

# **Observations from the Leader of the CBCC Dialogue Mission on CSR to the People's Republic of China**

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## **1. Outline of the Mission**

How to deal with Corporate Social Responsibility (CSR) is a pivotal issue for Japanese companies doing business in China, where more than 23,000 Japanese companies operate<sup>i</sup>. The Council for Better Corporate Citizenship (CBCC) dispatched the fourth Dialogue Mission on CSR to Shanghai and Beijing from January 11th to 15th, in order to examine priority issues in CSR in China after the financial/economic crisis. The mission also looked into promotional policies of the Chinese government, the latest efforts of Japanese, European and American companies, and the most recent activities of Chinese organizations and companies that promote CSR.

Delegates of the Dialogue Mission had meetings with five organizations and 12 companies, which included the Shanghai Pudong New Area Government, the Chinese Academy of Social Sciences, the Japanese Chamber of Commerce and Industry in China, the Shanghai Japanese Commerce and Industry Club, the American Chamber of Commerce in Shanghai, and the European Union Chamber of Commerce in China, as well as Japanese, Chinese, American and European companies that are performing pioneering activities on CSR. In addition, the delegation co-sponsored the second “China-Japan CSR Forum” in Beijing, together with three Chinese CSR promotional organizations<sup>ii</sup> with which we have been collaborating. The following are the primary results from our Dialogue Mission and the Forum.

## **2. Rapidly Progressing CSR Practices in China**

### **(1) Positive Promotion by the Chinese Governmental Sections and Establishment of Chinese Standards**

CSR activities in China have been growing rapidly in recent years; the government has taken the initiative in promoting CSR, and major state-owned enterprises are responding positively to that policy. In Japan, Europe, and the United States, voluntary actions of companies have played a key role in the development of CSR. By contrast, in China, the Hu Jintao administration has been forcefully advancing CSR, perceiving it as a tool to actualize its governmental policy guidelines of the “Scientific Development Concept<sup>iii</sup>” and “Harmonious Society.” As a result, CSR standards, guidelines, and indices have been established in succession by ministries and agencies, their affiliated research institutes and industry organizations, and others. In this regard, a notable feature is that the Chinese do not directly employ international CSR standards and specifications, but are more likely to use them as a reference for creating Chinese-specific local standards to apply to their CSR. For example, the “Index Evaluation of CSR,” which was drawn up by the Shanghai Pudong New Area

Government and is currently in use as the CSR standard in Shanghai, is a 60-item CSR evaluation standard created after referring to a draft version of ISO26000, which the ISO has been establishing.

## (2) Rapid Increase in Activities of Major State-Owned Enterprises – Widening the Gap with Other Companies

Among Chinese companies, the progress at major state-owned enterprises that directly receive guidance from the government is remarkable. During the last mission (2006), I had a strong impression that Chinese companies were in a learning stage for CSR. However, Baosteel Group and the China Ocean Shipping (Group) Company (COSCO), with which we had talks during this visit, are practicing CSR on a large scale by utilizing their considerable resources and personnel. Many delegates had the impression that Japanese companies will be left behind if this continues. On the other hand, it is noted that other Chinese companies still regard CSR practices as costly, so they have not actively engaged in them. Therefore, the widening gap between major state-owned enterprises and other companies in terms of CSR activities is affirmed.

The “2009 Corporate Social Responsibility Index” survey of 300 companies conducted last year by the CSR Research Center of the Chinese Academy of Social Sciences (a think-tank of the Chinese government) affirmed this trend. While the average score among Chinese state-owned enterprises is 30.6 out of 100 points, Chinese private companies averaged 17.9 points and foreign companies 12.1. Although we see some problems with the survey methods, the result is likely to create a negative impact on foreign companies if such perceptions generally prevail in China.

## (3) Efforts of Japanese Companies - Progressive Localization and Necessity of Information Sharing

Regarding efforts of Japanese companies in China, their local influence is advancing as an increasing number of Chinese employees engage in CSR projects full-time. However, these companies’ actions mainly involve compliance with laws/regulations and philanthropic programs, and they have not practiced the wide range of activities that are commonly done in Japan. According to a survey by the Japanese Chamber of Commerce and Industry in China, the assistance that Japanese companies in China ask for most for their CSR practices is “exemplifying projects that companies can do on a small budget and with little manpower.” This result suggests there is a need for sharing of information among Japanese companies.

The survey results also show that Japanese companies consistently engage in CSR activities after an economic crisis, such as their support of the area stricken by the Great Sichuan Earthquake and their cooperation with “Project Hope<sup>iv</sup>.” Nevertheless, those activities are not well acknowledged by Chinese stakeholders, such as the Chinese government and the mass media. On the other hand, European and American companies in China successfully call the attention of the Chinese government and the mass media to their activities, in close coordination with their Chambers of Commerce and other organizations. Hence, we believe that Japanese companies should also publicize their CSR practices by collaborating more effectively with the Chinese

government and the mass media, in order to enhance their corporate value, as well as their brand image.

### **3. Tasks for Japanese Companies and the CBCC's Actions**

#### **(1) Sending Information out in Chinese, with Chinese Stakeholders in Mind**

According to a survey by the Chinese Academy of Social Sciences, one of the reasons foreign companies in China (including Japanese companies) are undervalued by Chinese stakeholders is the lack of information in the Chinese language regarding those companies' activities. While more Japanese companies have been publishing their CSR reports in Chinese in recent years, a majority of the reports are just Chinese translations of reports issued by their headquarters. Consequently, the focus of those reports is on their corporate global activities, and the description of activities in China is limited. In the future, Japanese companies are encouraged to publish their reports in Chinese, focusing on their efforts on environmental issues and the economic disparity in China, which are of great concern to Chinese stakeholders.

#### **(2) Promoting Collaboration with Chinese CSR-Promoting Organizations**

The second "China-Japan CSR Forum" held in Beijing was highly productive: we were able to enhance our understanding of organizations engaged in CSR promotion (both in Japan and China), learn more about responses to the CSR standards and specifications, and gain knowledge of the best practices of Japanese and Chinese companies. We were also able to engage in a candid exchange of views. Through sponsoring the Forum twice so far, we have expanded our understanding of overall perceptions about CSR and ongoing efforts in both Japan and China. At the next (third) Forum, it might be a good idea to have discussions on more specific themes, such as the nature of CSR reports and the manner of interaction with stakeholders. This could be done by setting up working sessions.

The CBCC shall enhance its partnership with organizations in China that promote CSR, in order to improve recognition of Japanese companies' efforts in CSR in China in the future.

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<sup>i</sup> China Trade and External Economic Statistical Yearbook 2008

<sup>ii</sup> China Business Council for Sustainable Development (CBCSD), China WTO Tribune, and China Committee of Corporate Citizenship

<sup>iii</sup> The ideology which aspires to create sustainable, well-balanced development of the whole of society, such as social development and economic growth, balancing the environment and development, and sustainable development

<sup>iv</sup> A project organized by a non-profit public interest group, the "China Youth Development Foundation," aimed at the improvement of education and bringing school-age children back to school in the poverty-stricken areas of China. The Foundation also finances construction and renovation of primary and middle schools in impoverished regions.