Pathway to Net Zero: SDG Practices of Enterprises in China

A Survey Report on Business and Sustainability in China 2021
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References
The 17 Sustainable Development Goals (SDGs) set out the global agenda for achieving a prosperous, inclusive and sustainable society for all by 2030. The goals aim to encourage action in specific and critical areas of importance for people, planet and prosperity.

With just under a decade left to fulfil the ambitions of the 2030 Agenda, meeting these 17 goals will require an unprecedented effort from all sections of society. The world has suffered major setbacks—the COVID-19 pandemic disrupted progress on the SDGs, with vulnerable groups affected the most, while the worsening climate emergency threatens our very survival. According to the latest IPCC report, urgent, transformational action is needed to keep 1.5 degrees of warming within reach.

If we are to overcome these monumental challenges, we cannot continue with a ‘business as usual’ scenario. In particular, transformation of the private sector, and the ability for companies to adjust how they operate and what they prioritize, will be critical to building a more sustainable future for ourselves and for the planet.

In this second iteration of our pioneering study on business and sustainability in China, we see that the will to align business strategy with the SDGs is there. There is greater recognition that incorporating the SDGs into decision making not only contributes to sustainable and inclusive development, but can drive business growth and productivity, too. According to our survey, an encouraging 94.9% of the sampled Chinese enterprises are willing to implement SDG projects, with over half (55.6%) having already reported their SDG initiatives.

This year’s report has a special focus on how China’s recent climate commitments (peaking carbon emissions before 2030 and achieving carbon neutrality by 2060) have encouraged companies to pursue low carbon initiatives and reexamine their operations. The findings provide insights on the transformations taking place within different sectors and industries as well as some of the challenges businesses are facing, which can help inform future policymaking. At UNDP, through continued partnership with both government and the private sector, we are ready to support companies in China to meet climate targets and better engage with the SDG framework.

We would like to thank our partners, PwC and China Chamber of International Commerce (CCOIC), for their immense support. Without their contributions, this study would not have been possible. We also want to recognize UN Global Compact for leveraging their platform to engage companies in our survey.

It is our hope that this report will help to increase understanding of the importance of putting the SDGs and sustainability at the center of business models in the corporate world, and inspire companies to take action in the global fight against climate change.
The UN Climate Change Conference held in Glasgow (COP26) in November 2021 sounded the alarm bell on the urgent need for countries to raise the level of ambition to curb global warming. Though there is a mountain to climb to rebalance humanity’s relationship with the planet, it is entirely possible, and businesses all over the world have a pivotal role to play. The actions taken in this decade can set the world on a new course towards a more inclusive, green, and sustainable future.

Beate Trankmann
UNDP Resident Representative in China
In September 2020, Chinese President Xi Jinping declared at the General Debate of the 75th Session of the United Nations General Assembly that China will scale up its Intended Nationally Determined Contributions by adopting more vigorous policies and measures, aiming to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060. In October 2021, President Xi said at the leaders’ summit of the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15) that to achieve the carbon peak and neutrality targets, China will release implementation plans for peaking CO2 emissions in key areas and sectors as well as a series of supporting measures, and will put in place a “1+N” policy framework for carbon peak and neutrality.

This demonstrates China’s responsibility to participate in global governance and to build a community of shared future for mankind. It is also a major strategic decision that China has made to promote economic transformation and implement the UN SDGs.

Realizing the “dual carbon goals” requires collective efforts from all sectors, in which the private sector can make a big difference. As both emitters of greenhouse gases and creators of climate-friendly solutions, businesses have a great role to play in promoting the green transformation of economic and social development. Enterprises can promote low-carbon transformation of the whole industry by enhancing their research and innovation capacity, increasing knowledge-sharing and engagement in multi-stakeholder collaboration, as well as driving their partners among the entire supply chains to take emission reduction measures. At the same time, companies should also fulfill their social responsibilities by incorporating the carbon neutrality goal into their long-term development strategies and cultivating relevant professionals.

It is timely to discuss low-carbon development pathways for companies in this report. Based on a survey of more than 100 enterprises in China, this report explores the status quo and challenges of enterprises in China in engaging with the SDGs. It also focuses on the impact and potential opportunities brought by the “dual carbon goals” for enterprises in China. In addition, through in-depth interviews, the report presents the best business practices from different sectors in promoting low-carbon development, which will help more companies to better implement the SDGs and low-carbon concept, and to promote green development.

China Chamber of International Commerce (CCOIC) has always considered providing better services for companies as its mission. By establishing mechanisms for bilateral and multilateral business cooperation, we are dedicated to mobilizing Chinese enterprises to participate in global economic governance. In the future, we are ready to work closely with UNDP and PwC China to advocate green planning, investment and manufacturing among companies and increase businesses efforts in addressing climate change by encouraging them to consider the SDGs and low-carbon concepts as part of their development strategies.

Jianlong YU
Executive Vice Chairman & Secretary General
China Chamber of International Commerce
It is the bounden duty of enterprises to promote and implement the United Nations (UN) 2030 Agenda for Sustainable Development and their effective way to participate in solving social and environmental problems. Facing the severe challenges of global climate crisis and the shortage of natural resources, it becomes a business norm for enterprises to integrate the concept of sustainable development into their strategy and operation. The Chinese government has committed to the dual carbon goals and raised low-carbon development to a strategic level. Leading enterprises in China start to make the positive social and environmental impact by providing more sustainable and innovative products and services.

More and more enterprises in China have actively and publicly committed net-zero carbon goals. Among all enterprises joined the Science-Based target's Initiative (SBTi) from mainland China, ones newly joined last year accounts for 83%. In future, Chinese enterprises will continue to promote sustainable development and constantly explore how to turn their positive social and environmental impacts into business advantages. Meanwhile, an increasing number of those enterprises are paying special attention to the improvement of non-financial information disclosure transparency. International climate related information disclosure frameworks such as Task Force on Climate-related Financial Disclosure (TCFD) has become an important trend.

With the vision of building trust in society and solving important problems, PwC always values corporate responsibilities and encourages environmentally responsible business behavior. In September 2020, PwC took the lead in the net-zero commitment by 50% greenhouse gas emissions (GHG) reduction in absolute terms from 2019 levels and to achieve net-zero GHG emissions by 2030 in line with the 1.5°C scenarios, which has been successfully validated by the SBTi. To develop innovative sustainability solutions and advocate low carbon development concept, PwC actively works with clients, suppliers and other key shareholders to enhance research and improve capacities in fields like green finance and sustainable development.

This year, PwC continued to collaborate with UNDP and CCOIC in initiating the second phase of the series report on Chinese enterprises’ practice of UN Sustainable development goals (SDGs). We analyzed over 100 enterprises on the challenges and opportunities faced by them and explored how they are responding to climate change and low-carbon development requirements. In the future, PwC will continuously support enterprises to implement sustainable development management, promote business for good, and jointly create a prosperous future.

James Chang
Managing Partner of Regional Economic Clusters and South Markets, Shenzhen Office Lead Partner, China Financial Services Leader, PwC China

Qing Ni
PwC China, ESG Markets Leader, ESG - Climate and Sustainability Lead Partner
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<td>BIA</td>
<td>B Impact Assessment</td>
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<td>BU</td>
<td>Business Unit</td>
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<td>CBD</td>
<td>Convention on Biological Diversity</td>
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<td>CBU</td>
<td>Country Business Unit</td>
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<td>CCER</td>
<td>China Certified Emission Reductions</td>
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<td>CCS</td>
<td>Carbon Capture and Storage</td>
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<td>CCUS</td>
<td>Carbon Capture, Utilization, and Storage</td>
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<tr>
<td>CDCER</td>
<td>Chengdu Certified Emission Reductions</td>
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<td>CDP</td>
<td>Carbon Disclosure Project</td>
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<td>CO2</td>
<td>Carbon Dioxide</td>
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<td>COP</td>
<td>Conference of Parties</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>EC&amp;M</td>
<td>Energy, construction, and mining</td>
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<td>ESG</td>
<td>Environmental, social, and governance</td>
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<td>ETS</td>
<td>Emissions Trading System</td>
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<td>EU</td>
<td>European Union</td>
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<td>FIE</td>
<td>Foreign-invested enterprises</td>
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<td>FLAG</td>
<td>Forest, aluminum, land and agriculture</td>
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<td>FS</td>
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<td>FYP</td>
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<td>NDC</td>
<td>Nationally Determined Contributions</td>
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<td>National People's Congress</td>
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<td>Organization for Economic Co-operation and Development</td>
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<td>PBoC</td>
<td>People's Bank of China</td>
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<td>POE</td>
<td>Private-owned enterprises</td>
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<td>PwC</td>
<td>PricewaterhouseCoopers</td>
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<td>R&amp;C</td>
<td>Retail and consumer</td>
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<td>SASB</td>
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<td>SBTi</td>
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<td>Sustainable Development Goal Action Manager</td>
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<td>SDGs</td>
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<td>SDIC</td>
<td>State Development and Investment Corp. LTD</td>
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<td>SOE</td>
<td>State-owned Enterprises</td>
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<td>SUEE</td>
<td>Sichuan United Environment Exchange</td>
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<tr>
<td>T&amp;L</td>
<td>Transportation and logistics</td>
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<tr>
<td>TCFD</td>
<td>Task Force on Climate-related Financial Disclosure</td>
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<td>TMT</td>
<td>Technology, Media, Telecom</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNGC</td>
<td>United Nations Global Compact</td>
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<td>VCM</td>
<td>Voluntary Carbon Market</td>
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<td>WRI</td>
<td>World Resources Institute</td>
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<td>WWF</td>
<td>World Wildlife Fund</td>
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Executive Summary

About the Report

The support of the private sector is crucial to achieving the Sustainable Development Goals (SDGs) and safeguarding the future of both humanity and the planet. In particular, operating in one of the largest economies in the world, the potential impact that companies in China could have on advancing the SDGs is undeniable. Therefore, clearly identifying the obstacles and progress made by enterprises in China in adopting sustainable businesses practices is essential for policymakers to craft public policies targeting green development and SDG achievement.

