

ESG MEANS BUSINESS IN CHINA

How ESG and Sustainability
Have Become Essential to
B2B Business Expansion
Across China



Brands
in *Motion*



RED BRIDGE

Contents

- 03** Introduction
- 05** Three Important Truths About ESG in China's B2B Landscape
- 13** Three Essential Strategies To Shape Your ESG Approach
- 22** Conclusion
- 24** Appendix



Introduction

Sluggish economic growth. Workforce pressures. Low consumer confidence.

For China, 2023 did not shape up the way many had hoped it might.

Yet bright spots remain as China's B2B companies take stock of their surroundings and look for a return to growth. WE Red Bridge's Brands in Motion China study reveals that many B2B brands are seeing ESG (environmental, social and governance) as increasingly important components of corporate reputation, with multiple applications — from generating brand awareness to converting

sales. Indeed, as brands seek a return to growth, they recognize that making a commitment to sustainability, building authentic credentials, and developing a narrative to take people on their ESG journey play a central role in business growth and success.

But B2B brands must act now to develop their ESG narratives or risk losing out on potential business.

What's more, this strategy must meet the varying needs of stakeholders at all levels and communities in which the business operates.



About the Research

In October 2023, WE Red Bridge surveyed 300 communications professionals and marketers operating in B2B industries in China to understand the direction of sustainability and ESG communications in China, revealing a multifaceted portrait of how this emerging issue is driving business and communications strategy.

To gain deeper insight, we spoke with marketing decision-makers at top foreign-based multinational B2B firms operating in China to understand their views on the future of ESG.

How We're Using 'ESG'

The definition of ESG (environmental, social and governance) can differ depending on who is speaking and whom they are speaking to, though usually it touches on how companies approach the environmental sustainability and social impact of their business. In China, ESG discussions in 2023 tend to focus on the

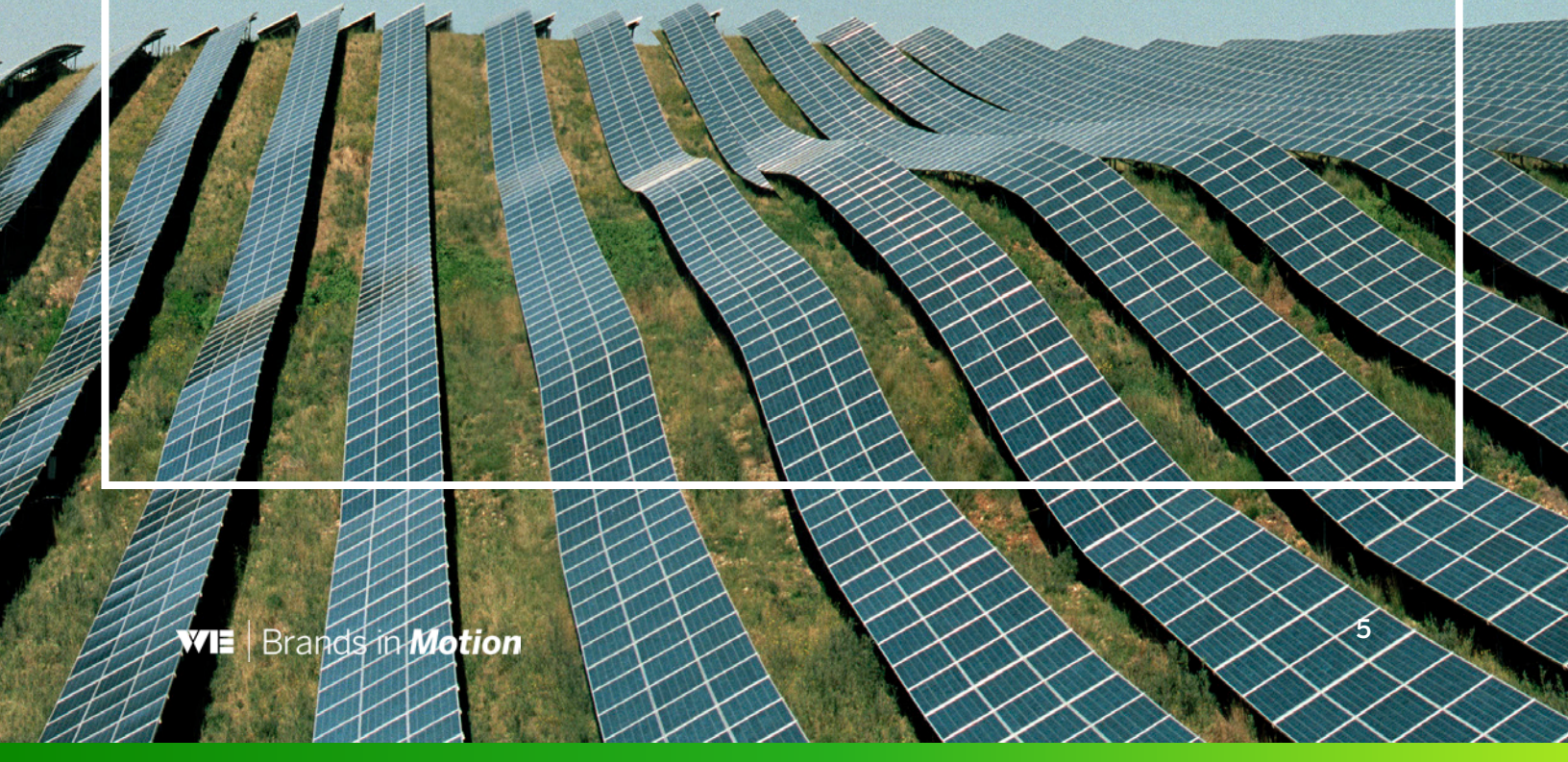
“E” — environmental — portion. And within the Chinese business community, leaders often use the terms “sustainability” and “ESG” interchangeably, as environmental sustainability activities are viewed as part of an organization’s ESG narrative. For this report, WE Red Bridge will use the term ESG, while calling out usages of ESG that do not reference environmental sustainability.

