

THE DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY IN PROMOTING THE SUSTAINABLE DEVELOPMENT OF ENTERPRISES

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ABSTRACT

Corporate social responsibility can promote the sustainable development of enterprises and is conducive to the healthy development of the national economy and the world economy. Western countries took the lead in formulating guidelines and policies to promote CSR, and then gradually formed relevant international conventions. Although the development of CSR in Asian countries is relatively late, it is rising rapidly. In order to promote the development of CSR in China, the Chinese government has formulated a series of tax incentive policies. This article reviews the development of CSR globally and in China, and highlights that the Chinese government has made strong policy measures to vigorously support the CSR development of Chinese enterprises.

Keywords: Corporate Social Responsibility, Tax incentives, Chinese Enterprises

Introduction

Corporate Social Responsibility (CSR) refers to the company voluntarily considers social responsibility and environmental issues in its operations and combines its business activities with stakeholders. Stakeholders are groups or individuals whose actions can influence the implementation of the company's operations and objectives, or are affected by the operations or objectives of the business [1] The purpose of the company's operations is not only to benefit shareholders, but also to provide employees with a better working environment, to provide consumers with better products, and to increase the overall social welfare. [2]

The fulfillment of social responsibility can bring many benefits to the sustainable development of enterprises and the social economy. Actively fulfilling CSR will not only

help to enhance the company's image, but also help to enhance refinancing ability and core competitiveness of the company. [3] In many cases, the improvement of CSR is conducive to attracting and retaining high-quality employees, thus reducing labor costs and effectively improving operational efficiency[4] In addition, improving CSR can help companies establish more stable relations with governments and communities, thus reducing the litigation and risk caused by government sanctions [3, 5-10]. In general, CSR fulfillment helps companies obtain the legitimacy of operation and maximize long-term benefits. Government support for CSR is very important, which helps promote the overall economic and social sustainability [11, 12].

The development of CSR in Western countries

Governments of most countries are aware of the importance of improving CSR. They actively participate in supporting companies in fulfilling their social responsibilities. The UK [2, 5, 13, 14] explicitly requires listed companies to disclose issues and policy information related to the environment, employees, society and the community in the directors' report. Sweden introduced a provision requiring State-Owned Companies(SOC) to adopt the Global Reporting Initiative (GRI) framework in 2008 [4, 6, 15, 16]German regulators stipulate that if a listed company produces a non-financial indicator with significant influence, it must be included in the annual report. Danish regulators require the largest 110 companies in the country to include CSR letters in their annual financial reports (Oxfam Hong Kong, 2010). In France, the government requires companies with more than 300 employees to conduct social audits and disclose labor-related indicators [8, 9, 17-19]

As early as the 1980s, many international organizations have successively formulated important international conventions on CSR. For example, International Organization for Standardization 9000 (ISO9000) series quality management system standard, ISO14000 series environmental management standard and Social Accountability 8000 International standard.

The convention formulated after the millennium is more responsive and participated by more countries and companies. In 2000, the United Nations officially launched the Global Compact (GC) program [13] The GC initiative is based on the idea that companies voluntarily engage in anti-corruption, safeguarding labor and human rights, and environmental protection, thus promoting enterprise sustainability and justice [11] To date, 9,913 companies from 159 countries in the developed and developing world have joined GC (UN, 2019).

In 2000, the Global Reporting Initiative (GRI) issued its first edition of the guidelines on Sustainable Development Reporting (G1), which aims to help and improve business, government and other organizations' understanding of issues such as climate change, human rights and corruption. In 2013, the organization issued the fourth edition (G4). This version is the main basis for the current corporate sustainability report. G4 has been used by multinational organizations, governments, companies and organizations in more than 90 countries as a CSR guide [7, 9, 17, 18, 20, 21]. According to Klynveld Peat Marwick Goerdeler (KPMG) statistics, 74% of the global top 100 companies (N100) income report and 89% of the world's top 250 companies (G250) are using some sort of guidance or framework in the report, including the most commonly used GRI framework, 74% N100 and 89% G250 company reports using the framework

In 2004, the international organization for standardization has launched the

formulation of the social responsibility of the international standard ISO 26000. The emergence of the standard aims to provide a guiding framework for the social responsibility of all types of organizations globally and promote their sustainable development. To date, the global reporting initiative (G4) and ISO 26000 have been the focus of systems and procedures to assist and guide companies in preparing CSR reports[3, 10, 20, 22] psico, Nike, Microsoft and others, have followed this guidance with sustainability, releasing environmental or citizen reports. Table1 summarizes the main international conventions and standards on CSR. Figure1.1shows the global trend of CSR reporting number since 1999.