This report is the second edition of a series produced jointly by UNDP, PwC and CCOIC examining the current landscape of actions being taken to advance SDGs by enterprises in China across different industries. The first report was published in 2020 and based on a survey from 2019. This year’s iteration is based on results from an online survey of 117 companies as well as 12 in-depth interviews conducted from June to July of 2021.

It has a special focus on how companies are adapting to the changing policy environment following the announcement of China’s goal to reach peak carbon emissions before 2030 and carbon neutrality before 2060.

In particular, it discerns action points, identifies ready-to-use toolkits, and provides step-by-step instructions for business leaders to realize a low-carbon transition and sustainable development. It also addresses the kind of support that is needed from policymakers and regulators for companies operating in China.

Key Findings

- 94.9% of surveyed enterprises in China are willing to implement SDG-related initiatives. They are currently less concerned with SDGs covering social dimensions and are paying more attention to economic-focused SDGs than they did in 2019.

- Some common challenges for better SDG integration include the lack of both high-level strategic approaches and understanding of how to perform SDG evaluations. Over 80% of companies reported they are planning to assess how to align their practices with the SDGs, yet 43% of these companies reported that they don’t know how to do SDG evaluations.

- Another consistent challenge is the lack of incentives for public disclosure. Only 55.6% of surveyed companies have publicly disclosed their SDG initiatives, virtually the same as in 2019.

- In terms of enterprises’ responses to China’s newly released climate agenda, 84.6% of the surveyed companies reported that China’s carbon targets have influenced their operations
and revenue at different levels, and over 75% are already undertaking low-carbon initiatives. 37.6% of companies have calculated their carbon inventory and of which 33.3% set carbon targets.

- For the remaining companies that failed to take any low-carbon actions, lack of external regulation and internal awareness are identified as the key reasons.

- When inquiring about policy support needed in facilitating their low carbon transition, over 82% of companies called for sector-specific guidelines and financial subsidies.

**Recommendations**

The report recommends four actions for business leaders to consider: increase understanding of sector-specific challenges and opportunities, adopt best practices to mitigate potential risks, strengthen human resources and management capability, and collaborate with strategic partners to promote industry-wide sustainable development.

The end of the report features step-by-step instructions to utilizing UNDP’s SDG Impact Standards to help companies and investors operate more sustainably and contribute positively to sustainable development. The instructions unpack the standard’s four themes: strategy, management approach, transparency, and governance, with detailed information and guidance.

The report also includes five case studies showcasing best practices, as well as four examples from in-depth interviews for business leaders to reference when devising SDG integration and low-carbon actions into their business strategies.

These recommendations and case studies revolve around the process of achieving the SDGs and realizing the 2030 Agenda. However, due to limitations in the quantity and variety of the enterprises surveyed, the data generated cannot necessarily be taken to fully represent the entire landscape of the corporate sector in China. In order to fully present the progress made on SDG practices by companies in China, more data will be necessary from a larger pool, which shall be continuously updated in future studies.
1. Introduction

1.1 China’s Progress on SDG Implementation

The 2030 Agenda reflects the global aspiration to end poverty, reduce inequality and protect our planet for future generations. At its core, the 17 Sustainable Development Goals (SDGs) represent the key milestones we need to collectively achieve to realize this agenda, each containing specific responsibilities and actions. With only nine years left to achieve the SDGs, the world needs a shared vision and accelerated action to effectively solve development challenges.

The pandemic, combined with the ongoing climate crisis, has exacerbated the challenges and risks around SDG progress, making it more urgent than ever for us to make transformative changes towards sustainable development. This requires collective effort across the world with active engagement from all stakeholders. Therefore, it is important to gather resources around the globe, from technology to infrastructure, governments to private companies, and investors to consumers to build an ecosystem of sustainable development.

China has already made considerable progress in achieving the SDGs. At the end of 2020, China eradicated extreme rural poverty, making a significant contribution to the attainment of SDG1: no poverty. In September 2020, China pledged to achieve peak carbon emissions before 2030 and carbon neutrality by 2060.1 This year, it launched the nationwide carbon trading market, a key step to further accelerate its low carbon transition. China also made positive progress towards other SDGs such as biodiversity conservation. SDG 14: life below water, and SDG 15: life on land, gained additional momentum thanks to the Conference of the Parties to the Convention on Biological Diversity (CBD COP15) recently held in Kunming. The government’s focus on sustainability also created an encouraging environment for enterprises in China to engage and implement the SDGs.

1.2 SDGs and the Corporate Sector

The corporate sector plays a critical role in driving progress on achieving the SDGs and this role goes beyond simply providing funding. Various aspects of enterprises’ operations have the potential to greatly impact the implementation of the SDGs. For example, through inclusive recruitment policies, enterprises can help achieve SDG 8: decent work for all. Enterprises can reduce their carbon footprint and contribute to SDG13: climate action, by adopting green procurement practices and investing in green business opportunities. It is important for enterprises to align their operations - how they recruit, produce, procure and invest - with the SDGs. Companies are also at the forefront of technology and innovation, which holds the potential to solve development challenges and accelerate progress on the SDGs.

The importance of long-term sustainability has been increasingly recognized in the business community.2 The business case for corporate sustainability is also well demonstrated. Many successful cases around the globe have shown that by integrating sustainability considerations into the decision-making process, enterprises are able to explore new markets, enhance brand value, and mitigate corporate risks:3
Drive new business opportunities. Enterprises may discover new growth opportunities through developing innovative solutions to solve development challenges. It is estimated that sustainable business models will provide economic opportunities of $12 trillion USD by 2030, covering four areas: energy, cities, food and agriculture, and health and well-being.\(^4\)

Manage potential business risks. The lack of SDG practices may significantly influence a company’s risk profile. Without SDG management, a company is subject to many risks, including supply chain disruption, brand reputation loss, and financial risks. For example: with more stringent climate policies worldwide, enterprises that continue business practices focused on high carbon emission assets and operate high emission services, may face the increasing likelihood of holding stranded assets and other types of financial risks.\(^5\)

Prepare for the new business norm. With increasing awareness of sustainability among consumers, businesses need to adapt to the new demand trends, which requires understanding and identifying the potential social and environmental impact of their operations.

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2. Research Objectives and Methodology

2.1 Research Objectives

In response to the growing demand from business communities in China, this research series aims to provide an overview of how companies in China are engaging with the SDGs, including a review of current practices and key trends across time, as well as discussions of future opportunities and common challenges. To assist the corporate sector in China to better align their business practices with the SDGs, this report provides actionable recommendations alongside case studies which showcase best practices.

The first report in this research series entitled “Private Sector Awareness of the SDGs” was published in July 2020. As a joint effort of UNDP China, PwC China and CCOIC, the report presented a baseline analysis of business awareness and practice of the SDGs in China, utilizing online questionnaires and case studies covering 89 companies in China.

Building on these findings, the second report focuses on tracking the trends and further exploring how companies can put practice into action. The report identifies key shifts in the landscape and common challenges across the two-year timeframe, introduces practical toolkits, and examines future opportunities for companies to consider acting upon.

The 2021 report also includes a special section to further investigate how enterprises in China are adapting to the changing policy environment following the announcement of China’s goal to reach peak carbon emissions before 2030 and carbon neutrality by 2060 (or the 2030/60 carbon peaking and neutrality goals).

This new section also analyzes why some companies fail to take low-carbon actions and their preferred policy support in this area. The findings provide policy makers with evidence on how to better incentivize companies to start and accelerate their low carbon transition.

2.2 Research Methodology

To ensure consistency and comparability between the 2019 and 2021 studies, a similar methodology has been adopted. Online surveys, and in-depth follow-up interviews were used to collect data. The questionnaire consists of 44 questions, divided into two parts, one covering SDG awareness and practices, and the other focusing on enterprises’ carbon actions.