The Takeaway

ESG has come alive in the Chinese business community — and it will continue to grow in importance. Brands without a coherent ESG strategy for China must act now, or risk being left behind in China’s post-COVID economy.

With this research, WE Red Bridge has identified three key truths describing how brands view and communicate about ESG topics, including sustainability and more, as well as our communications advice for businesses operating in China’s B2B space.

Three Important Truths About ESG in China's B2B Landscape



Truth 1: Do Good or Go Home

ESG Credentials Are No Longer Optional for B2B Businesses


Topics within the ESG realm, led by sustainability, are important today, but our **respondents believe they will be indispensable in the near future**. Although only around a third of respondents view sustainability as essential to their short-term operations (35%, fourth-highest-ranked answer), it becomes the second-highest priority consideration for the next 3 to 5 years (39%), and half (50%) of respondents believe that it will be one of the top considerations influencing their customers' purchase decisions in the same longer-term period — ranking it higher than any other factor. The changing demand for sustainability credentials from customers is already a part of B2B brands' communications calculus for the future.

Indeed, 70% of respondents identified “low carbon” as important for B2B customers, the most of any ESG factor, with “eco-development” ranking second at 67%.

Shifting priorities

Sustainability jumps up as a high priority for planning 3-5 years out.

Top priorities identified for one year ahead

Digital transformation, use of AI
 43%

Sustainability credentials, metrics

 35%

Retaining customers, market share

 30%

Top factors influencing purchase decisions of B2B customers in the next 3-5 years

