The Reporting Exchange: An overview of sustainability and corporate reporting in China
The Reporting Exchange

In 2017, the World Business Council for Sustainable Development (WBCSD), in partnership with the Climate Disclosure Standards Board (CDSB) and Ecodesk, launched the Reporting Exchange. This free online platform has been designed to help business navigate the often-confusing world of corporate reporting.

Compared to the development of financial reporting, the evolution of non-financial reporting has been rapid and fragmented. There are many regulations, reporting frameworks, guidance and tools which influence the corporate reporting process on environmental, social and governance issues (ESG). The resulting reporting landscape has been described in recent reports by the Business and Sustainable Development Commission\(^1\) and ACCA\(^2\), as complex, overwhelming and there have been calls for more harmonization and alignment.

What are the objectives of the Reporting Exchange?

The primary objective of the Reporting Exchange is to provide much-needed clarity to corporate report writers on what, where and how to report on sustainability issues while supporting clearer, more concise and better-informed reporting of sustainability information.

The Reporting Exchange summarizes and connects ESG reporting requirements and resources from across 60 countries and 70 sectors.

Better quality reporting practices can support better internal and external decision-making on sustainability-related risks and opportunities which, in turn, can influence capital allocations by investors – making more sustainable businesses, more successful.

The Reporting Exchange also provides the evidence base to help drive action towards a more harmonized, aligned and effective corporate reporting environment. The platform maps sustainability reporting provisions across the world’s largest economies, showing how and where they link and align.

The Reporting Exchange has also been designed as an open and collaborative space for the many people and organizations active in corporate reporting. It allows the latest developments, insights, good practice to be easily shared across geographic borders and sectoral boundaries which may help accelerate harmonization and alignment of corporate ESG at a global scale.
Increasingly regarded as a global leader on tackling climate change, China is also working towards embedding sustainability across its economy. In their 13th Five-Year Plan, the National People’s Congress outlined their plans for green and low-carbon development by including each of the 17 Sustainable Development Goals (SDGs) into national action plans.

China Business Council for Sustainable Development (CBCSD), a coalition of Chinese and foreign enterprises which provides a platform for exchange and cooperation towards the development of sustainable business, was one of the key partners of WBCSD and CDSB in conducting the research and categorization of these requirements and resources for the Reporting Exchange.

Following our work together, we asked Ms. Ji Qing, Secretariat Director and Ms. Jingzhu Zhang, Manager at CBCSD, a few questions about policy, sustainability, reporting and business practices to develop a richer understanding of the Chinese corporate reporting environment.

### China data snapshot

**Reporting provisions by subject**

- 35/47 reference environmental subjects
- 21/47 reference social subjects
- 10/47 reference governance subjects

**Reporting provisions by obligation**

- 25/47 provisions are mandatory
- 20/47 provisions are voluntary
- 2/47 provisions are comply or explain

### Reporting is most aligned with SDGs

1. **Clean Water and Sanitation**
2. **Industry, Innovation and Infrastructure**
3. **Responsible Consumption and Production**
4. **Climate Action**
5. **Peace, Justice and Strong Institutions**

### Reporting is least aligned with SDGs

1. **No Poverty**
2. **Zero Hunger**
3. **Quality Education**
4. **Affordable and Clean Energy**
5. **Partnerships for the Goals**
Q. Why is the Chinese government prioritizing sustainable development issues?

China’s economy is undergoing a critical period of transformation and development, and the government has demonstrated commitment to the 2030 Agenda by aligning its domestic mid- and long-term development strategies with the SDGs. The 13th Five-Year Plan outlines that economic development will not only focus on the expansion of economic scale, but also stresses the importance of innovation and efficiency. The Chinese government also acknowledges that innovative, coordinated, green and shared development, will be essential for China’s overall progress.

In the report delivered by General Secretary Xi Jinping at the opening session of the 19th National Congress of the Communist Party of China on 18 October 2017, he emphasized that China should promote green development, solve prominent environmental problems, intensify the protection of ecosystems, reform the environmental regulation system, and work to develop a new model of modernization with humans developing in harmony with nature. Sustainable development is one of the core governmental strategies outlined in the report’s 14-point basic policy, and the reference to creating an ecological civilization appears to be prominent.

Q. How have the National Implementation Plan and the National Progress Report addressed the role of business in supporting sustainable development?

Drawing on the achievements and experience of China’s development, the National Implementation Plan of the 2030 Agenda for Sustainable Development analyzes challenges and opportunities in implementing the 2030 Agenda. It lays out the guiding thoughts, general principles and approaches, as well as specific plans for the implementation of the 17 SDGs and 169 targets. The National Progress Report, published in August 2017, presents a review of the progress China has made economically, socially and environmentally since September 2015, and outlines how China will pursue higher quality, more efficient and more sustainable development.

For the business sector, the government’s report has put forward some rigorous evaluation mechanisms, mandatory requirements and supporting incentives to help companies support the SDGs. The report has also called for related corporate evaluation standards and systems to be set up to guide the sustainable industrial transformation, innovation and investment. It encourages both State-Owned Enterprises (SOEs) and private enterprises to join in the action by implementing the SDGs and shouldering corporate social responsibilities. This includes introducing some specific rules and requirements for reporting and disclosure of sustainability information.
Q. How does reporting and disclosure support the sustainable development agenda and related plans in China?

The Chinese government is encouraging business to integrate sustainable development strategies into their daily operation and management activities. The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) have issued regulations and guidance for the SOEs. China Securities Regulatory Commission (CSRC) also has requirements for listed companies on the disclosure of social responsibility-related information. Some local authorities, e.g. Shanghai, Beijing, and Shenzhen, have issued guidance on corporate sustainable development and social responsibility.