Table 1 *Major International CSR Conventions*

Time	Makers	International conventions and standards	Objective
1987	International Organization for Standardization Quality Management and Quality Assurance Technical Committee(ISO/Tc176)	quality management system standards (ISO9000)	In order to improve the credibility of products, remove technical barriers to trade, and safeguard the rights and interests of all parties in the production supply chain and consumers.
1993	International Organization for Standardization Quality Management and Quality Assurance Technical Committee(ISO/Tc207)	Environmental Management Series Standard (ISO14000)	To regulate the environmental related business behaviors of enterprises and other organizations, so as to protect resources and environment and promote the sustainable development of economy.
1997	Social Accountability International (SAI)	Social Accountability 8000 International standard (SA8000)	Pay attention to labor, physical and mental health and labor rights
2000	Global Reporting Initiative (GRI)	Sustainability Reporting Guidelines (G1)	This initiative aims to encourage companies to disclose to stakeholders behavioral strategies, outcomes, and future improvements for managing and improving economic, environmental, and social outcomes.

2000	Multinational companies, chambers of commerce, multilateral organizations or international agencies	Global Compact	Mobilize multinational companies around the world to directly participate in actions to reduce the negative impact of globalization and promote globalization in a positive direction.
2010	International Standard Organization (ISO)	Social responsibility guideline standard) (ISO26000)	Developed a content system with comprehensive international social responsibility standards

Source: From various international convention websites

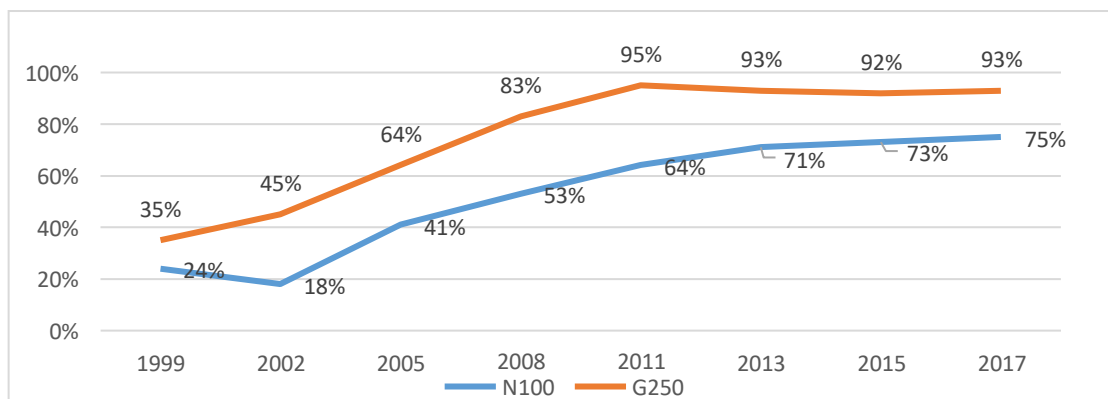


Figure 1
 Global CSR Reporting Rate Growth Trend from 1999-2017
 Source: Data from KPMG Survey of Corporate Responsibility Reporting 2017

The development of CSR in Asia

Unlike the CSR spontaneously growing in mature economic markets in the west, most Asian countries are developing countries, where the government driven their CSR development and growth. With the further deepening of economic globalization, transnational companies begin to enter the Asian market and influence Asian companies. Governments in Asia are also tightening their regulations on CSR disclosure [17, 18, 23, 24]. Malaysia requires listed companies to describe CSR activities in the annual reports, even if they do not have CSR activities. They need to provide corresponding explanations (Noronha et al., 2013). The Korea stock exchange issued the Korea index in 2009 to measure the policies, performance and reports of companies in environmental, social and governance aspects [18]. The Indonesian government began to implement the company environmental assessment project in 1995 and promulgated the government regulation No. 93 in 2010 to promote the CSR level through tax incentive policies [9, 20, 25].

With the guidance of government regulations and the demand of company development, CSR in Asia has developed rapidly. [8, 9] show that CSR can promote economic growth, so countries that support CSR usually have higher economic growth rates. Grant Thornton (2013) found in his research that the proportion of companies disclosing CSR is 69% in India, 64% in Vietnam and 60% in the Philippines. In fact, by

2009, more than 15% of CSR reports worldwide are from China [6, 7] Figure2 shows the distribution of global CSR reporting rate from 2011 to 2017.