Sustainability credentials, metrics

 50%

Digital transformation, use of AI

 47%

Product quality

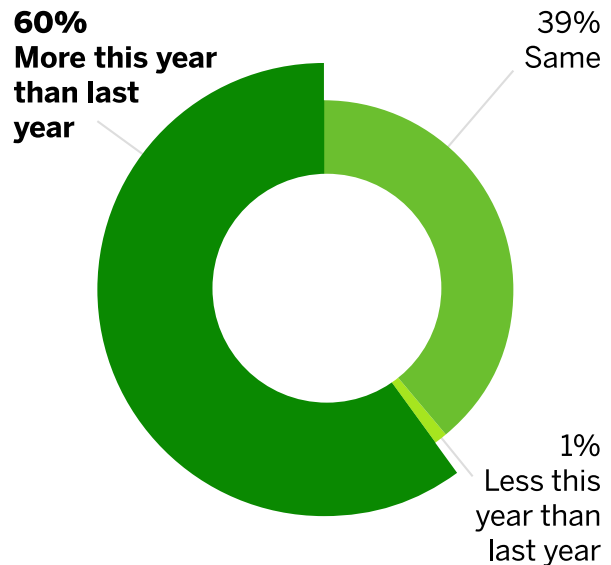
 34%

Nearly all (99%) respondents say they will spend the same amount or more on marketing and communications for sustainability in 2024 compared with 2023, and the majority of those (60%) say they will increase spending. Of these, 62% expect a moderate increase, and over a quarter (26%) indicate they'll increase their spending by more than 20% over this year's spend. Respondents indicate that by 2025-26, an average of 54% of their marketing and communications budget will go toward sustainability-related activities or communications.

B2B industries in China see that to return to growth and build future success, **they must find new ways to operate their businesses** with a focus on their communities and green credentials as ESG topics grow in importance overall.

Growth spurt

Companies are increasing their marketing and communications spend on sustainability/ESG programs.



We are working on lowering our emissions and telling our ESG story better because we must. Our clients have specific guidance on ESG, and we must comply, or else we put those contracts and relationships at risk."

Marketing Head,
B2B company in auto sector

Truth 2: Environment at the Fore

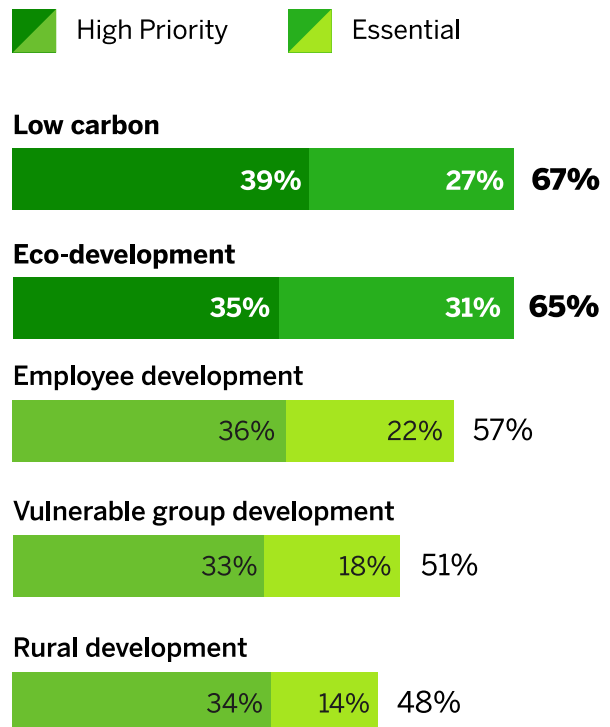
Environmental Sustainability Dominates ESG Thinking, but Not Exclusively

In terms of ESG activity, **environmental focuses such as low carbon and eco-development are the most popular areas of focus**, with 67% and 65% (respectively) of respondents rating these areas as either “essential” or “high priority” for their organizations in the year ahead. Once-popular areas of focus, such as rural development, vulnerable group development and community support, are viewed as less important, mirroring a shift in the Chinese government’s focus to other areas (48%, 51% and 52%, respectively).

Another area to watch in the coming years is employee engagement. Chinese companies now prioritize an engaged workforce, as discussions have swirled around the tech industry’s “996” working hours, “lying flat” and “involution.” Today, B2B enterprises view employee development as the second-most important ESG area of focus for the year ahead, and 57% say employee-targeted initiatives are high priority or essential to their company’s ESG strategies for the year ahead, only second to green initiatives such as low carbon and eco-development (66%).