The survey was distributed online by UNDP, UN Global Compact (UNGC), PwC, and CCOIC through their respective networks between June and July 2021. In total, 117 companies were surveyed covering six main sectors (see Box 1). The sampled companies are concentrated in secondary and tertiary industries, together accounting for 97% of the responses. In terms of company type, private-owned enterprises (POEs) account for 57% of the surveyed companies, followed by foreign-invested enterprises (FIEs) (21%), and state-owned enterprises (SOEs) (17%). The companies are assumed to be representative of the mix of companies operating in China, with limitations (see Appendix).
To showcase leading practices in both SDG integration and low-carbon transition, candidates were selected for in-depth interviews based on “3A” criteria: namely, the company needs to demonstrate Awareness, Action and Ambition towards the SDGs from their online survey responses. In total, 12 companies were selected for in-depth interviews, among which five were chosen as case studies based on ratings against three dimensions: Relevance, Engagement and Vision.

The distribution of the participating companies could potentially be skewed toward those with higher awareness of the SDGs. For increased transparency, a detailed description of methodology and potential limitations can be found in the Appendix.

3. Overview of SDG Implementation

Key Findings

**55.6%**

have publicly disclosed their SDG initiatives

**94.9%**

of surveyed enterprises are willing to implement SDG projects

Stimulating business growth and **enhancing brand recognition** are the main drivers for SDG integration

**80.3%**

are planning to evaluate SDG aligned practices but lack clear instructions

SDG priorities have changed in the last two years, with SDG 13: climate action and SDG 11: sustainable cities and communities entering the Top 5 for the first time.

The same currently prioritized SDGs are also expected to bring the greatest business opportunities within a five-year horizon (2021-2026)

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Top SDG priorities

SDGs with the greatest business opportunities

**▲ Rank higher**

**▼ Rank lower**

### 3.1 Current SDG Practices

#### 3.1.1 Shift in focus from social to environmental and economic dimensions of the SDGs

There has been a clear shift in the prioritization of individual SDGs. Compared with the survey results in 2019, enterprises in China are less concerned with SDGs in the social dimension and are paying more attention towards SDGs in the economic and environmental dimensions. This trend is demonstrated by decreasing values across all social-focused SDGs (Goals 1, 2, 3, 4, 5, 10, and 17), and increasing values in all economic-focused SDGs (Goals 8, 9, 11, and 12) and partially environmental-focused SDGs (Goals 7, 13, and 15).

The increased prioritization of the economic dimension may be partially explained by the impact of COVID-19. As most companies are still recovering from the pandemic, they are mainly focusing on promoting business growth and strengthening business resilience. Thus, SDG 12: responsible
consumption and production, and SDG 8: decent work and economic growth have gained importance among companies. Many companies have also experienced supply chain disruptions and labor shortages during COVID-19, which may lead them to prioritize areas such as sustainable cities, supply chain management, innovation and infrastructure improvement (SDG 9 and 11).

Regarding the environment-related SDGs, the pledge to peak carbon emissions before 2030 and achieve carbon neutrality by 2060 is having a direct impact on enterprises’ focus. SDG 7: affordable and clean energy and SDG 13: climate action respectively climbed one and three positions in 2021 (Figure 1). Furthermore, many policy innovations are also pressing enterprises to focus more on environmental issues. In February 2021, for example, the State Council published guidance on the development of a green and low-carbon economy.\textsuperscript{7} The following month, the National People's Congress (NPC) integrated green production and consumption into the Outline of the 14th Five-Year Plan (2021-2025).\textsuperscript{8}

![Figure 1: Change in priority of the 17 SDGs among Chinese enterprises](image)

In this context, the increased relevance of SDG 7 for enterprises is also to be expected. The energy sector accounts for over two-thirds of global carbon emissions, making it a decisive area in fighting climate change. SDG 7 is relevant for both business operations and the achievement of the carbon targets.

### 3.1.2 Driving forces behind SDG integration

94.9% of the enterprises surveyed reported that they are willing to implement SDG related initiatives. The four main objectives for companies to engage with the SDGs are: growth strategy, brand positioning, risk management and value management (see detailed description in Box 2). Among these, growth strategy and brand positioning were overwhelmingly the top priorities, representing 88.9% of total responses (Figure 2).

Among the enterprises that believe the SDGs support their growth strategy, 92.3% consider the SDGs as very important to their principles and core values; and the remainder regard the SDGs as

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\textsuperscript{7} State Council, Guidance on the Development of a Green and Low-carbon Economy (February 2021).

\textsuperscript{8} NPC, Outline of the 14th Five-Year Plan (2021-2025).
conducive to improving their competitive advantage. Among the enterprises that selected brand positioning, 7.7% are influenced by their clients’ demand for sustainable practices.

3.1.3 SDG priorities differ across sectors

Different industries and sectors prioritize different SDGs due to their business models, value chains and markets (Figure 3). Compared with 2019, the priority of SDG 3: health and well-being and SDG 4: quality education has declined among the six sectors, and SDG 12: responsible consumption and production and SDG 9: industrial innovation remain the top priorities across all sectors.

The retail and consumer goods sector is highly sensitive to consumer trends. Multiple retail companies stressed the increasing importance of food security and health to their consumers throughout the COVID-19 pandemic. This may partially explain why the retail sector lists SDG 3 as the most important SDG. In addition, there is evidence that consumers tend to choose companies that represent their values. To retain or increase competitiveness, retailers will likely be pushed to promote responsible consumption and production, and shift efforts towards achieving SDG 11: sustainable cities and communities and SDG 12 to create more sustainable communities.

For the financial services sector, SDG 13: climate action has replaced SDG 11 as the top priority this year. This may closely relate to the increasing awareness of climate risk among...
Financial institutions and demonstrates the responsiveness of this sector to policy signals. Following the carbon pledge, the People’s Bank of China (PBoC) released a series of policies to promote the development of a green financial system and support financing for the low carbon transition. Leading institutions, especially in banking and insurance, have already initiated research and actions to better prepare for climate-related risks.

Economic and environmental SDGs remain the focus of traditional high emission sectors. These sectors include industrial products (IP), transportation & logistics (T&L), and energy, construction & mining (EC&M). These three sectors are often high carbon emitters due to their extraction and utilization (production process) of traditional energy resources. They are subject to more environmental and carbon emission regulations, and thus more sensitive to policy changes and major economic shifts. These sectors all prioritized SDG 9 and 12 and are dedicated to promoting resiliency, long-term sustainability and are preparing for the low carbon transition by initiating more productive and innovative solutions such as improving energy efficiency, waste reduction, and emissions removal (SDG 9). This also entails establishing partnerships and engaging other businesses along the value chain to foster sustainable production (SDG 12).

### 3.1.4 Action plans of enterprises in China to integrate the SDGs in the next five years

Four actions are commonly taken for SDG integration:

1. strategic planning with goal reformulation and organization-wide exercises
2. quality management by closely monitoring business activities
3. sustainability performance disclosure
4. benchmarking with clear KPIs and performance expectations

All four categories have seen an increase in take-up rate since 2019 (Figure 4). 68% of the enterprises surveyed have prioritized the SDGs at the strategic level and aim to incorporate the SDGs into their business goals. 60% will evaluate the impact of their projects on the SDGs to measure their sustainability progress. 41% of enterprises will report and disclose initiatives related to the SDGs, an increase of 118% from the 2019 survey.

The overall increase across the four categories demonstrates wider recognition of the need to integrate sustainable development. To meet stronger demand from stakeholders, enterprises should continue to expand the scope of actions and assure the quality of deliverables. Establishing measurable goals, professional teams, and appropriate frameworks are concrete steps and actions for an organization’s management to take in the near future.
Overview of SDG Implementation

Figure 4: Actions companies will take in the next five years
Question: What actions will your company take to achieve the SDGs in the next five years?

3.2 Common Challenges of SDG Integration

3.2.1 Lack of high-level strategic approaches

The lack of top-down strategic approaches is the key challenge faced by surveyed enterprises for SDG integration. 43.9% agree that this barrier includes the lack of SDG guidance in corporate guidelines and documents (Figure 5). Clear guidance and policies will help identify the most important SDGs among stakeholders and create a pathway for an enterprise’s sustainable development transition.

The lack of professional teams and the lack of specific SDG-related roles are also key elements of this challenge, as reported by 24.3% of the respondents. Professional support and team coordination can help adjust practices to address complicated social and environmental challenges, recognize important SDGs relevant to the company’s business model, and identify new, sustainable opportunities for growth.
A well-structured SDG management committee is also an important component of top-down SDG integration. It is an effective mechanism for information delivery and strategic initiative coordination.

Overall, it is important for a company to start with the leadership team and spread SDG awareness from the strategic level for successful SDG implementation. A holistic approach should cover clear corporate policies, specific SDG teams, and responsible management committees.

**Case Study:**

**Yili Group**

**Establishing a top-down sustainable development management**

**About Yili**

Yili Group ranks among the top of the dairy industry globally and is the largest dairy enterprise with the most comprehensive product catalog in China. Yili has integrated 9 of the 17 SDGs into the enterprise’s sustainable development work. Yili established the “World Integrally Sharing Health” system under the management board and its sustainability Committee. Yili has committed to achieve carbon neutrality by 2060 and promotes a low carbon transition.