As for the companies themselves, many have implemented sustainability strategies throughout their full management process. They are normalizing consistent actions from the leadership to front-line staff, while creating a timely, transparent and effective communication system for the public and stakeholders. Through disclosure and reporting of sustainability information, the concept of sustainability is further integrated into core business strategy.

Sustainability reporting is an important entry point in implementing the 2030 Agenda in China and the number of Chinese companies that produce sustainability reports on a regular basis has increased rapidly, from 19 in 2006 to 3040 in 2016. We have seen significant improvements in the quality of reporting, thanks to international benchmarking and greater understanding of materiality issues. Reporting allows for effective internal and external communications, and reflects an improvement in corporate management standards in China. The State Grid Corporation of China, China Mobile, Sinopec, Baowu Group, Shenhua Group and China National Building Material Group are among the leading reporting companies.

Since 2006, CBCSD has been compiling non-financial reports from Chinese companies and has published a research report about the China Corporate Sustainability Index. The index is currently being piloted amongst China’s Top 500 companies and highlights the leading companies who are reporting sustainability information.

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According to GoldenBee China CSR Index Report 2016, there have been major breakthroughs in CSR practice, including improvements in disclosure. One key conclusion from this report is that companies increasingly value the information disclosed about social responsibility, and that there has been a shift amongst companies in China to disclose multi-dimensional CSR-related information.

The information disclosure index of the “leading enterprise” has improved for three consecutive years. Large companies are placing greater importance in elevating transparency and enhancing communication with stakeholders through non-financial disclosure. Meanwhile, growing enterprises have paid greater attention to fulfill their social responsibilities towards their stakeholders. Overall, the report found that the gap between leading enterprises and growing enterprises was narrowing.

Both State-Owned Enterprises (SOEs) and private enterprises have improved their performance and awareness on reporting and disclosure, with SOEs maintaining their lead in the information disclosure index. This is true especially in comparison with State-holding Enterprises, foreign-invested or Hong Kong, Macau, and Taiwan-based enterprises included in the report. Specifically, the performance of SOEs in fulfilling their responsibilities towards communities, governments and the environment is remarkably better than other companies.

Meanwhile, foreign-invested and Hong Kong, Macau, and Taiwan-based companies are leading in the governance index, and have demonstrated greater dedication to integrating social responsibilities into corporate strategy. The private sector has progressed in topics related to employees, governments and suppliers, but improvements are still needed on social and environmental protection.

The GoldenBee report demonstrates that, in China, enterprises under different types of ownership have shown different strengths in CSR activity. To improve performance across the board, enhanced experience-sharing and communication are key, with leading and exemplary companies taking up the role of best practitioners.

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Through the research for the Reporting Exchange, we have found nearly 50 reporting requirements and resources that mandate or guide companies in China in reporting ESG information. The main developments in ESG reporting provisions have been issued by the State Council, the Ministry of Environmental Protection (MEP), other related ministries and departments, as well as stock exchanges. Overall, we have seen a growing number of Chinese companies (especially listed companies) being required to disclose sustainability information.

Our research revealed that the national focus on environmental issues, especially climate change, has resulted in the majority of reporting and disclosure requirements being focused on environmental issues. This means that there are still limited mandatory reporting requirements for the other aspects of ESG reporting, which may improve as the SDGs are further implemented into the national strategy.

Some of the most significant requirements and resources that currently influence corporate reporting on ESG issues include:

• The first reporting provision related to corporate environmental information disclosure in China was the Announcement on the Disclosure of Environmental Information by Enterprises - issued by former State Environmental Protection Administration (SEPA, upgraded to MEP in 2008) in September 2003.

• In September 2006, the Shenzhen Stock Exchange issued the Shenzhen Stock Exchange Social Responsibility Guidelines for Listed Companies, which encouraged these companies to publish annual CSR reports on a voluntary basis.

• In 2008, several significant provisions were published. These include:
  - The State-owned Assets Supervision and Administration Commission (SASAC) Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities
  - SEPA's Guiding Opinions on Strengthening the Supervision and Management of the Environmental Protection by Listed Companies
  - SSE Guidelines on Environmental Information Disclosure by Listed Companies

• The Environmental Protection Law of the People’s Republic of China was revised and enacted on 1 January 2015. The law summarized the existing regulations on disclosure and requested companies to report data about pollution to increase transparency.

All these provisions are available on the Reporting Exchange and will be updated as corporate reporting continues developing in China.

This Q&A is part of a series of interviews conducted with the World Business Council for Sustainable Development’s network.
References


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About the World Business Council for Sustainable Development (WBCSD)

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, representing combined revenues of more than $8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability: united by our vision of a world where more than 9 billion people are all living well and within the boundaries of our planet, by 2050.

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About the Climate Disclosure Standards Board (CDSB)

The Climate Disclosure Standards Board (CDSB) is an international consortium of business and environmental NGOs committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. Recognizing that information about natural capital and financial capital is equally essential for an understanding of corporate performance, our work builds trust and transparency needed to foster resilient capital markets.

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About China Business Council for Sustainable Development (CBCSD)

Founded in 2003, CBCSD is a coalition of leading Chinese and foreign enterprises registered and operating in China, established as a national organization at the Ministry of Civil Affairs, PRC. The objectives of CBCSD are to provide a platform for exchange and cooperation among Chinese and foreign enterprises, government and social communities; share information, experiences and best practices in the field of sustainable development, in order to help companies improve understanding and performance in HSE, CSR, climate change, urban infrastructure, smart cities and other related areas.