

# Research on the Social Responsibility Report of Shuanghui Group

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## Abstract:

Food is an important pillar industry for people's livelihoods. The food quality and safety of food enterprises are of particular importance. There is a consensus in today's society that good social responsibility performance can reflect a company's comprehensive management ability and future long-term sustainable development level. Based on China's attention to corporate social responsibility, this article selects Shuanghui Group as the research object, analyzes the changes in its social responsibility reports, points out the problems and causes of social responsibility reports, and proposes relevant improvement suggestions.

**Keywords:** CSR, Shuanghui Group, Information Disclosure, Food Safety

## 1. Research Background and Significance:

Nowadays, more and more investors and consumers are paying more attention to companies with good social responsibility behaviors. More and more enterprises are feeling the changes in social demands, namely the timely disclosure of corporate social responsibility information, and are consciously combining their business activities with social issues. By fulfilling social responsibilities, they can not only meet social needs but also gain core competitiveness in the industry. More and more investors and consumers are paying more attention to companies with good social responsibility behaviors. An excellent social responsibility report can strengthen communication between the company and the outside world, enhance the company's image, and enhance risk management capabilities. Henan Shuanghui Investment and Development Co., Ltd. is the most extensive meat processing base in China. It's a national key leading enterprise in agricultural industrialization. Shuanghui Group has been releasing its first social responsibility report since 2008 and is one of the earliest private enterprises to do so. This article studies the social responsibility reports released by Shuanghui Group in recent years, focusing on the current situation of corporate social responsibility information disclosure, pointing out the problems in social responsibility reports and providing solutions. It is intended to enhance its report reading value and also serve as a reference for other food enterprises in the industry.

## 2. Current Situation of Social Respon-

## sibility Information Disclosure:

The Chinese Academy of Social Sciences (CASS) 2020 released the China Corporate Social Responsibility (CSR) Report, which shows that the CSR development index of China's top 300 enterprises is 36 points and about 40 percent of them have a CSR development index lower than 20 points. Nearly 20 percent of them are even still on the sidelines. Zhou Qingming (2023) points out that China's CSR is still in its infancy, and there is still much room for improvement. CSR report, as an expression of corporate social responsibility, is the primary way for stakeholders to understand the fulfilment of corporate social responsibility<sup>[1]</sup>. China Food News (2023) believes that there is a lot of room for improvement in information disclosure. Firstly, many enterprises do not pay enough attention to information disclosure and are not highly motivated. Secondly, there are not many high-quality reports, and the quality of some reports is still relatively low, with insufficient information accuracy. Although enterprises have made disclosures, they may not have been arrived at using the correct calculation methods. Thirdly, the standards are not uniform, with a wide range of preparation standards and a high degree of arbitrariness in disclosing information. Zhu Jinwei and Li Bingxin (2012) selected A-share companies in the food industry as a research sample. They measured the corporate social responsibility disclosure index by analyzing the contents of annual reports and social responsibility reports. It was concluded that the overall level of voluntary disclosure of social responsibility information by listed companies in the food industry in China is not high. Due to the unique position of the food industry in China's national life, product safety is particularly

important. As the saying goes, food is the most important thing for the people, and the relevant departments should have more mandatory social responsibility information disclosure requirements for the product responsibility of the food industry to protect the rights and interests of consumers<sup>[2]</sup>.

### **3. Form and Content of Information Disclosure:**

Founded in 1998, Shuanghui Group began publishing its first social responsibility report in 2008, and after its 10th consecutive year of publishing social responsibility reports, in 2018, Shuanghui Group published its first ESG report, which demonstrates the Company's work in environmental, social and corporate governance this year, and discloses the fulfillment of the Company's social responsibility. In total, Shuanghui Group has released six ESG reports by 2024. Throughout these 16 reports, there is only one preparation basis in 2008. No mention of the preparation basis in 2011, then two preparation bases are used from 2012-2017, and then it starts to increase to four in 2018 after it starts to publish ESG reports, and references and responds to the ESG rating of Morgan Stanley Capital International (MSCI ESG rating). This shows that Shuanghui Group did not have a fixed authoritative guideline in the earlier period. From 2008-2017, Shuanghui Group's social responsibility reports did not have a report catalog, a clear description of the composition of the content, or a classification. However, starting with the first ESG report in 2018, the report included a clear catalogue and reported on a separate module for food safety and health. Subsequent years' reports have also included separate analyses of food safety and quality. A large part of the reason why Shuanghui Group switched to publishing an ESG report from 2018 and classified food safety and health in a separate module was due to the "Swine Fever Incident" that took place within Shuanghui Group in 2018. On August 14, 2018 a truckload of hogs at a food company's slaughterhouse in the economic development zone of Zhengzhou City, Henan Province, died for unknown reasons, with 260 hogs. Unexplained deaths, a total of 260 head, 30 morbidity, 30 deaths, origin quarantine certificate shows that the pigs are from Jiamusi City, Heilongjiang Province, Tangyuan County, Heli Town, trading market. On the afternoon of August 16, the largest domestic meat processing company Shuanghui Development (000895.SZ) shares suddenly suffered a flash crash stop. Listed in Hong Kong, Shuanghui Development's parent company Wanzhou International also synchronised with the dive, closing down 7.46%. Or affected by this, in the afternoon of that day, the A-share pork sector fell. At the close of the stock market, in addition to the double sinking develop-