Focus areas for the year ahead

Most companies focus their ESG programs on eco-development and low-carbon initiatives



When choosing an ESG area to focus on, government and corporate considerations are valued more or less equally. More than a third of respondents (35%) rated the Chinese government agenda as “very important” in choosing an area of ESG focus. And global company or organizational priorities tied with brand purpose or values for a close second place (34% each).

These data points indicate that **environmental sustainability is the favored ESG topic** with employees emerging as potential targets and audiences. But the data is less clear on why, as the root causes setting the agenda are multiple and complex. China's government agenda is important, but it is far from the only factor corporates consider when formulating an ESG strategy.

“*Because we have taken actions to implement ESG and sustainability-related policies, we can work with a broader variety of clients with really clear demands on sustainably sourced products. Beyond this, we're also seeing improvements in our relationship with our workers, with clear upticks in loyalty and efficiency. We are prioritizing both employees and the environment to ensure we're set up for success in the future.*”

Marketing Head,
foreign high-tech OEM

Truth 3: Moving Target

The Role of ESG Continues To Evolve

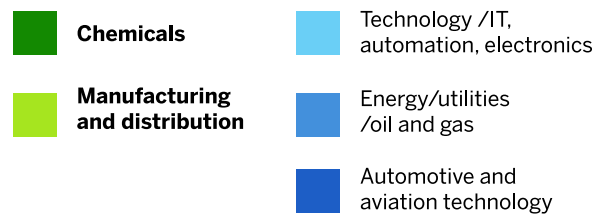
Around China, different industries have notably different perceptions of how sustainability fits into their narratives.

Energy and utilities companies are the most likely to say sustainability messaging helps them acquire customer inquiries or leads (48%). Chemical and manufacturing companies are more likely to say ESG helps with brand awareness (61%). Enterprise tech and automation industries report ESG helps with brand differentiation.

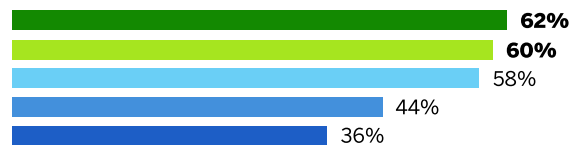
Looking to the future, the chemical industry is the most likely to prioritize sustainability credentials, metrics and commitments, both in the coming year and in the next 3 to 5 years — indicating that this industry is a first mover in this space. ESG in the energy sector is also quickly growing in importance: ESG credentials will go from the fifth-most important factor influencing the purchase decisions of B2B companies in the year ahead, to the most important for the next 3 to 5 years. Taken together, this data suggests that **we can expect significant movement in the years to come** as more industries prioritize ESG credentials.

Ahead of the pack

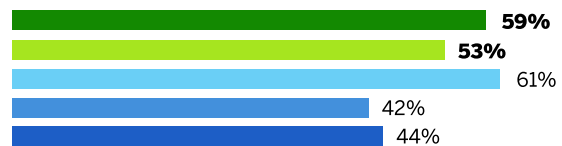
The manufacturing and chemicals sectors lead in the race to adopt sustainability programs.



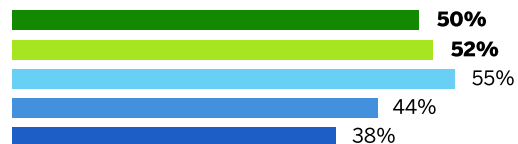
Brand awareness



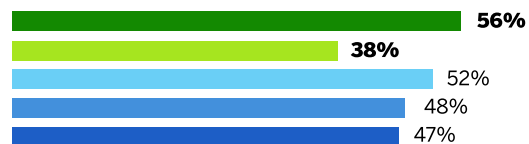
Differentiation from competitor brands



Customer acquisition or growth



Customer inquiries or leads

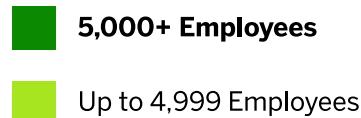


At the same time, larger companies tend to see greater value in ESG initiatives than smaller ones do. For instance, on key metrics such as brand awareness, businesses of 5,000 employees or more are 10% more likely to see the value of ESG and sustainability programs (60% vs 50% for businesses of 4,999 employees and fewer). They are also 8% more likely to see the value of such programs in terms of customer inquiries or leads (53% vs 45%). These gaps on key metrics suggest that **bigger businesses are pioneering a culture in which ESG initiatives are valued** — a move that is still trickling down to smaller businesses.

