

## CSR Guide for Multinational Corporations in China: Prosperity with Integrity

In recent years companies from around the world have flocked to China, attracted by its rapidly growing economy, expanding markets, cheap labour, and low standards for environmental protection, health and safety. That is changing -- dramatically.

By October 2011 there were over 730,000 multinational corporations (MNCs) registered in China. Although MNCs brought the concept of Corporate Social Responsibility (CSR) to China, studies show under-performance, both in comparison to their practices in developed countries and with respect to rising Chinese expectations.

While relatively new in China, CSR has developed quickly. Both Chinese governments and the public demand that businesses improve their performance on public health, environmental protection, worker safety and social development. Regulatory compliance and image marketing will be inadequate.

In practice, however, it matters less what motivates improved performance and more how one responds in effective and practical ways that benefit not only business, but society as well.

The **primary purpose of this guide** is to help CSR practitioners and business leaders to make that transition to society oriented CSR and to:

- understand the benefits of substance over appearance,
- grasp the importance of CSR in China and trends that lie ahead,
- develop meaningful CSR programs that meet societal and business needs,
- build productive, long-term community relationships, and
- learn from successful experiences and best practices in CSR.

**Chapter one** delivers a brief history of CSR and makes a compelling case for society-oriented (transformational) CSR, aligning business values and practices with the expectations and needs of stakeholders.

**Chapter two** examines CSR in China, history, laws and regulations, performance of MNCs and challenges ahead. CSR development in China has gone through three stages since the 1990s – introduction, observation and development. Now the Chinese government is poised to use CSR to address social and environmental issues as part of economic and social reforms and promotion of sustainable development.

There are over 30 CSR-relevant national laws, regulations and guidelines in China. Chapter two highlights the most important ones related to CSR, as well as guidelines from Chinese business associations and stock exchanges. The most widely used CSR reporting guidelines in China for MNCs are the UN Global Compact and Global Reporting Initiatives. Alternatively, the framework most commonly used by SOEs in China is CASS CSR2.0, developed by the CSR Research Centre at the Chinese Academy of Social Sciences (CASS).

Finally, chapter two looks at internal and external CSR challenges facing MNCs in China, including poor coordination with local branches and suppliers, failure to address tougher regulations and public expectations, inadequate integration of CSR and sustainability in planning and decision-making, and weak community relations.

**Chapter three** begins by making the business case for CSR in China. Subsequently, it provides practical information

on how to analyze current practices and improve CSR by engaging stakeholders, including government, employees, media, NGOs, business partners and customers. Recommendations address vital topics including how to:

- improve cooperation between headquarters and branches,
- advance CSR through human resources,
- conduct self-evaluation on CSR,
- strengthen community engagement,
- improve philanthropy,
- find and work with capable NGO partners, and
- upgrade CSR reporting.

Case studies presented in this guide focus on the positive, offering examples of companies whose CSR strategies and sustainability programs have increased both corporate and societal benefits.

### Options Going Forward

Every society reaches moments of reckoning and China is no exception. Seriously contaminated food, water and air, with consequent damage to public health and the environment, have led to rising social unrest and political action. Demands for a higher level of performance on labour, health, environmental stewardship and social development are growing louder and resulting in concrete actions by government and the public. It would be prudent for business to respond proactively to these calls for action.

Each company, therefore, has its own decisions to make: to continue business as usual, with a risk of being compelled to change and therefore left behind, or to align its business strategy and sustainability outcomes to meet the needs of society. Motivated by ethical business principles, forward-

looking companies that are successful over the long term will be those which operate with social and environmental responsibility as core values. They will earn far greater possibilities to enhance their competitiveness and brand approval by actively pursuing improvements in overall conditions in the communities where they operate and in the world that is the market for their goods and services.

This publication may have been written for MNCs operating in China, but it is much more. It is a blueprint for success for multinational or state-owned enterprises in China or anywhere in the world. It promotes greater cooperation between business and society in order to achieve beneficial social, economic and environmental outcomes.

Our hope is that senior business leaders, as well as CSR proponents, will find this guide useful in shaping better business strategies and practices that are based on a sound understanding of CSR and a renewed commitment to forming effective partnerships with society in order to achieve a more sustainable future.

*Note: Executive Summary from book entitled CSR Guide for Multinational Corporations in China (May/2013 English and Mandarin)*



### For further information please contact:

Harmony Foundation of Canada  
Box 50022, #15-1594 Fairfield Rd Victoria, BC Canada V8S 1G1  
harmony@islandnet.com  
www.harmonyfdn.ca