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The dilemma of decoupling: an ethnographic case study of data driven ESG practices in a Chinese NGO

Research background and questions

Humanity faces a triple planetary crisis – climate change, environmental pollution, and biodiversity loss. International governments have advocated for the importance of green transition - a shift towards environmental and climate-friendly economic development (UNEP, 2022). The shift is particularly driven by a logic of decoupling that aims to reduce the environmental and climate footprint while maintaining economic growth. Subsequently, a range of policies, tools, and goals such as the EU taxonomy and the United Nations Sustainable Development Goals emerged to facilitate green transition, among which Environmental, Social and Corporate Governance (ESG) reporting; the latter has attracted a significant amount of attention due to its promises in monitoring and generating concrete relevant data from business performance (UN Global Compact, 2022). The emphasis on ESG data in steering green transition speaks to the logic of decoupling.

As different countries explore their own ways of decoupling, China stands out as an interesting case in the development of ESG and the cultivation of ESG data. As an emerging key player in global governance for green and sustainable development, China has a significant influence in shaping the future landscape of responsible investment and business practices. Overall, the Chinese government has ambitions to transition towards green and high-quality development. Internationally, it has issued policy for promoting green oversea business and investment under the Belt and Road Initiative. Domestically, it has announced the 'dual carbon' policy, aiming for achieving peak emission by 2030 and carbon neutrality by 2060. ESG data is envisioned to play a critical role in implementing, monitoring, and evaluating such governmental claims and polices. The Chinese government has put a great effort on the improvement of ESG data management. It has embarked on a journey to construct a Chinese ESG system by gradually establishing various regulatory measures and guidelines to promote sustainable business practices, such as the issuance of ESG disclosure requirements by the China Securities Regulatory Commission for listed companies, and the guidelines for financial institutions to integrate ESG factors into their risk assessment and decision-making processes (Shen et al., 2023). It has also been actively seeking to localize international ESG standards to address local conditions and development goals (ICMA, 2023). Particularly, EU's ESG data standards gain elevated significance for China in several ways: on one hand, the post-covid China seeks to enhance its international trade and investments with Europe and harmonizing with EU data standards not only strengths China's relations with its EU trading partners and investors, but also promotes sustainable development and responsible corporate behavior within the country; on the other hand, the emergence of focus on data in ESG together with the implementation of aggressive green transition policies such as Carbon Boarder Adjustment Mechanism have already resulted in conflicts over "green protectionism" and contributed in trade tensions between EU and the Global South. Therefore, it is urgent to understand how the focus of data in ESG is translated between EU and China and how EU's approach to standardizing ESG data may contribute to the shaping of climate issues in China.

Existing studies on green finance and ESG in China have focused on various aspects, including macro-level historical ESG developments (Lee, 2020), the performance of corporate ESG disclosure (Chiu, et al. 2020), and the relation between ESG reporting & rating and corporate sustainability performance (Tan and Zhu, 2022; Weber, 2014). Although these studies inform our understanding of national, top-down ESG policy development and implementations, they largely neglect how ESG research and ratings are practically

implemented locally and at the grassroot level, such as by non-government organizations (NGOs). Furthermore, there is very little understanding on how data professionals perceive the environment and climate related issues they are dealing with and understand the role of ESG data in mitigating these issues. It is also unclear how bottom-up ESG initiatives interplay with top-down ESG policy implementations through interaction with public and private actors.

I propose to study the ESG discourse in the space of data, climate, and capitalism in China. My study contributes to understanding the development of ESG data practices in China through a case study on a Shanghai-based environmental organization that promotes climate mitigation and environmental protection through monitoring, developing, and governing corporate ESG data. I am particularly interested in exploring local ESG data-related initiatives and corporate sustainability reporting practices, as well as local expectations, perspectives, and reactions towards EU ESG polices and standards. My research questions are as follows:

Overall RQ: What roles do data and data professionals play in the development of ESG in China?

Sub-RQ1: How do data-driven environmental NGOs contribute to localizing international (in particular, EU) ESG standards? How do data-driven environmental NGOs participate in local ESG standardization process in terms of interacting with policy makers, companies, and other relevant stakeholders?