The data also hints at the influence of international regulation on upstream businesses. One area where this may be happening is in plastics — one of the biggest outputs of the chemical industry — which have been targeted by recent EU regulations mandating high levels of recycled plastic in plastic packaging and other products, creating a direct incentive for Chinese business to produce these products. And bigger companies are more likely to be plugged into global supply chains in which ESG is more important, regardless of industry.

Size advantage

Larger companies are making faster progress on the sustainability /ESG journey.



Brand awareness



Differentiation from competitor brands



Customer acquisition or growth



Customer inquiries or leads



Looking at this data, we can see that no matter the size of a company or its industry, market forces eventually will compel it to adopt at least some ESG principles. This means those that are quicker to effectively communicate their ESG strategies can expect the benefits of a first-mover advantage.

“
We are a European company and our leadership appreciated the importance of ESG early on. [...] Having sustainability as part of our strategy early on is a competitive advantage for us. Now that so many of our customers are looking to tell their own sustainability stories, we have the systems in place to participate meaningfully in our customers' ESG journeys.”

**Marketing Head,
European B2B company
producing in China for
domestic and export
markets**



Three Essential Strategies To Shape Your ESG Approach

Strategy 1: Get Up to Date

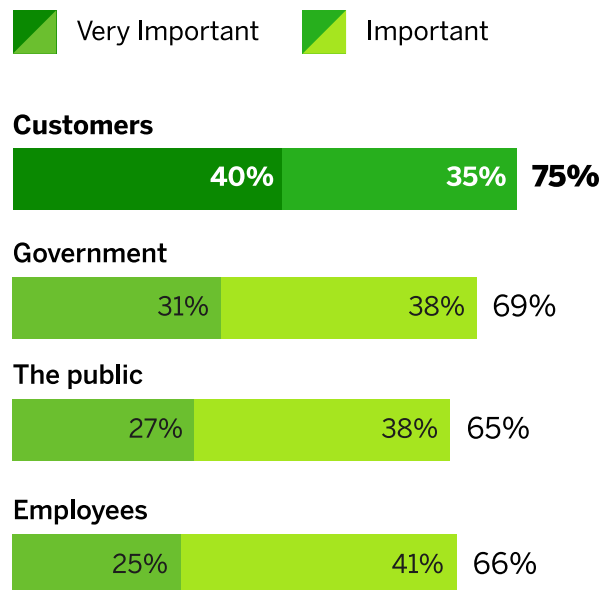
Make Sure Your Strategy Meets Your Customers' Needs, Now and in the Future

If your business doesn't yet have a clear ESG program or narrative, **waste no time in developing one**. If you haven't updated an existing or globally developed storyline, it may be time to look at it again.

Start from the perspective of the audience you'd like to reach. In our survey, 74% of respondents say that customers are important to consider when selecting ESG or sustainability programs, with 40% saying they are "very important" and 34% saying "important." Other stakeholders, including employees and the public, are currently ranked much lower, with only 25% indicating that employees were "very important," and 27% saying the same about the public. Government is in the middle of the pack, with 31% indicating government as a "very important" stakeholder.

Top stakeholders

Customers are consistently identified as a top stakeholder for sustainability/ESG programs.



B2B businesses' customers' demands are being driven by global consumer trends and overseas regulation. WE's global Brands in Motion survey, launched in October 2023, analyzed consumer sentiment around ESG and sustainability, indicating that, for consumers in key markets around the world, sustainability is the second-most important factor affecting a brand's reputation globally. PwC data supports this, with 76% of consumers say they will stop buying from companies that treat the environment, employees or community poorly.

