Trends Overview

1. Comprehensive CSR Countermeasures in the Era of Global Conflicts
2. Chinese Oversea Investment Synergizes with Chinese Development Aid
3. Efficient CSR Strategy under Economic Pressure
4. In-depth Poverty Alleviation with Corporate Strength
5. Strict Pollution Control with Considerate Approaches
6. ESG Reporting Guide for A Share Listed Companies
7. Corporate Foundations Becoming New Force of Philanthropy
8. Double-edged Sword of Internet: Innovation vs. Accountability
9. Encouraging Sustainable Lifestyle
10. ESG Fund Products Attracting More Investors
Comprehensive CSR Countermeasures in the Era of Global Conflicts

**Strengthen Compliance Management**
- Identify and evaluate ESG risks
- Deliver trainings to enhance employees’ awareness and capacity on compliance and risks management
- Emphasize internal compliance culture and management

**Benchmark with SDGs**
- Expand and upgrade traditional business philosophy
- Translate SDGs into corporate goals and actions
- Apply SDGs framework for information disclosure

**Focus on Community Development & Gain Social Licenses to Operate**
- Integrate community development into corporate decision-making and management process
- Partner with local associations, media, NGOs, etc. for community development
- Community volunteer activities

**Recommendation for CSR managers**
- Assess compliance risks and take precautions
- Develop, implement, and report SDGs strategies
- Strengthen communications and engagement with communities where the company operates


Source: World Bank Databank
Chinese Oversea Investment Synergizes with Chinese Development Aid

**Dedicated Chinese Development Aid**
- Established China International Development Cooperation Agency (CIDCA)
- Companies: interest-free loans and concessional loans
- NGOs: involve in “going out” with aid funding

**Enhanced Roles of Intermediary Organizations and Platforms**
- Forum on China–Africa Cooperation (FOCAC): support Chinese companies in Africa to forge CSR alliance
- Active participation of chambers, associations and industrial parks
- Intensive development and professionalization

**Increasing Value of Community Engagement**
- Soft penetration: Guideline for Compliance Management of Domestic Enterprises Operating Overseas
- Dedicated community engagement manager
- Community engagement tools
- Overseas CSR reporting

**Recommendation for CSR managers**
- “Going Out” companies seek cooperation with CIDCA
- Publish overseas CSR reports
- Allocate dedicated responsible for community engagement
Efficient CSR Strategy under Economic Pressure

Stay Focused
- Focus on the most important and targeted CSR projects
- Re-prioritize stakeholders and key CSR issues

Strategic CSR
- Align with corporate core strengths
- Stay more interactive with core business units

Exploration for Shared Value
- Clear demonstration of CSR contributing to value creation
- Quantitative measurement for CSR evaluation

Close attention to labor rights
- Double pressure by economic downturn and tightening social security
- Increasing company layoffs lead to labor risks

Recommendation for CSR managers
✓ Understand the needs of the business units and find shared interests
✓ Focus on core projects and leverage corp. competences
✓ Evaluate company CSR risks under downward pressure

Major banks and international organizations forecast that China’s GDP growth rate will slow down to 6.2%~6.5% in 2019, and the economy is facing downward pressure.

Social Security Reformation

- Additional amount to be paid
- Additional amount to be paid by enterprise
- A shares profit

Source: CICC, ShenwanHongyuan prediction
In-depth Poverty Alleviation with Corporate Strength

**Funding Favors the Poorest**
- Allocate funds, projects and resources to 30 million people living in the poorest regions
- Commit to ensure stable access to adequate food and clothing, compulsory education, basic medical services and housing
- Target government-led poverty alleviation projects

**Empower with Corporate Strength**
- Leverage company strengths to develop local industries & focus on the sustainability of poverty alleviation projects

**From Targeted Poverty Alleviation to Rural Vitalization**
- *Rural Vitalization Strategy (2018-2022)*: create rural vitalization index & realize rural vitalization and new-type urbanization
- Targeted poverty alleviation & prevent returning to poverty
- Optimize existing poverty alleviation projects, and develop strategies in preparation for the post-2020 era

**Recommendation for CSR managers**
- ✓ Integrate CSR with corporate advantage and poverty alleviation
- ✓ Focus on new CSR opportunities in rural vitalization
- ✓ Measure and report poverty alleviation projects and stories

In 2017, a total of 854 listed companies in the Shanghai and Shenzhen stock exchanges disclosed poverty alleviation information & carried out more than 4,300 industrial poverty alleviation projects with an investment of 20.8 billion RMB.
Strict Pollution Control with Considerate Approaches

Companies under Ongoing Pressure by Air, Water and Soil Pollution Inspection from Government and NGOs
- Strict legal systems for environmental protection
- The second round of nationwide pollution inspection
- Ongoing monitoring from civil society

Coordination of Environmental Protection and Economic Development
- Ministry of Ecology and Environment: cope with climate change & environmental pollution prevention
- Companies shall actively seek to communicate and cooperate with environmental regulators

Green Supply Chain Management throughout Whole Life Cycle
- 2018 Notice on Supply Chain Innovation and Application Pilots
- Companies and its suppliers share mutual interests

Recommendations for CSR managers
✓ Pollution-intensive industries improve pollution prevention and control and pay attention to NGO suits
✓ Manufacturing industries focus on green supply chains
✓ Refocus on carbon emissions and climate change issues

Action Plan for Prevention & Control of Air Pollution
- By 2020, cities that fail to keep to air quality standard shall reduce PM2.5 density by at least 18% from 2015 levels

Action Plan for Prevention & Control of Water Pollution
- By 2020, initial improvement of national water quality
- By 2030, overall improvement of national water quality