**Highlights**

A top-down sustainable development management system:

Yili first put forward the concept of “green leadership” early in 2007 and established a sustainable development committee to better promote, supervise and evaluate their sustainable practices. The committee convenes three annual meetings to clarify goals, monitor progress and report results respectively. The management system of the committee includes:

- **The decision-making level**, with the chairman as the leader, formulates and reviews the company’s sustainable development objectives and strategies, determines the focus of sustainable development, reviews the SDG performance and impact of various departments, and supervises the sustainable development report.

- **The organizational level** is responsible for implementing SDG actions and organizing meetings, coordinating SDG actions across various departments, and for raising awareness of the SDG concept within the company.

- **The executive level** is responsible for SDG implementation in each business unit (BU) and functional lines. A liaison from each unit is appointed to mobilize all departments to participate in sustainable development and promote relevant innovations and contributions of the company. At the same time, this level also helps align corporate SDG projects with leading examples from the industry and cooperates along the value chain to establish a sustainable business ecosystem.
Top-down management systems are key for enterprises to implement sustainable development and a low-carbon transformation:

Integrating the SDGs at the strategic level and establishing a top-down sustainable development management team help provide clear guidance to leaders, outline responsibilities, and empower employees.

To establish a comprehensive and effective system, enterprises should adhere to the following principles:

- Define responsibilities and duties of different levels to ensure that each department has a clear role
- Align with the core strategy and business activities
- Incorporate sustainability-related indicators into managers’ KPIs

3.2.2 Enterprises lack knowledge and resources for SDG evaluation

While almost all enterprises indicate their willingness to assess the SDGs (97.2%), most enterprises surveyed still lack the capacity to effectively evaluate their SDG aligned practices. Over 80% of enterprises are still in the planning stage for SDG evaluation (Figure 6).

Yet over the past two years, some progress has been made. 17.6% of enterprises now understand how to assess the SDGs, compared to 0% from the 2019 baseline survey (Figure 6). These companies demonstrate initiative and knowledge on SDG evaluation. They either use evaluation tools such as B analytics and the SDG Action Manager, or establish a unique framework based on their own operations such as Danone’s ‘Danone Way’ (see Danone case study).

For companies that plan to evaluate the SDGs, 22.3% of them aim to evaluate the impact on all SDGs related to their business, and 73.3% plan to evaluate some SDGs related to their businesses (Figure 7).

![Figure 6: Action plans of enterprises to evaluate the SDGs](image)

Question: Do you evaluate SDGs related to your business activities or projects?

- Planning – but do not know how: 43.0%
- Planning – attempting to evaluate: 39.4%
- Work In Progress – we are evaluating: 17.6%

![Figure 7: The scope of SDGs enterprises attempting to evaluate](image)

Question: Please select the scope of SDGs you attempt to evaluate?

- We plan to evaluate our influence on all of the SDGs relevant to our business: 73.3%
- We plan to evaluate our influence on some of the SDGs relevant to our business: 22.3%
- We plan to evaluate our influence on all 17 SDGs: 4.4%
Of the 43% of companies in the planning stage that reported a lack of knowledge, 81.6% of them consider lack of specific instruction at the industry level as the top barrier, and 51.0% indicate the main reason is the lack of internal professionals to conduct SDG evaluations (Figure 8).

**Figure 8: Reasons why enterprises lack SDG evaluation know-how**

Question: Please select the main reason why you don’t know how to evaluate the SDGs?

- 81.6% Lacking industry-wide instruction
- 51.0% Lacking internal professionals

**Case Study:**

**Danone Waters China**

Implementing a sustainable development practice evaluation framework

**About Danone**

Danone is a world leading food company which focuses on essential diary and plant-based products, early life nutrition, medical nutrition and water. Danone's vision is to promote sustainable eating and drinking practices so that people and the planet can stay healthy together. In August 2021, Danone Water China received the B Corp certification.

To better realize its mission of “one planet, one health”, Danone has formulated nine long-term goals aligned with the SDGs to create sustainable value for all stakeholders. To better promote the SDGs, Danone quantifies its sustainable development performance through internal evaluations and external certification.

**Danone Way**: Since 2001, Danone has conducted annual internal evaluations on sustainability to measure the performance of each country business unit (CBU) in fulfilling the nine long-term goals, including different indicators such as food safety, community well-being, and natural resources. The evaluation criteria of “Danone Way” are tailored towards the business characteristics of each company, and the criteria is updated annually to improve the overall sustainable practices of Danone. In 2020, 144 entities conducted a Danone Way self-assessment, representing 99.5% of Danone’s consolidated sales (99% in 2019). This program also covers 99% of Danone’s total personnel.

**B Corp certification**: in terms of external certification, Danone has chosen to obtain the B Corp certification to measure and benchmark its sustainable development practices. B Corp uses the B impact assessment (BIA), which comprehensively assesses the impact of business operations and business models based on five dimensions: governance, employees, community, environment, and customers. If the BIA score is higher than 80, it can be certified as a B Corp. Through BIA, Danone can quantify its social impact, better understand its position in the industry, and make more specific SDG improvements. Currently, 37 Danone enterprises received the B Corp certification, comprising more than 50% of its products sold worldwide, with an average BIA score of 90. Danone plans to obtain the “mutual benefit enterprise certification” for all Danone companies around the world by 2025.
Quantify a company’s impact through sustainable development evaluation frameworks

After the company sets a sustainable development target, it should regularly evaluate its sustainable practices. Implementing a sustainability assessment framework in line with the enterprise’s business model can provide insights to improve its sustainability performance and formulate more effective SDG practices. Participating in external evaluations can also help enterprises horizontally benchmark their sustainable practices in the industry and attract more consumers and investors.

Danone follows these principles while selecting an appropriate evaluation system – a reference for other enterprises:

- The evaluation system must be related to the core strategy and mission of the enterprise
- Be objective, comprehensive, scientific and professional. The evaluation system needs to provide relevant insights and suggestions and should be used by other major competitors and companies in the industry for comparison purposes

3.2.3 Lack of incentive for public disclosure across all sectors

- 55.6% of the surveyed enterprises have publicly disclosed their SDG initiatives – virtually the same as in 2019 (55%)

- 31.9% of the surveyed enterprises disclose their SDG initiatives in either Environmental, Social, and Governance (ESG) or Corporate Social Responsibility (CSR) reports – up 4.9% from 2019 (27%)

Reporting SDG performance to stakeholders is essential for a company to continuously improve its sustainability management. It is critical for both internal and external personnel to understand the SDG progress of a company and the impact that a company has created.

From Figure 9, a common pattern can be observed: companies with recognized brands, under higher public scrutiny or regulatory pressure tend to disclose more about sustainable practices than others in different sectors.

Through the lens of industrial classification, businesses in the primary and secondary industries are more likely to disclose SDG initiatives than companies in the tertiary industry, likely due to stringent regulatory pressure from the government on subjects like food safety, pollution and carbon emissions.

In terms of entity types, foreign-invested entities outperform others by more than 21%. The public disclosure requirement for FIEs comes from strict internal standards and regulations from other countries and regions, such as the EU Non-financial Reporting Directive requiring large public interest entities to disclose sustainability-related information. SOEs are under heavier regulations from the Chinese government, which stresses policies around environmental conservation and the low-carbon transition. Lower disclosure rates are seen among POEs and joint ventures, which do not face the disclosure requirements of other types of entities.
The dramatic disclosure gap between listed and unlisted companies is seen again in 2021, where the rate of sustainability disclosure among publicly traded companies is double that of unlisted companies. Compared to the 2019 survey, there is an increased disclosure rate among listed companies and a decline among non-listed companies, yielding an 8% larger gap, highlighting the increasing priority for sustainability from the capital market (Box 3).

Greater reputation and visibility correlate with a higher disclosure rate. The disclosure rate among Fortune Global 500s companies is 35 percent higher than other companies. The large disclosure rate gap between the two may possibly be due to different requirements from corporate boards and a difference in human-capital capacity for sustainable practices.

As an example, State Development and Investment Corp., LTD (SDIC) manages SDIC ChunagYi (CY) mutual fund by proactively identifying and integrating key metrics and factors related to climate action (SDG 17) and clean energy (SDG 7) in its asset management practices. SDIC CY’s ESG metrics cover five major aspects from China’s rural revitalization guidance: thriving businesses, pleasant ecological environments, social etiquette and civility, effective governance, and prosperity. SDIC evaluates the ESG performance of its invested companies regularly, introducing external evaluation tools for impact investing disclosure, and consistently improving the ESG index system. Beyond qualitative methods, SDIC also takes a quantifiable approach to assessing portfolio companies’ exposure to carbon and energy.
Overview of SDG Implementation

Xiamen Airlines

Diversify disclosure and communication measures

About Xiamen Airlines

In 2017, Xiamen Airlines became the first airline in the world to collaborate with the UN on the SDGs and carried out a series of sustainability campaigns for passengers and the public. In 2019, Xiamen Airlines rose to No.30 among the 50 most valuable airlines.