B2B brands in China must ensure their ESG narratives are up to date — or risk losing out to competitors who can better support their customers on their own sustainability journeys.

Check out the full global Brands in Motion study on our website:

we-worldwide.com/insights



Case Study: Rockwell Automation

Digitalization and green development have transformed China's manufacturing industry in recent years, creating opportunities and challenges for players looking to play a role in moving China toward high-quality economic development. Although cost, quality, deliverability, technology and service competitiveness were historically the cornerstones of supply chain efficiency, the emergence of a new sixth core factor, carbon emissions, is raising the bar for companies to deliver against ambitious net-zero targets.

Rockwell Automation was early to appreciate the opportunity presented by this development. Committed to environmental stewardship across its own operations and across its value chain, Rockwell Automation launched Rockii Net-Zero Solution in June 2023, which enables end-to-end carbon traceability, a part of the brand concept of "net-zero supply chain" initiated earlier in the year.

Rockwell Automation then further expanded its ESG and sustainability offerings at the sixth China International Import Expo (CIIE) in November. At 2023's CIIE conference, Rockwell Automation made two new announcements focusing

on net-zero supply chains, Rockii ESG Strategic Solutions and the Rockii ESG Alliance, which focuses on achieving net-zero supply chains by enabling a new level of ESG assessment, data analysis, benchmarking and other services for clients. Although still in the early days of rollout, these efforts are set to reshape the supply chain landscape and advance green development in China's manufacturing sector.



Image Credit: Rockwell Automation

Strategy 2: Thread the Needle

Balance Domestic and International Expectations

All multinational companies face unique circumstances, with different expectations at home and locally in China. For B2B businesses in China looking to create an ESG strategy, there is no one-size-fits-all approach.

Customers, partners and investors are the top three stakeholders most likely to be rated by B2B multinational companies in China as “very important” in selecting an ESG and sustainability focus for China (40%, 38% and 35%, respectively). Local stakeholders, such as government, matter too — though not as much, with more respondents rating it as “important” rather than “very important” (38% vs. 31%, respectively). Internal stakeholders, such as company global leadership and employees, are not highly rated as “very

important,” but they must be considered when B2B companies select and communicate their ESG and sustainability focus. (29% and 25%, respectively).

Reconciling the range of views stakeholders from different backgrounds may have about sustainability and ESG can be a challenge for marketers. Often, the solution is simply to tailor communications materials to different markets, emphasizing local ESG and sustainability activations in China to local stakeholders and other activations, such as employee and other social activations, overseas.

However the balancing is accomplished, considering both global and local perspectives on ESG is essential to creating a narrative that resonates.



As a foreign business in China, we need to figure out how to expand our business both here and abroad. With differing definitions for ESG and sustainability from stakeholders around the world, we must find ways to navigate challenges while providing value to these diverse markets. An ESG strategy that is rooted in transparency and fact but agile enough to respond to quickly changing needs is an essential component of our business strategy as competition in our industry increases.”