Action Plan for Prevention & Control of Soil Pollution
- By 2020, about 90% of polluted farmland can be utilized
- By 2030, over 95% of polluted farmland can be utilized

Source: Green Manufacturing Public Service Platform
Revised "Code of Corporate Governance for Listed Companies" Sets ESG Disclosure Framework

- Introduce "green development concept"
- Articles 95 and 96 together constitute a disclosure framework

A-share ESG Reporting Guide is Expected

- CSRC proposed "to establish a ESG reporting system for listed companies"
- The Shanghai Stock Exchange (SSE) has added 8 industry information disclosure guidelines, making a total of 28 industry reporting guidelines. SSE also developed five principles for sustainable stock exchanges initiative

Opportunities of CSR Managers

- Capital market values ESG performance of listed companies
- CSR managers shall take the advantage and get more internal attention and support within the company

Quantitative CSR Management

- Benchmark relevant guidelines to formulate a CSR index system suitable for the company
- Quantitatively evaluate CSR projects and innovate the company’s ESG data collection and processing system

CSI 300 CSR Report

Of 250 CSI 300 reports analyzed, the average disclosure rate is 34%, 56.8% have a disclosure rate below average. The highest disclosure rate is 95% and the lowest 0.

Recommendation for CSR managers

✓ A-share listed companies get prepared for ESG reports
✓ CSR managers shall learn about ESG and ESG reporting
✓ Large companies can consider applying CSR/ESG information management system
Corporate Foundations Becoming New Force of Philanthropy

Corporate Foundations Demonstrate as Commitment
- Private enterprises account for the most corporate foundations, followed by SOEs and MNCs
- Registration thresholds will probably increase in the future, but the increasing trend remains unchanged

Corporate Foundations Governance & Operation
- Corporate foundations are managed by the Civil Affairs Bureaus. An independent governance structure and operation team shall be established and stable funding shall be guaranteed
- Establish regulatory framework and form favorable collaboration between the company and its foundation

Strategic & Branding for Philanthropy
- Corporate philanthropy branding requires unique positioning, name, logo, and long-term investment
- Strategic philanthropy requires integration with company’s core strength to create greater shared value

Recommendation for CSR managers
✓ Branding and strategy planning for philanthropic projects
✓ Large companies may consider setting up corporate foundations
✓ Corporate foundations shall develop clear positioning and strategy
Double-edged Sword of Internet: Innovation vs. Accountability

Technology Drives Internet Charity Innovation
- New technologies: AI, VR, 5G, blockchain, etc.
- Innovative philanthropy models to create shared value

5G Creates New CSR Opportunities
- Starting year for 5G technology for real-time capability and full space connectivity
- High speed and high traffic: HD videos becoming mainstream

Strong Needs for Internet Governance & Accountability
- Information Security Technology - Personal Information Security Code, Personal Information Protection Act
- Companies hold main governance accountability while government utilize institutional and technical governance to enhance governance of internet companies

Recommendation for CSR managers
✓ Initiate or participate in internet charity projects
✓ Internet companies highly hold its own accountability
✓ Apply new technologies, such as AI and 5G, to CSR area
Encouraging Sustainable Lifestyle

Green Consumption Becoming a New Lifestyle

- **2018 Yili China Sustainable Consumption Report**: Over 90% of consumers are aware of sustainable consumption, and are forming the habits in areas of environmentally-friendly clothing, energy-saving and water-saving appliances, using public transportation, and rejection of disposable tableware.

Big Cities Strongly Push for Waste Sorting and Recycling

- Guangzhou: *Regulations on the Management of Domestic Wastes in Guangzhou*

Promoting CSR in Entertaining Manners

- CSR reflection in cultural and sports industry
- Large-scale event sustainability management system

Recommendation for CSR managers

✓ Advocate green consumption & take different tactics for different groups of people
✓ Advocate green lifestyle in entertaining ways
✓ Start waste sorting and recycling within the company

---

**2017 Residents’ Green Consumption**

- **Energy-saving Appliances**: Annual energy saving 10 billion kWh = 6.5 million tons of CO₂, 14 thousand tons of SO₂, and 11 thousand tons of particulate matter emission.
- **Waste Textiles**: Comprehensive utilization of 3.6 million tons of crude oil and save 4.1 million mu of cultivated land.
- **Sharing Mobility**: Didi, carpool sharing save 1.3 million tons of fuel = reduce 3.7 million tons CO₂ emission.

![Graph showing Level of consumers’ attention to the sustainability benefits of different product categories](image-url)
ESG Fund Products Attracting More Investors

Increased Number of ESG Fund Products for Individual Investors
- A number of domestic fund companies signed PRI
- China Securities Index and MSCI released ESG-themed index
- Fund company issues ETF investment products

China Continues Leading Global Green Finance Development
- China led the G20 Sustainable Finance Study Group, promoted TCFD pilot with the UK, and promoted the Network of Central Banks and Supervisors for Greening the Financial System with France
- China will play an important role in the international integration of green bond standards, further implementation of TCFD pilot, development of green financial incentive policy tools for the People’s Bank of China, and green investment of the Belt and Road Initiative

Responsible Investment Concept Introduced to NGO Asset Management
- The Interim Guidance for Management of Investment Activities of Charities guides charity to adopt the concept of responsible investment, however, large scale of NGO investment is not expected in 2019

Recommendation for CSR managers
- Financial institutions and listed companies develop responsible investment strategies
- CSR managers acquire knowledge of green finance and responsible investment
- Public promotion and campaign of responsible investment