Prioritized SDGs

Xiamen Airlines discloses its CSR performance through diversified mechanisms, channels and platforms, maintains close communication with its stakeholders, and actively engages the public to promote the concept of sustainability.

Sustainable Cabins: Xiamen Airlines has created green cabins on several airlines and introduced a series of fully degradable ecofriendly products as substitutes for paper and plastic. They also initiated the "United Dream Themed Flight" and launched the world's first SDG-themed special liveries plane with the 17 SDGs painted on the fuselage. The cabin is also SDG-themed with a special layout, on-board videos, green meals, thematic activities and other customized services. The six themed flights have reached 800 million public views, drawing more attention from the public to the environment and wider world.

City exploration competition: First launched in 2019, the event has been held in many cities like Changsha and Chongqing. Participants learn about the SDGs through a variety of games. Xiamen Airlines also initiated the "Crossing the City" topic on Douyin, calling for netizens to share their beautiful cities, act together to protect our homes, and engage in sustainable development initiatives.

Lessons learned

Establish a diversified disclosure mechanism to demonstrate corporate engagement in sustainability

The essence of enterprise sustainable development disclosure is to communicate SDG initiatives to investors, consumers and other stakeholders. In addition to official reports such as ESG/CSR reports, enterprises can also consider more diversified platforms to demonstrate their sustainable practices and deliver the content to the public directly.

- Publicly report their sustainable practices through professional, fair and objective disclosure mechanisms
- Design SDG campaigns relevant to their business and jointly promote sustainable development with multiple stakeholders and partners
- As consumers are paying more attention to enterprises' SDGs and low carbon initiatives, diversified disclosure can help enterprises create a unique brand image in the industry, improve communication and their public adoption rate and thus, enhance brand equity
4. Focus Point - Enterprises on Carbon Action: Achieving the 2030/60 Carbon Peaking and Carbon Neutrality Goals

Since the announcement of the 2030/60 carbon peaking and neutrality goals, Chinese government agencies are putting in place multiple regulations across industries to guide sustainable development with a special focus on the low-carbon transition. In February 2021, the State Council released the “Guiding Opinions on Accelerating the Establishment and Improvement of a Green and Low-Carbon Circular Development Economic System” aimed at achieving a green economy and low-carbon development by setting up targets in the production, circulation, and consumption systems. Additionally, the New Infrastructure Plan, formulated in early 2020, established a set of development priorities for China, which includes building smart infrastructure in energy, transportation, logistics and utilities, aimed at an energy-efficient ecosystem.

The government’s prioritization of the low-carbon transition was directly reflected in the enterprise survey results. SDG 13: climate action jumped three places to rank fourth and remains one of the top priorities for companies in the next five years. Overall, climate change has substantially gained greater companies’ attention in China this year.

The iron and steel industry, as an example, is drafting an implementation plan for carbon peaking and is working on a carbon peaking road map. Financial sectors are facilitating dialogues with investors, asset managers and regulatory authorities, focusing on mobilizing funds to guide a green and just transition and closing investment gaps to achieve the carbon goals.

Three aspects below should be taken into consideration.

- **Climate change leads to economic and social risks.** From a World Economic Forum report, “failure of climate change mitigation and adaption” is the top risk by impact and second by likelihood over the next 10 years. Under the worst case scenario, China would risk losing nearly 24% of its GDP by 2050. Realizing this looming threat, governments around the world are making climate commitments, setting new rules, and promoting the green transition.

- **Climate change heavily impacts business activities.** More than 200 of the world’s largest firms estimated that climate change would cost them nearly US$1 trillion combined in the case of non-action. More than 1,700 companies have signed the SBTi initiative, demonstrating a strong commitment to tackle climate risks by measuring carbon footprints, setting carbon reduction targets, and monitoring progress.

- **Climate risk can lead to disruption along the supply chain.** For upstream companies, physical climate risk from extreme weather events will influence raw material supply and increase logistic costs. For manufacturers, policy risks such as carbon emission and environmental regulations will increase the costs associated with greenhouse gas emissions.
(GHG) emissions activities. For downstream companies, market risks from growing consumer demand for sustainable goods and services will lead to potential revenue loss. To prevent these potential risks, companies along the supply chain are actively collaborating and setting targets to promote climate action.}

### Key Findings

- **76.8%** have taken low carbon initiatives
- **Specific industry-wise policy and financial subsides** are the most favoured public instruments for low carbon transition
- **46%** know about the voluntary carbon market (VCM)
- **Over 80%** recognize the impact of carbon policies on their business
- **Under 10%** have traded in the VCM
- **37.6%** conducted carbon verification
- **33.3%** committed to reduction in specific emissions scopes

#### 4.1 Current Practices

**4.1.1 Impact of carbon policies is on enterprises’ radars**

Over 80% of respondents reported that the carbon targets have influenced their operations and revenue at different levels (Figure 10). 41.3% of all respondents said there has been great impact while 43.4% said there has been some, but not a significant impact. The other 15.4% indicated that there was been no impact at all.

Traditional high emission sectors (manufacturing, energy, construction and mining, and transportation and logistics) are subject to greater impact from the carbon targets. 52.1% of enterprises from high emission sectors believe that the carbon targets greatly impact their companies. Only 10.4% from the high emission sectors reported that the carbon targets have no impact on their companies.

![Figure 10: The impact of carbon targets on business operations](image)
High emission sectors are often more strictly regulated for their larger emissions and pollution, and thus, are more sensitive to environmental and carbon policies. For enterprises in the other industries such as technology, media, telecom (TMT), retail & consumers, and financial services, most indicate that the carbon targets have had “some, but not a significant impact”, given fewer high emission operation activities and fewer regulatory constraints.

4.1.2 Low carbon actions taken by enterprises in China

As shown in Figure 11, 76.8% of surveyed enterprises have begun undertaking low carbon initiatives, which vary across sectors. The percentage of companies from the high emissions sectors that have implemented low carbon initiatives is 25% higher than those from the low emissions sectors.

To further investigate the specific low carbon actions already initiated, a follow-up question asked if enterprises have taken the following five low-carbon initiatives: auditing carbon data, establishing carbon targets, implementing low-carbon technologies, adopting low-carbon operations practices, and developing external partnerships. Among the 86 enterprises that have undertaken low carbon initiatives, 71% of them have implemented low carbon operations practices, including promoting initiatives such as Leadership in Energy and Environmental Design (LEED)-certified buildings, paperless offices, and clean energy factories.

Table 1: Low carbon initiatives taken segmented by industry

<table>
<thead>
<tr>
<th>Question: Specific low carbon initiative!</th>
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</thead>
<tbody>
<tr>
<td>Monitor and audit carbon footprint and set foundation for low carbon initiatives</td>
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<tr>
<td>Monitor and audit carbon footprint and set foundation for low carbon initiatives</td>
</tr>
<tr>
<td>TMT</td>
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<tr>
<td>T&amp;L</td>
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<td>FS</td>
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<td>R&amp;C</td>
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<tr>
<td>EC&amp;M</td>
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<tr>
<td>I&amp;P</td>
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<tr>
<td>Overall</td>
</tr>
</tbody>
</table>

Note: TMT refers to technology, media and telecom, T&L transportation and logistics, FS financial service, R&C retail and consumer, EC&M energy, construction and mining, and IP refers to industrial products.
Progress on carbon audits and carbon commitments vary among sectors

While 51% of the 86 enterprises have taken the initiative to monitor and audit their carbon data, the T&L sector is 35% higher than the average. Among the high emissions sectors (T&L, EC&M, and IP), the EC&M sector has the lowest percentage (17%); this is potentially due to the limitation of the sample, as the enterprises surveyed in the EC&M sector are mainly new energy innovation and technology companies and don’t have a strong need for carbon audits. Sectors that directly interact with businesses and consumers, including TMT, T&L, and FS, tend to focus more on making commitments, such as setting carbon targets, to demonstrate their dedication to the low carbon transition.

More effort needed to explore carbon emissions reduction opportunities with external partners

Collaboration along the supply chain is critical to a company’s low carbon transition. The emissions from the value chain represent a significant portion of a company’s total emissions (5.5 times greater than its direct impact from scope 1&2 combined, see 4.1.3). Yet from Table 1, less than 40% of enterprises have developed external partnership projects.

Case Study:

Rockcheck Group

Conduct an efficient low-carbon transformation

About Rockcheck Group

Rockcheck Group is a large private enterprise in Tianjin, China. It has nearly 10,000 employees and total assets of 22.5 billion RMB. Rockcheck operates in four major industries: iron and steel, trading and services, fintech, and culture and health. As a high carbon emission steel producer, Rockcheck actively responded to China’s carbon targets and launched the “carbon peak and carbon reduction action plan”.