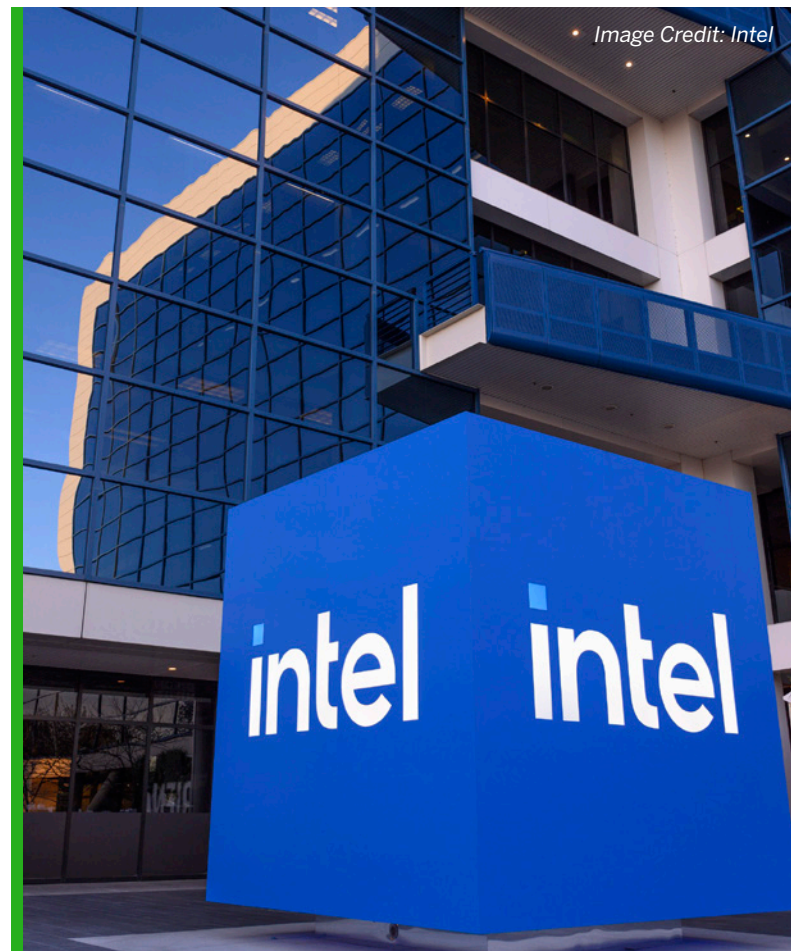
Marketing and Corporate Communication Head,
foreign chemical company

Case Study: Intel

Semiconductors are at the center of Chinese and American geopolitical competition, illustrating both the interconnectedness and profound division between the world's superpowers. With a sizable proportion of global revenue coming from their Chinese operations, Intel, based in the United States, has more on the line than most, putting the company, its employees and its partners in a difficult position with Chinese stakeholders.

In 2023, seeking to rebuild connections in China amid the lowest dip in Sino-American relations in recent decades, Intel convened a sustainable development forum in Beijing, inviting 400 attendees from business partners, governments and Intel senior leadership, including global CEO Pat Gelsinger who praised China as a “leader in sustainable development” and emphasized that “Intel aligns with China’s interests on sustainability.” Although business competition was fierce, Intel was able to see the needs of its Chinese partners, then use its credentials as a

pioneer of sustainable tech hardware development to find common ground. In a politically charged environment, ESG was one of the factors that helped Intel safeguard the continued operations of its business in the world’s second-largest economy.



Strategy 3: Sharpen Your Delivery

How You Tell Your Story Counts

To stand out, you must ensure you are telling your stories in the places where your customers are most receptive to them.

Owned and paid social and digital channels are viewed as the most important way to communicate ESG and sustainability stories, with 43% tapping social posts and 41% indicating short-form videos are most effective. Earned channels, such as in-person interviews (27%), feature articles (24%) and events (16%), are viewed as being much less effective, suggesting that brands view channels that allow for greater story control as being essential to telling these stories in the fullest and most authentic way possible.

“Marketing will do our part to help achieve our corporate sustainability goals by reducing offline activations and increasing online activations. With online activations, we can reduce the amount of raw and recycled materials used and also increase control of cost.”

Marketing Head,
foreign high-tech OEM

A majority of survey respondents indicate they are likely to increase spending on marketing and communication in the coming year, with social and digital channels receiving the biggest share of budget. More than half (56%) indicate they will invest more in short-form videos in the coming year, with 48% indicating the same for social posts — compared with 31% who indicate they will spend more on interviews (19% say they will invest less), feature articles (33% more, 19% less) and events (32% more, 14% less).

Marketers looking to optimize their ESG narratives must consider the role of digital media, prioritizing the channels where they can speak with the greatest credibility and influence.

Video and social lead for spending

In the coming year, companies plan to increase spending on video and social media to tell their sustainability stories.