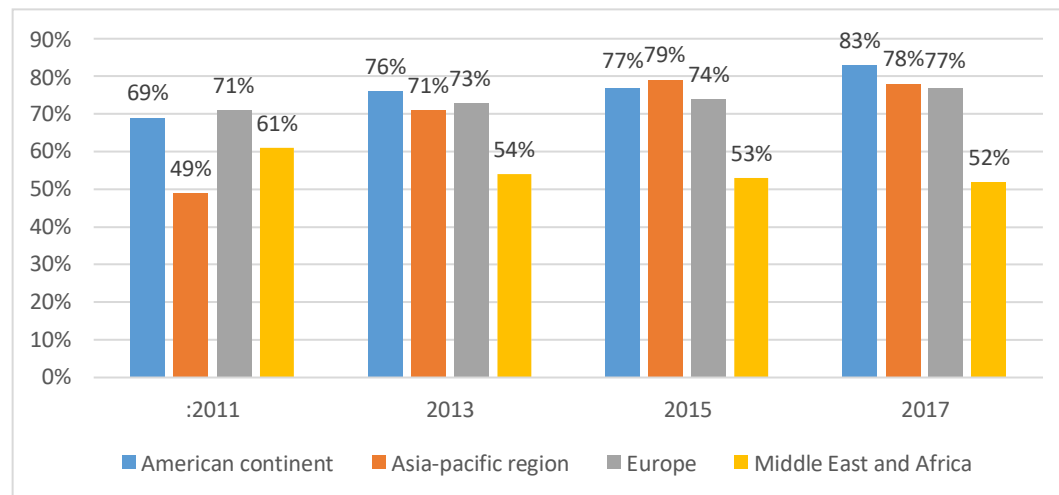


Figure 2

Distribution and Trend of Global CSR Reporting Rate from 2011-2017

As can be seen from Figure 2, except the Middle East and Africa, the CSR reports in the Americas, Asia Pacific and Europe presented an increasing trend from 2011 to 2017. Among them, the reported rate in Europe basically maintained a high level of about 75% from beginning to end, but the growth rate was relatively low; The Americas reported a faster rate of growth, reaching a global high of 83 percent in 2017. The Asia-pacific region's reporting rate climbed from the lowest 49% in the world in 2011 to the second highest in the world in 2017, surpassing Europe, the Middle East and Africa, with the fastest growth rate in four regions. There is great potential and space for CSR development in Asia.

The development of CSR in China

China is a huge emerging Asian economy. Corporate political reliance and government regulation influence the development of CSR. By formulating relevant laws and regulations to adjust the behavior of companies, China government plays an important role in developing CSR [3, 10, 26] In 1978, China started implementing and opening up the reform strategy. Simultaneously, she started setting GDP growth as the key objective of economic development. Businesses began to gain more control over their operations to pursue profit maximization. During this era, government published a lot of legislation and regulations to encourage businesses to meet CSR in order to promote the growth of society. The strategies cover the environmental law of 1989, the act of consumers' rights and interests in 1994, the labor law in 1995, and the law on public welfare donations act in 1999. To encourage companies to participate in the construction of public infrastructure, technological innovation and safeguard the welfare of employee by introducing the corporate tax law for foreign-invested companies in 1991 and domestic companies in 1993 respectively.

However, at that time, the government did not fully realize the importance of CSR, so these laws and regulations were relatively rough and abstract, and the details of specific operations were not elaborated in detail [3, 23]. In addition, due to the absence of relevant regulations requiring companies to disclose CSR in this period, it is hard to estimate the CSR performance in this period, which results in the weak implementation of these law and regulations.

When China entered the WTO in 2001, the global economy has not only enabled more Chinese companies to participate in international trade, but also brought more multinational companies and international trade thoughts to China. Global trade networks, international organizations and NGO have brought about the isomorphic pressure of CSR to developing countries [24] Due to the need to incorporate into international trade, Chinese companies can perform global transactions if acknowledged by global businesses [16], the environmental pollution issue and the harm to stakeholders ' interests caused by the pursuit of short-term profits by companies hinders the sustainable development of China's economy [20] In order to raise the core competitiveness of companies and achieve sustainable social development, Chinese companies urgently need the guidance and help to promote their CSR[23]

The Chinese government has already started to pay true attention to the CSR at this moment. In 2001, the China Securities Regulatory Commission (CSRC) introduced listed companies ' governance rules, reminding businesses that they should take responsibility for stakeholders and the environment. The word-social responsibility emerged for the first time as a legal term in China's newly amended company law in 2006, and it was obviously stated in this law that businesses should follow social ethics and business ethics. Shenzhen stock exchange also released rules on social responsibility, requiring the listed company to undertake responsibilities with the employee, shareholders, creditors, vendors, clients, environment, community and social elements, and to encourage companies to disclose the report on social responsibility with the annual report. Shanghai stock exchange pursued the same strategy in 2008. Table 2 shows the major policies and norms related to CSR issued by China from 2002 to 2018.