Highlights

Rockcheck has taken the 2030/60 carbon strategy as its top priority and highly values a low-carbon transition at the strategic level. As a traditional high emissions enterprise, Rockcheck became the first private iron and steel company in China to release a carbon action roadmap, covering five major sections including energy efficiency and production improvement.

- **Energy use improvement:** Rockcheck has adjusted its business structure by reducing the portion of its secondary industry. It actively explores production process optimization by replacing coal and oil with hydrogen, and recovering smelting heat and pressure waste to generate electricity. Rockcheck also recycles steel scrap via its own trading platform, replacing the utilization of coal while smelting steel. Steel scrap recycling is expected to reduce carbon emissions by 1.2 million tons per year. Rockcheck also implements low carbon initiatives within its supply chain and utilizes hydrogen energy trucks to reduce carbon emissions from logistics.

- **Alternative energy:** in addition to reducing existing carbon emissions, Rockcheck is actively developing low-carbon materials and invests in the research and development of green, high-end and long-life steel to increase the service life and sustainability of its products. Carbon assets management has become an important measure for Rockcheck’s low-carbon transformation. Rockcheck has also begun to implement photovoltaic power generation projects and is building ecological corridors in Jinnan District.
A low-carbon pathway in line with an enterprise's operations

Private enterprises should actively participate in low-carbon development to avoid risks. Companies can start from their own operations and carry out a low-carbon transformation in multiple stages.

A tangible low-carbon transformation path requires the following principles:

- Align operations and integrate low-carbon transformation at the strategic level
- Identify business activities relevant to high emissions sources, and make plans to measure, monitor and improve them
- Reduce existing carbon emissions through energy consumption optimization and recycling to achieve peak carbon emissions. Further deploy alternative energy and purchase external carbon credits to offset excess emissions. Finally, develop carbon removal technology and promote natural carbon sinks to reach carbon neutrality.

4.1.3 Carbon inventory fundamental for carbon-reduction goals

For companies that commit to the low carbon transition, a critical starting point is to assess their baseline emissions. The GHG Protocol Corporate Standard, as a leading standard in this regard, has specified three areas of scope in measuring carbon emissions at the corporate level. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Through professional carbon accounting and management, enterprises can formulate tangible targets, calculate emissions reduction volume and follow a clear pathway for their low carbon transition.

- 37.6% of companies reported that they have calculated their carbon inventory (Figure 12). There are more enterprises that cover scope 1&2 (25%) and all three scopes (28%) than enterprises, which cover just a single scope.

**Figure 12: Enterprise’s carbon inventory scope covered**

Question: Which scopes are covered in your carbon inventory calculation?

"Others" are invalid entries based on scope definition given by SBTi. It includes combinations of Scope 1e-3 and Scope 2e-3. For more details, please refer to SBTi.
33.3% of the companies set carbon targets (Figure 13). Similar to the results for carbon inventory, enterprises are not only setting goals to reduce just scope 1 or 2 carbon emissions, but are also cognizant of the significant amount of emissions from their upstream and downstream operations and aim to reduce indirect emissions from scope 3. 29% of enterprises have already committed to managing a broader range of carbon emissions along the supply chain. Companies that included scope 3 into their emissions reduction targets are mainly from the industrial products sector, demonstrating a deeper understanding of their sustainable supply chain management.

![Figure 13: Enterprises’ committed carbon inventory scopes](image)

Question: Which scopes are covered in your carbon neutral/net zero targets?

"Others" are invalid entries based on scope definition given by SBTi. It includes combinations of Scope 1&3 and Scope 2&3. For more details, please refer to SBTi.

4.1.4 The voluntary carbon market: a tool to accelerate the low carbon transition

The voluntary carbon market (VCM) is an important market mechanism to accelerate the low carbon transition, in addition to the national carbon emissions trading system (ETS). The VCM enables organizations that are not listed as mandatory carbon participants to voluntarily purchase carbon credits to offset their emissions. It is also an important driver that allocates resources to support projects that reduce overall carbon emissions and tackle climate change.31

- Mandatory carbon market participants have more knowledge of VCM than non-regulated enterprises
  Based on the survey results, 46% of companies know about the voluntary carbon market but less than 10% of them have traded in the VCM. Enterprises that are listed as ETS participants tend to have more awareness of the VCM since they have certain emissions quotas and might need extra carbon credits from both mandatory and voluntary carbon markets. 70% of the ETS participants know about the VCM, and 40% among the 70% have traded in the VCM. For non-regulated enterprises, only 43% of them know about the VCM and less than 4% of them have traded in the VCM.

- Various sectors have different VCM understanding and trading status
  70% of the financial services sector knows about the voluntary carbon market (Figure 14). As the sector recognizes the impact of climate change on financial stability, they are adjusting their portfolio risks related to climate change and are exploring a low-risk pathway to a green economy.32 Both the EC&M’s and the TMT’s sector awareness of VCM rate is over 50%; this
is mainly due to a large portion of listed companies within these two sectors. 30%-35% of the companies surveyed in the two sectors are publicly traded, meaning that they are highly aware of the market trends and are subject to investor pressure.

Figure 14: Enterprises’ knowledge on VCM and trading status

- **Certified emission reduction credits are the most popular product in VCM**
  Generally speaking, for companies that have traded in the VCM, the most popular products are the Verified Carbon Standards and the Golden Standard, according to the World Bank.\(^{33}\) With increasing awareness on the need for carbon reduction, enterprises in China, regardless of their participation in mandatory carbon markets, are looking for certified emissions reduction products in the VCM to offset their carbon footprints. These products are becoming more diverse and convenient, allowing for the general public to also get involved in low-carbon practices. For example, Sichuan United Environment Exchange (SUEE) has initiated a mobile program (Bitbit carbon neutral trading platform) for organizations and individuals to estimate carbon emissions and purchase carbon credits to manage carbon footprints on their phones.\(^{34}\) On this trading platform, launched in 2019, the equivalent of 8,217.31 tons of CDCERs (Chengdu Certified Emission Reduction) and 2,132.18 tons of CCER (China Certified Emission Reductions) had been traded. The platform is attracting a wide range of enterprises, organizations, and individuals. Enterprises should be familiar with the different types of voluntary carbon products and plan for their carbon asset management.

4.2 Common Challenges

4.2.1 Lack of external support and internal awareness are barriers to action

23.2% of enterprises have not taken any low carbon initiatives (Figure 15). For these companies, the survey inquired further about their reasons for not acting. The major reasons are listed below:
Lack of external regulation and internal awareness. 70% of enterprises said they don’t need low carbon transition plans/actions since they are not listed as mandatory carbon market participants. 68% of them claimed that their operations don’t involve high emission processes, however, this is likely due to the lack of a sound understanding of the carbon emission process. For example, the TMT sector’s data centers and the retail sector’s supply chains are also high emitters, even though these two sectors’ daily operations are not high emissions sources. Thus, it is important to publish clear regulations and guidance tailored to specific sectors, for example, carbon auditing guidance for the TMT sector that covers their data center emissions, to guide them through a low carbon transition.

Lack of joint efforts along the supply chain. The quality of the collaboration among upstream and downstream companies also impacts a company’s initiatives for a low-carbon transition. By sector, 40% of the I&P sector consider the joint efforts important; similar demand has also been found in the TMT and R&C sectors.

Case Study:

Budweiser APAC
Leading low carbon transition, engaging sustainable supply chain development

About AB InBev
Budweiser APAC is the world’s leading brewer and one of the top five consumer packaged goods companies. Headquartered in Belgium, Budweiser APAC operates over 500 beer brands and owns 28 world-class breweries in 10+ provinces in China. In 2021, Budweiser APAC utilized 120 million kWh of renewable electricity in China, reducing its carbon emissions by 84,120 tons. Its Wuhan plant will become Budweiser APAC’s first carbon neutral plant by the end of 2021.

Prioritized SDGs

Figure 15: Reasons why companies have not taken any low carbon initiative
Question: Why hasn’t your company taken any low carbon initiative?
Budweiser APAC joined RE100 – a global initiative in which businesses commit to using 100% renewable electricity. The company has also been verified by SBTi, committing to reduce GHG emissions by 25% by 2025 against a 2017 baseline. The SBTi target covers emissions from all three areas of scope. Since Budweiser APAC’s direct emissions are far less than the emissions from its supply chain (scope 3), it started to promote sustainable development along the supply chain in 2020, cooperating with partners to initiate multiple carbon reduction projects.

Clean energy factories: Budweiser APAC has carried out distributed photovoltaic power projects in multiple plants in the Asia-Pacific region and built energy storage systems in some plants to improve renewable power utilization. Since 2018, Budweiser APAC has initiated the deployment of renewable energy for its smart low-carbon plant, and has successfully established distributed photovoltaic projects in Putian, Fujian and in Foshan, Guangdong. It also introduced green electricity purchase in its Ziyang plant in Sichuan Province, becoming the first brewery in China with “100% renewable power production”. By the end of 2021, Budweiser APAC will have completed the installation of photovoltaic panels in 11 Chinese breweries. Budweiser APAC has also actively carried out training and webinars for its suppliers. Guangdong Huaxing Glass, Budweiser APAC’s largest glass bottle supplier in Asia Pacific, implemented its first distributed photovoltaic project under the influence of Budweiser APAC, reducing the carbon emissions of glass bottle packaging from beer and other beverages.