Sub-RQ2: How are the daily practices of data professionals in environmental NGOs in China informed by their individual values, beliefs, and worldviews?

Theoretical framework

My overall approach builds on a sociotechnical perspective to explore climate mitigation as sociocultural change in relation to technology. I further combine it with the social practice theory to shed light on data professionals' daily practices and values at an individual level. Furthermore, to explore the relationships between the central social actors in the green transition, I draw on the political ecology theory.

A sociotechnical approach provides an understanding of how change takes place through the interaction between data, data professionals and environmental NGOs in climate mitigation initiatives (Geels, 2004; Seyfang and Smith, 2007). Sociotechnical approach suggests that technology has the potential to change the social and cultural arrangements, but at the same time these arrangements also shape the design, development and use of technology. The sociotechnical approach helps to understand the "existing trajectories of development" (Smith, 2007, p. 428) – the ESG development in China – that are shaped by the interplay between individuals' and institutions' behaviors and norms and the digital innovation and solutions (Geels and Schot, 2007; Seyfang and Smith, 2007). Bijker's (2006) perspective on the relation between politics and technology in particular helps to understand how ESG data and related technologies co-evolve with climate related policymaking and politics, through its interactions with different social actors.

Moreover, I draw on the social practice theory (Smith and Stirling, 2007; Shove, 2012) to study data professionals' daily practice. Practice is "what individuals do" to "reflect the pursuit of shared goals" "within a particular socio-technical setting" (Shove, 2012, p417). People's practices are shaped by their beliefs and values; their personal choices are made according to local political, social, economic, and cultural conditions. Therefore, to understand the data professionals' practice is also to understand what values, beliefs, and worldviews they hold that guide their practices and behaviors within their work, and how these values, beliefs and worldviews are shaped by the local social, economic, and cultural conditions.

Furthermore, I adopt the framework of political ecology (Robbins, 2004; McCarthy, 2012) to study the green transition as a sociocultural change that co-evolves with local and global ESG development in the spaces of climate change, IT, and capitalism. More specifically, I apply political ecology to study the roles of social actors in the ESG development and standardization process, and the relationships among social actors -e.g., companies, governments, and civil societies. I explore the role of data-driven environmental NGOs, existing power relations, and the potential for ESG data in affecting current power structures. The combination of sociotechnical theory and political ecology theory provides a critical angle in examining how ESG data are meaningfully constructed in relation to the dilemma of decoupling.

Overall, these theoretical lenses can help me to investigate the role of this Shanghai-based environmental NGO and their data professionals in the ESG development in China.

Methodology

The study relies on an ethnographic approach (Stewart, 1998) and qualitative analysis (Bryman, 2004) to study the roles grassroot data professionals play in the development of ESG in China, especially in localizing international standards, and the relations between policy makers, companies and other relevant stakeholders. The empirical data will be collected from a year-long fieldwork in Shanghai and potentially other cities in China, participatory observation, in-depth interviews, and case studies. The ethnographic approach values the historical, social, ideological, and cultural contexts where people live. It provides rich and valuable insights into the organization's internal working and its employees' everyday work and lives, and helps to explain social-cultural change processes and understand actors' behaviors and values (Ladner, 2014).

The case study of this Shanghai-based environmental NGO helps to illustrate the status quo of NGOs' work on environmental and climate issues in China. It also helps to research on the important but understudied role of civil society in China's environmental governance, which is to a great degree empowered by data and IT-enabled climate and environment solutions. In particular, this case can shed light on the shifts in power dynamics between government, markets, and civil societies in environmental governance that is enabled by data-driven solutions.

By the time of writing, I have just started my fieldwork in Shanghai, specifically participating in the operation of the Shanghai-based environmental NGO's data-related ESG initiatives. I will interact and communicate with its public and private stakeholders and other civil society groups in the climate governance spheres. I will also collect secondary data including governmental policies and reports, and international organizations' reports; data will be collected in the form of policy documents and organizational reports, interview transcripts, field notes, and field diaries. These data can provide invaluable insights on local manifestations of the ESG discourse and decoupling logic in China and on the ongoing sociocultural change evolving in the spaces of climate change, IT, and capitalism, as well as on the human-nature-technology relationship.

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