



Best Practice Memo No. 3 - CSR Reporting

*A series of Best Practice Memos reflecting the experiences and lessons learned of the
“Environment-oriented Enterprise Consultancy Zhejiang (EECZ)”*

Corporate Social Responsibility (CSR) Reporting

Customers, investors, and a wide range of stakeholders increasingly demand that Chinese companies disclose information on their environmental and social performance. Reporting is one of the tools employed by enterprises to inform the public of the impact that their operations and products have on their own staff, the environment and society at large.

A CSR report is also a diagnostic instrument to manage risks and set and monitor a company's strategic goals. Hence, the report itself can be the starting point of an engagement process that sees companies working internally and externally towards social responsibility.

Reporting Standards

In order to assist companies in meeting increased calls for transparency and accountability, a number of CSR reporting guidelines and standards have been developed. The Global Reporting Initiative's Sustainability Reporting Guidelines, and the Institute of Social and Ethical AccountAbility's AA1000 Assurance Standard are two such guides.

The Global Reporting Initiative (GRI) is a multi-stakeholder initiative formed to develop globally applicable guidelines that can be used voluntarily by companies to report on their key economic, environmental, and social impacts. The Guidelines cover disclosure ranging from a company's strategy and management approach to its economic performance and market presence, materials, energy and water used, as well as emissions and waste produced. It incorporates labour practices and basic rights, involvement with local community, as well as product responsibility to provide a complete picture of company behaviour. More information about the GRI standards can be found at <http://www.globalreporting.org/>

For the purpose of the pilot project, EECZ chose the GRI standard to assist a Zhejiang-based company with the production of its benchmark CSR Report because the GRI gives scope to determine materiality and provides a benchmark against which to measure the company's future performance.

Reporting Process

Producing a comprehensive CSR report can involve up to a year of planning and development. After releasing a benchmark report, additional reports should be published annually and should always refer to the previous financial year. Steps in the completion of a CSR report include:

1. Getting executive 'buy-in'. Leaders must be fully committed to the project and jump start the reporting process.
2. Establishing and training a CSR reporting team. The team should oversee the reporting process and, as standards are continuously evolving, keep informed and updated on the



- latest trends and requirements.
- Analysing previous and current CSR strategy and objectives. The CSR team, together with company executives, should conduct a company assessment of the level of CSR awareness both internally and externally. This is the starting point to determine all future direction.
 - Establishing the audience and objective of the report. The CEO should outline the purpose of the report to ensure that it meets both the expectations of the company and its stakeholders.
 - Determining report content and gathering data. The team should establish a benchmark and determine the materiality of the report in order to guarantee the accessibility and reliability of data.
 - Planning a dissemination strategy. Once the report is published, the company should ensure that it is strategically disseminated to shareholders and customers as well as other relevant stakeholders such as government and local institutions.
 - Stakeholder feedback. In order to ensure a strategic advantage from the reporting process, the company should invite comments and opinions from its stakeholders during the compilation of the report and after publication.
 - Organisational learning. The reporting process represents a learning opportunity for the company and should be considered a monitoring and evaluation tool. Lessons learned should then be fed into the operational process of the company in order for it to be truly successful.
 - Getting started. A company should understand that it does not need to have a perfect CSR record in order to write a CSR report. The report also acts as a testament to the company's year on year progress and achievement.

Challenges and Lessons Learned

Based on EECZ's experiences during the pilot project we offer the following. Due to the relative newness of CSR reporting in Zhejiang, and the overall low understanding of the reporting process, a few difficulties might be encountered when producing a benchmark report:

- Depending on the company, applicable data might be hard to report as technical data pertaining to environmental pollution is not commonly collected. However, as a company's awareness and expertise increases, mechanisms to collect data should become more readily available.
- International standards might require the disclosure of data that is deemed confidential or perceived to put the company at a competitive disadvantage. It is vital to adapt standards to the local context and remain flexible when determining materiality.

Issues to consider locally, both for the company and report readers include:

- Accountability and Transparency. A CSR report is a commitment to stakeholders. Third party auditing should be promoted to ensure the reliability of reports.
- Stakeholders Engagement. A company needs to address the interests and expectations of all stakeholders affected by its business through engagement. However, it is possible that regional stakeholder engagement is limited so expert advice should be sought.
- Sustainability. Sustainability is not simply a synonym for long term, it also refers to a company's efforts to avoid the negative impacts of its operations on the environment and affected communities.
- Report Boundaries. Stakeholders are likely to be interested in both domestic as well as the overseas operations of a company.

In spite of this, companies in Zhejiang are, in increasing numbers, genuinely looking at reporting as a first-step action towards a comprehensive CSR engagement strategy.