Table 2
Major policies and norms related to CSR issued by China from 2002 to 2018

Time	Policy	Main Contents
2002	Governance standards for listed companies	While preserving the company's sustainable development, listed companies should focus on improving community welfare, protecting the environment, developing public welfare undertakings and other problems, and paying more attention to CSR.
2006	Companies act (amendment)	It stipulates that the company shall abide by social ethics and business ethics and assume social responsibilities. At the same time, the company must protect the rights and interests of employees and achieve safe production
2006	Guidelines on social responsibility of listed companies	Listed companies are needed to assume social obligations, including protecting staff, shareholders and creditors, vendors, clients and consumers ' rights and interests, protecting the environment, preserving community relationships and creating social welfare.
2007	Guidelines on environmental information disclosure of listed companies of	Emphasize that key businesses should concentrate on eight elements: fulfilling law-abiding honesty and trustworthiness, enhancing business sustainability, enhancing product quality and raising service levels, enhancing resource conservation and environmental

	Shanghai stock exchange	protection, encouraging autonomous innovation and technological progress, ensuring manufacturing safety and safeguarding emissions.
2007	1.Guidelines on environmental information disclosure of companies listed on the Shanghai stock exchange 2.On strengthening social responsibility of listed companies	If a listed company has any of the following major environmental protection-related events and may have a significant impact on the trading price of its stocks and derivatives, the listed company shall promptly disclose the incident and the company's operations and interests within two days from the date of the incident. The impact that the relevant person may have. At the same time, it was first proposed to disclose the social contribution per share in the annual social responsibility report.
2008	Guiding opinions on the implementation of social responsibility by foreign-funded companies	From the protection of rights and interests, company integrity, environmental protection, the construction of social harmony and other basic aspects, the principle of foreign-funded companies to fulfill social responsibility guidance
2008	Notice of the Shanghai stock exchange on doing a good job in the annual report of listed companies in 2008	The corporate governance section of the Shanghai Stock Exchange (SSE) sample firms listed on the Stock Exchange and businesses issuing abroad listed foreign stocks and financial businesses should reveal the company's social responsibility report at the same moment as the 2008 annual report disclosure.
2017	Guidelines for the preparation of social responsibility reports of foreign invested companies in China	Covers issues of responsibility governance, compliance, local contributions, customers (consumers), supply chain, environment, employees, and communities. It aims to guide foreign-invested companies to pay attention to the role of social responsibility reports, encourage and promote more foreign-funded companies to publish social responsibility reports on a regular and continuous basis, and promote the standardization and standardization of foreign-funded companies' performance and information disclosure.

Source: Central People's Government of China.<https://www.gov.cn/zhengce/index.htm>

In order to coordinate with China's economic and social reform and development, during this period, China's tax law underwent major reform. These reforms include a series of incentive policies conducive to CSR development. The first is the reform of direct taxation. The new company income tax law came into effect in 2008. The tax law provides more tax incentives for companies to implement energy conservation and environmental protection, promote technological innovation, undertakes employment and public welfare donations.

The second is the indirect tax reform. The consumer-oriented value-added tax imposed in 2009 and the value-added tax imposed since 1979 on production have

been repealed. The Chinese government began implementing the pilot VAT reform in 2012 and up to 2016 promoted the reform nationwide. The two significant indirect tax reforms are aimed at reducing the tax burden and improving businesses' capacity to innovate technologically.

Multinational businesses have implemented corporate social reporting in China (Lau, Lu, & Liang, 2016). The first CSR report was published in 1999, when Shell China was the first firm to publish a sustainability report. State Grid published the first CSR report on sustainability for national businesses in 2006. Since then, China's amount of CSR reports has risen, mostly from SOCs.

According to Golden Bee China CSR Report Database, only three CSR reports were reported in China in 2005, and since 2008 the number of CSR reports has increased rapidly. The highest number was 2,613 in 2016, and then fell back to 1,665 in 2018. Since CSR reports were released by the listed Chinese companies in 2006, the amount of CSR reports risen from 2006 to 2018 by 138 percent.

Since the state released a series of laws and incentives in 2000, CSR in China has developed quickly. However, the rapid development accompanies with problems that cannot be ignored. Compared with other countries and regions, CSR report disclosure and CSR performance still need to be improved. Faced with the current achievements and problems, some questions arise: as an important means for the Chinese government to promote the development of CSR -- what role does tax incentive policy play in the development of CSR in China? Does it play a role in promoting corporate CSR? How does it affect CSR? Why do some companies perform well and others not so well? Research on these issues in China is rare, but necessary and urgent.

Conclusion

CSR can promote the sustainable development of enterprises and is conducive to the healthy development of the national economy and the world economy. Western countries took the lead in formulating guidelines and policies to promote CSR, and then gradually formed relevant international conventions. Although the development of CSR in Asian countries is relatively late, it is rising rapidly. In order to promote the development of CSR in China, the Chinese government has formulated a series of tax incentive policies. The implementation of the policy has achieved good results, but there are still many problems waiting to be resolved.

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