Green Logistics: Since 2014, Budweiser APAC has used over 200 green vehicles, including liquefied natural gas and hydrogen trucks. It also recommends these renewable vehicles to its distributors to lower its indirect carbon emissions. In addition, in April 2021, the Foshan factory initiated a distributed energy storage system to reuse 120 tons of retired batteries. While providing power for the breweries, the system also provides power for the green trucks, creating a closed loop of renewable power and prolonging the vehicles’ battery life by five years.

Sustainable innovation accelerator: Budweiser APAC launched the “100+ sustainability accelerator” program with Coca Cola, Unilever and other consumer goods giants to provide funds for, and invest in, sustainable supply chain innovation companies. Budweiser APAC Asia Pacific has also launched a local innovation center to empower entrepreneurs dedicated to solving sustainable development challenges in the region. Start-ups supported through the innovation center, such as Yushuo Energy’s Electrochemical Energy Storage program that recycles retired batteries from the Foshan factory, have engaged with Budweiser APAC to carry out in-depth cooperation.

Collaborate with partners to achieve a low-carbon transition

When setting carbon emissions targets, enterprises often face the challenge of high emissions in their value chain (Scope 3) over which they have limited control. Thus, enterprises with various business activities, especially in sectors like the industrial products sector, should engage their upstream and downstream partners to take joint responsibility. Companies should lead by example and reduce their direct emissions by deploying renewable energy and purchasing green electricity, and actively engage in the sustainable development of their value chain. Win-win sustainable partnerships can be built through sustainability advocacy and education as well as low-carbon project collaboration, thus promoting an end-to-end green supply chain.

Budweiser APAC’s concept of sustainable innovation aims to build an innovative and sustainable ecosystem. It should not only provide value along the value chain and help promote the company’s sustainability, but also incentivize the development of innovative solutions that lead to societal well-being.

4.2.2 Most preferred public policies: sector-specific guidelines and financial subsidies

The majority of surveyed companies indicated that both sector-specific guidelines and financial subsidies are the most preferred public policies to incentivize the low-carbon transition (82%) (Figure 16).
Enterprises need clear sector-specific guidance on the low carbon transition. For example, there should be sector-specific instructions that set standards for emissions levels for the TMT sector’s data centers and for energy efficiency for the IP sector’s production processes. Enterprises also need sector guidance on carbon emissions calculations for employees to understand, monitor and manage carbon data.

Enterprises favor fiscal policies that incentivize carbon action, such as financial incentives or tax returns for enterprises with significant carbon reduction achievements. For non-traditional high-carbon sectors, for example, supportive financial policies would encourage technology innovation or project milestones to explore and develop carbon reduction practices.

Standardization of the emissions trading system can also help enterprises implement low carbon initiatives. Some improvement on the mandatory and voluntary carbon trading markets to this effect would strengthen and expand participation.

45% of enterprises hope for more supportive monetary policy measures for carbon reduction project financing.
5. Recommendations

5.1 Key recommendations for aligning businesses with the SDGs

The enterprises of tomorrow will be committed to achieving sustainable outcomes, while still striving for commercial success and benefitting their stakeholders. By integrating sustainable development into their overarching strategies, they recognize that their future success is dependent on having a positive impact on the world. To better realize sustainable development and identify potential opportunities and risks at the institutional level, enterprises in China should:

- **Understand sector specific challenges and opportunities.** Climate change and other challenges to sustainable development affect sectors differently. Enterprises must identify specific trends and challenges related to the SDGs within their sector to better understand potential pain points. With such knowledge, enterprises can identify business activities relevant to the SDGs and design adaptive measures to potential risks, such as supply chain disruption, health and labor concerns, and the climate crisis, in order to improve long term success.

- **Adopt best practices to mitigate potential risk.** Although the current lack of industry-wide guidance is a barrier for enterprises to implement SDG aligned initiatives, enterprises can learn from existing best practices. By comparing leading examples, enterprises will better understand their position in sustainable development and be better equipped to implement SDG actions that are impactful, effective, and relevant. To adapt to potential policy risks, enterprises can refer to policy trends from more developed regions and align their SDG practices with the policies in these regions (e.g. the European Union Green Deal).

- **Strengthen human resources and management capability.** As the external environment is continuously changing, it is important to act proactively and engage with the SDGs for long-term prosperity. Continuous efforts and action will be required from companies to establish a top-down sustainability management system, foster alignment between sustainability and business strategies, and create clear monitoring targets. Enterprises are advised to prioritize the fundamentals and build capabilities from the inside. It is important to educate and raise awareness of the leadership team and acquire professional talent dedicated to sustainability.

- **Collaborate with strategic partners to promote industry-wide sustainable development.** While there is no common SDG practice for any single industry, enterprises from the same industry should collaborate, share and exchange resources. This kind of partnership can also be extended to inter-sectoral collaboration such as initiatives that connect the entire value chain to form integrated, more sustainable business models and even systems for a circular economy.

5.2 Step-by-step instruction

While implementing the SDGs, enterprises should realize that the company’s profitability is not divided from sustainable business practices. Both investors and consumers are also re-allocating capital and resources to more sustainable products and services. Thus, enterprises should fully
5.2.1 Strategy – Clearly define high level sustainable principles and integrate the SDGs into the decision-making process

- **Identify the company’s sustainability development purpose, vision, and strategy**
  Due to the diversity in business activities and resources available, some sectors can be more suited to solve various social and environmental problems than others. Therefore, it is critical to form a consensus from the perspective of the whole company, explore SDG risks and opportunities, as well as integrate the sustainable development mission and vision into the business development strategy.

- **Set realistic impact goals aligned with the company’s strategy and implement core actions from the leadership team.** A company’s SDGs impact goals should qualify the following:
  - align with its purpose, vision, and strategy
  - be both realistic and ambitious to accomplish
  - be relevant to its business activity, industry sector, value chain, and stakeholders

Based on these goals, the company’s leadership team should set quantified targets, assign responsible teams, and regularly review the status to ensure the implementation of SDG actions.

In terms of achieving low-carbon goals, companies should take a science-based approach towards carbon asset management and have the leadership team facilitate a strategy-development process for
relevant teams. While enterprises have started exploring pathways toward low-carbon development and achieving net-zero commitments, the top priority is to utilize different carbon reduction methods (Figure 18) through near, mid and long term initiatives (Box 4).  

SBTi is an initiative jointly developed by UN Global Compact (UNGC), Carbon Disclosure Project (CDP), World Wildlife Fund (WWF) and World Resources Institute (WRI), to guide corporates on setting GHG emission reduction targets that align with the Paris Agreement (Box 5). Figure 18 illustrates a sample pathway for a company committed to achieve net zero by 2025, assuming a 50% emissions reduction based on its 2019 emissions. Under the scenario, the company reduces its overall emissions, purchases emissions offset products, and invests in carbon removal projects to achieve net zero in 2025.

![Figure 18: Enterprise net zero target pathway](image)

Overall, carbon asset management plays an important role in a company's low carbon transition. It covers a range of assets related to carbon emissions permits, mandatory and voluntary carbon market trading and carbon reduction products. High-quality data on CO2 emissions, investment and development in carbon technologies, and balanced market mechanisms for carbon trading are key to a company's carbon asset management.  

As more and more enterprises commit to net-zero via SBTi, enterprises can utilize carbon asset management to:

- Improve the accuracy and comprehensiveness of their carbon data information
- Enhance their management capability and decision-making criteria to deploy low-carbon technologies
- Enrich their experience in carbon trading
5.2.2 Management Approach – Leverage SDG evaluation tools for impact assessment

Utilize globally recognized sustainable development management frameworks and lead company-wide collaboration. A well-designed management framework promotes efficient and effective execution of SDG integration. A detailed framework empowers the company’s executive department to coordinate different departments to achieve a common sustainability goal. A company can only fully integrate the SDGs with everyone involved. By implementing SDG evaluation tools, enterprises can understand the role that SDGs play, and quantify the SDG impact of their operations.

Box 4: Relevant practices within different time-span

**Early-stage:** participate in green energy trading to eliminate current carbon emissions. Enterprises can choose relevant sustainability initiatives, such as the RE100, to replace traditional energy use with renewable energy. Liyu Group, an energy technology company, has been providing energy conservation and GHG emission-reduction services for its client companies. Similarly, enterprises can also look for natural gas, coal gas, and biomass gas as alternatives to produce electricity in a greener way.

**Mid-term:** offset carbon emissions through nature-based solutions and other verified carbon reduction projects. For example, Zeho Waterfront, a Nature-based solutions provider in China, has accomplished several ecosystem recovery projects that help capture carbon by recovering wetlands and planting ecological corridors.