Short-form video



Social post



Long-form video



Feature articles



Events



In-person interviews



Infographics



Case Study: DHL

Grounded in its purpose of “Connecting People. Improving Lives,” DHL has been engaging meaningfully and successfully with ESG topics in China for many years, introducing and continuing to lead among sustainability topics on social media such as Douyin. In 2023 and 2024, DHL is focusing on initiatives that use innovative technology to reduce carbon emissions, such as its fleet of hydrogen-powered delivery trucks, drones and more. The company is using these initiatives to connect with Chinese

audiences through viral short videos and social media, putting them ahead of other foreign brands just beginning to use ESG activities to connect with Chinese social media users. And they are connecting with Chinese audiences: In the last year, DHL’s Douyin videos have seen more than 40 million plays, over 80,000 likes, 4,000 positive comments and 5,700 shares, indicating that corporate ESG and environmental sustainability content can resonate on key social channels.



Image Credit: DHL

Conclusion

ESG and the Future

WE Red Bridge's survey reveals an enduring theme of market forces driving ESG decisions at B2B companies in China. Across a range of different questions, respondents consistently identified customers as the most important stakeholders in choosing and communicating ESG narratives. They are viewed as the audience most likely to care about ESG credentials, both today and in the future. Clearly, connecting with the public or aligning with government agenda are no longer the most important drivers — **it is business itself shaping the conversation today.**

Indeed, this is largely the effect of ESG and sustainability trends in China's export markets, where consumer pressure is creating demand for products

and services in China with strong ESG and sustainability credentials, creating opportunities for B2B players in China to win business and differentiate themselves on this basis.

As these trends become more and more embedded, the importance of ESG will only grow, making it more important than ever for companies to select the right area of focus and deliver messages strategically. With China's economy showing signs of recovery, the right ESG strategy could be the difference between the winners and losers in China's post-COVID economy.

Appendix

Methodology

WE Red Bridge conducted a survey targeting 300 communications professionals and marketers from companies with 250 or more employees operating within China's B2B landscape. The survey focused mainly on ESG and sustainability offerings within the business they represent, offering a comprehensive glimpse into the evolving landscape of sustainability and ESG communications in China.

The research targeted respondents are from key B2B industries:

- Manufacturing
- Chemicals
- Energy/Utilities/Oil & Gas
- Technology/IT, Automation & Electronics
- Automotive and Aviation Technology

This strategic sampling ensures a comprehensive understanding of sustainability and ESG communications across pivotal industries within the Chinese B2B landscape.

Sapio Research conducted the Brands in Motion China research via online survey in October 2023. To complement quantitative findings, we conducted in-depth qualitative interviews through another research firm, SIS International. Five marketing and communications decision-makers at the director level and above from a variety of foreign and domestic B2B firms in China provided invaluable insights into their perspectives on the future of ESG and sustainability.



Your Brand Is in **Motion**

Our world is constantly changing. Brands in Motion, from WE Red Bridge, provides the data-driven tools that enable brands to respond to disruptions and build an enduring legacy.

About WE Red Bridge

WE Red Bridge is an award-winning consultancy that delivers growth for businesses in China. From our offices in Beijing and Shanghai, we combine holistic business understanding, agile planning, creative storytelling and digital know-how to help clients shape reputation and build high-value communities that achieve business growth in the world's most dynamic market.

As a WE Communications company, our team's expertise spans sectors and geography, making us local in focus and international in thinking. For more than 40 years, WE has built meaningful partnerships with clients and influencers, created work that connects with the audience's head and heart, and moved people around the world to positive action. The company's operations now span 20+ international offices, 1,300 employees, and an ever-growing portfolio of global technology, health and consumer brands.

The world,
your brand
and your stories are in motion.

WE Red Bridge
helps you go the
distance.

Get in touch:

Tony Zhang

*General Manager Beijing, Head of Corporate,
Technology, Healthcare China*

Martin Xu

Director, Technology

biz@we-redbridge.com

we-redbridge.com

© 2023 WE Red Bridge



Brands
in **Motion**

WE RED BRIDGE