ment stop, Wen's shares (300498.SZ), Tian Bang shares (002124.SZ) fell more than 6%, Zheng Bang science and technology (002157.SZ), Mu Yuan shares (002714.SZ), Luo Niu Shan (000735.SZ) fell more than 5%. From August 14, Shuanghui Development was first exposed to its hogs infected with African swine fever when the market value of 82.159 billion yuan counting up to the close of November 1, Shuanghui Development market value has evaporated 10.559 billion yuan. This food safety incident is the second large-scale food safety incident of Shuanghui Group after the 2011 "lean meat" incident. The 2018 ESG report released the following year had some changes from name to content, but the content did not change substantially. Although the report separately categorized food safety and health, the content was evasive. It does not focus on animal vaccination. It was not until the 2019 ESG report that animal epidemic prevention was reported in a separate section. Shuanghui should face the reality of the problem, find their reasons, actively respond to emergencies, really pay attention to the issue of food safety, to grasp the quality of the gate, to restore the impact of the incident, to provide consumers with food safety "food basket".

### **4. Problems with social responsibility reporting and solutions:**

#### **4.1 Lack of unified information disclosure standards for the food industry and need to establish unified standards.**

Although the public is becoming increasingly aware of the importance of social responsibility information disclosure, there are still no legal provisions defining the content of corporate social responsibility. Currently, most of the disclosure of CSR information in China is based on the principle of voluntary disclosure. Although there are many different and complicated disclosure standards, there is no unified standard specifically for the food industry. The lack of a unified standard will lead to the comparability and readability of the report deteriorating, and the quality also becomes uneven. The development direction of each industry is different, and there should be a corresponding focus on the development of system standards to find the specificity of the sector. In the case of the food industry, the basis for the preparation of the report, whether the report covers product quality and safety information, consumers and the environment, and the handling of problematic products are significant. We need relevant organisations and departments to guide and promote the development of a standardised and comprehensive evaluation system that is suitable for China's national conditions and makes social responsibility reports more readable and reliable.

## 4.2 Lack of third-party agency review and the third party auditing should be introduced.

As far as social responsibility reports are concerned, third-party accreditation in China is not mandatory or universal. This has led to the low percentage of third-party appraisals of social responsibility reports in China. The social responsibility reports or ESG reports issued by Shuanghui Group in the past years were not audited by third-party organizations. They lacked the signature of the responsible person or the audit opinion of the internal audit department. This does not guarantee the authenticity and reliability of the disclosed information. The introduction of a third-party organization to audit the social responsibility report will incur a cost, which will also affect the revenue of the enterprise. When the third-party organisation conducts an audit, the disclosure of the enterprise's social responsibility information will be strictly required. It is likely that there will be negative information about the enterprise in this audited information. Once it is released to the public, the enterprise's reputation will be affected, thus affecting the enterprise's business development. This may be the reason why some enterprises are reluctant to introduce third-party audits. Wu Xiaojuan and Habek Patrycja (2007) point out that in order to cope with the growing pressure of public and media scrutiny, enterprises will manipulate stakeholders' impressions of the enterprise when preparing social responsibility reports so that the enterprise can legally profit from them. This reinforces the importance of auditing by third party organisations<sup>[3]</sup>. Yan Hai and Meng Zhu (2018) point out that the public disclosure of food safety risk information will enable stakeholders to avoid risks in a timely manner, the relevant food safety regulatory authorities to take countermeasures in a timely manner, and society as a whole to remain vigilant in this regard to ensure that the hazards of risks are reduced to a minimum<sup>[4]</sup>. The introduction of third-party auditing can supervise the disclosure process of enterprises, reduce the behavior of enterprises deliberately concealing negative information in the process of information disclosure, and enable enterprises to comprehensively and fully disclose their social responsibility information, ensure the accuracy of information disclosure, and improve the credibility of the report. Relevant departments can vigorously publicize the importance of third-party auditing and promote the establishment of a system for third-party auditing.

## 4.3 Insufficient information disclosure and improve the quality of information disclosure.

The vast majority of enterprises operate for profit. Therefore, the social responsibility reports of enterprises are

mainly free from adverse information that affects the interests of enterprises, which also shows the inadequate disclosure of the social responsibility reports of enterprises. Adequate disclosure of information in the food industry is essential, especially for food quality and safety. If the disclosure of the social responsibility report is not sufficient, then the focus of the report is not clear, the information transfer becomes worse, and the comparability between reports becomes lower. There are many reasons for inadequate disclosure, and a low understanding of CSR disclosure is one of them. Not only enterprises, but also the whole industry needs to enhance the awareness of social responsibility and pay attention to the social responsibility that needs to be fulfilled and the obligation of disclosure. Analyzing the social responsibility reports of Shuanghui Group in recent years, it is not difficult to see that there is a certain amount of repetition in the content of its reports. This indicates that the disclosure content of social responsibility reports is similar. This kind of similar social responsibility disclosure is of little significance, and the readers of the report cannot get practical information from it. Enterprise managers should strengthen their awareness of social responsibility and improve corporate governance.

## 5. Conclusion:

Through the study of Shuanghui Group's social responsibility report, this paper puts forward the problems of lack of unified information disclosure standard, lack of third-party audit, and incomplete information disclosure. Based on the above issues, it analyses and gives solutions. Taking Shuanghui Group's social responsibility report as an example, we hope that the quality of Shuanghui Group's social responsibility report will be improved, and also provide a specific reference for other enterprises in the industry.

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