**Long-term:** invest in carbon capture and removal projects to reduce emissions from regular operations.

Box 5: The Science Based Targets initiative (SBTi)

The SBTi aims to enable companies to set emissions reduction targets in line with the Paris Agreement. The initiative defines and promotes best practices in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies’ targets. Currently, SBTi offers a target setting methodology for short and medium-term emissions reduction targets (5-15 years). As of 2021, over 1,000 organizations from 60 countries have joined the SBTi, responding to the increasingly urgent call for corporate climate action.

SBTi is favored by enterprises due to the following:

**Broad coverage of sectors for target-setting**
There are 15 major industry-specific guidelines available on the SBTi official website for companies to set carbon targets. These individual industry manuals have been issued for sectors such as aluminium, forest, land and agriculture, power, chemicals, apparel and footwear as well as information and communication technology. SBTi is currently also developing guidelines for other industries.

**Clear guidance on carbon target self-revision and public commitment**
The SBTi offers clear guidance for companies from each sector for submitting their intended carbon targets, developing a carbon reduction roadmap, submitting revised science-based targets, communicating with stakeholders and disclosing on an annual basis. By accompanying the companies along the entire application process, SBTi is able to develop a comprehensive understanding of companies' low carbon action plans and help address gaps through the provision of technical support.

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Toolkit: SDG Action Manager

The SDG Action Manager (SDG AM) is a web-based impact management solution to enable companies to evaluate SDG performance in their operations, supply chain management, and business models, developed by UNGC. It also provides risk evaluation, sustainable development benchmarks, and recommendations for the enterprises to reflect and improve on their performances. SDG AM brings together B Lab's B Impact Assessment (BIA), the Ten Principles of the UN Global Compact, and the 17 SDGs, to enable meaningful business action through dynamic self-assessment, benchmarking, and improvement.

The free online evaluation tool allows enterprises to quantify their sustainable development performances, find the most relevant SDGs, understand and share their impact, and set goals and track improvement towards the SDGs.

SDG AM starts with a baseline survey. It is rooted in the Ten Principles of the UN Global Compact and includes topics such as commitments to human rights, labor practices, environmental management, and good governance. This helps companies to recognize and prioritize the most relevant SDGs based on the company profile.

For recommended SDGs, SDG AM will further evaluate the enterprises' progress and provide recommendations on how to contribute towards them.

After completing the survey, SDG AM will provide an SDG performance report, a bookmark report, and an improvement report to review the SDG performances broken down by subtopics and offer insights to identify areas of strength and opportunities for improvement.

5.2.3 Transparency – Utilize well-recognized disclosure frameworks to communicate SDG impact

44.4% of enterprises have not publicly reported their SDG initiatives due to a lack of knowledge in disclosure or a lack of incentive. Transparency has been increasingly important to all stakeholders as it is the main method to understand the sustainable development status of a company. Utilizing a well-recognized disclosure framework helps a company to report its SDG impact in a professional way and also enables stakeholders to compare the SDG impact of different companies.
The following non-financial disclosure frameworks provide the necessary knowledge to guide enterprises through SDG disclosure:

**Toolkit: Non-financial disclosure frameworks**

- **GRI**
  - Standards used for reporting publicly on a range of economic, environmental and social impacts. Sustainability reporting based on the Standards provides information about an organization’s positive or negative contributions to sustainable development.  

- **Integrated Reporting (IR)**
  - Integrated Reporting (IR) provides an outline of a company’s potential future outcomes by linking financial and non-financial data to estimate how current operations might create or destroy profits in the future. It includes a range of information about the organization, including its strategy and operations, historical performance and sustainable development practices.

- **ISO**
  - A series of international environmental management standards, guides, and technical reports. They can be applied to any organization, regardless of size or industry. The most popular standard is ISO 14001, which provides guidance for environmental management systems.

- **SASB**
  - A complete set of globally applicable industry-specific Standards, which identify the minimal set of financially material sustainability topics and their associated metrics for typical company in an industry.

- **CDSB**
  - Offers a framework for reporting environmental information with the same rigor as financial information. Provides investors with decision-relevant environmental information via the mainstream corporate report and enhances the efficient allocation of capital.

- **CDP**
  - With its independent scoring methodology, CDP measures corporate progress on climate change, water security and deforestation and helps companies recognize relevant opportunities and risk. CDP requires disclosure on a yearly base.

- **SDGD (SDG disclosure) Recommendations**
  - The SDGD (SDG disclosure) Recommendations are aligned to, and draw from, the: TCFD, IR, and GRI with SDG specific disclosures. The disclosure is grouped into four themes: Governance, Strategy, Management approach, and Performance and Targets. Enterprises can use it to report on how they are responding to the relevant sustainable development issues that affect all stakeholders, societies, and long-term value creation.

With its independent scoring methodology, CDP measures corporate progress on climate change, water security and deforestation and helps companies recognize relevant opportunities and risk. CDP requires disclosure on a yearly base.

Provides climate-related financial disclosure recommendations that help companies to disclose information to support capital allocation.
5.2.4 Governance – Reinforce SDGs through governance practices

Establishing strong governance practices is essential for empowering enterprises to achieve the SDGs. Governing bodies should actively oversee a variety of areas that will be critical to constructing an enabling architecture for sustainable development.

Key aspects include building an organizational culture around responding to the SDGs, involving stakeholders in decision making, and reconciling the organization's impact outcomes and financial sustainability.

The governing body itself should be responsible for addressing sustainable development issues, and function as the governance mechanism accountable for the organization's sustainability impact strategies.
6. Appendix

The methodology of the report included a comprehensive questionnaire distributed between June and July 2021, follow-up interviews and case studies. Following initial data analysis of the sample, the 3A criteria were applied to identify a list of interview candidates based on their survey responses. Out of 117 questionnaire samples, 12 enterprises accepted the invitation for a series of target-oriented interviews and focus group discussions. The report explores the experience and challenges of enterprises in China on integrating the SDGs into their management and developing the path for a low carbon transition path under the 3060 carbon goals.

Questionnaire

The questionnaire consisted of 44 questions and was distributed online by UNDP, UNGC, PwC, and CCOIC. It is divided into two sections – one covers questions around the SDGs and the other on carbon actions. The section on the SDGs is highly consistent with the 2019 baseline survey questionnaire.

The representation of the enterprises in the questionnaire result might be biased given the following factors:

- More than 40% of the enterprises are connected with UNDP or its affiliate organizations, which may result in a highly positive attitude towards sustainability (Figure 19).

Figure 19: Breakdown of questionnaires distributed and interviews conducted by organization

Question: Which organization did you get this questionnaire from?

- The majority of the enterprises surveyed are in secondary and tertiary industries (Figure 20). Compared to the primary industry, these industries tend to be more sensitive to consumer and market trends, which may lead to more attention on sustainable development.

- A significant number of the enterprises are large private-owned enterprises (POEs), foreign-invested enterprises (FIEs), and state-owned enterprises (SOEs) (Figure 21).
Interviews and Case Studies

In order to further examine the sustainability progress of enterprises in China, interviews were conducted with 12 outstanding examples from the questionnaire results. The selection process followed the “3A” model: “3A” stands for “Awareness” – reported SDG-related achievements in the public domain such as through corporate ESG reports, “Action” – demonstrated tangible outcomes such as positive SDG impact and carbon reduction projects, and “Ambition” – incorporated the SDGs into strategic planning. Selected companies satisfied the 3A model (Figure 22) and did not have public scandals within a three-year period. These enterprises were interviewed accordingly to share their leading examples of SDG implementation.

The interviews were individually scored from three dimensions: Relevance, Engagement, and Vision. “Relevance” measures if senior manager(s) of the interviewed company can clearly elaborate the relevance of their work to the SDGs or low-carbon development, “Engagement” examines if the approaches for SDG or low-carbon transition are carried out with measurable impact, and “Vision” looks for a strategic and forward-looking mentality when implementing SDG and low-carbon development within the organization. Companies with high overall scores were identified as suitable case studies for the report.
Together with the visual representation of the statistical results from questionnaire data, some cases were selected and included as in-depth case studies.

### Potential Limitations

The limitations of the report can be summarized as follows:

The questionnaire was published through Wenjuanxing, an online survey platform, and distributed through four organizations. This may lead to limitations in the quantity and variety of enterprises.

As a result, the data generated cannot necessarily be taken to fully represent the entire landscape of the corporate sector in China.

In addition, while the 117 surveyed enterprises consist of some enterprises from the 2019 baseline survey, there are a significant number of new respondents. This might lead to a misrepresentation when comparing with the previous survey’s data.

The questionnaire and interviews are mainly based on the respondent’s understanding of the company. The respondent might not fully represent his/her company due to different positions or service lines. There might also be bias in the respondent’s self-evaluation of the company’s sustainability practices.

To overcome these limitations and avoid potential subjectivity bias, adjustments were made accordingly. In particular, public domain data, third-party reviews, and expert advice are taken into consideration while compiling this report.
References
