



BRIDGING THE CHINA CSR GAP

Best practices in achieving integration between
your sustainability performance and CSR branding

2013

R3: 胜三

&



Syn Tao
Sustainability Solutions

INTRODUCTION





While many brands mistake a portfolio of corporate social responsibility (CSR) activities and initiatives to be a CSR strategy, CSR runs much deeper than a smattering of philanthropic events- a CSR strategy must be embedded at every element of a brand's value chain.

To highlight the gap between CSR branding and performance among consumers and risk analysts, we offer this joint research report as the first comprehensive picture of CSR strategy as it relates to brands. R3's research analyzes corporate CSR campaigns and produces quarterly updates on consumer perception on CSR branding, while SynTao evaluates company sustainability performance based on corporate communications (i.e. annual report, CSR report) and media reports.

This White Paper from leading Chinese sustainability consultancy SynTao and international marketing consultancy R3 is designed to give stakeholders some insight into

WHO are the brands that are most respected for their CSR in China?

WHAT can we learn from them?

HOW can brands minimize the gap between sustainability performance and CSR brand perception?

By comparing the consumer perception of CSR branding with an evaluation of sustainability performance for six different brands, we seek to provide a holistic picture of the true impact resulting from shared value creation.

If you have your own views on CSR, we welcome hearing about them at @r3china, @r3jlb, @SynTao, or via our contact page at www.r3ww.com or www.syntao.com

METHODOLOGY





To select the six companies detailed in this report, we looked at an overview of the top performing brands in R3's CSR Perception rankings from 2012 to draw a balanced cross-section of multinational and domestic brands across many categories. To achieve a balanced impression of CSR practices across a diverse set of industries and company structures, a mix of private and state-owned entities were chosen. Combining SynTao's expertise on sustainability performance with R3's proprietary research on CSR campaigns and consumer perception, this joint report details case studies from Lenovo, China Mobile, Samsung, Volkswagen, Coca-Cola, and Mengniu.

In the following report, we start off by offering a brand overview on sustainability performance & CSR perception-

1. SUSTAINABILITY PERFORMANCE

Our report kicks off with SynTao's research covering sustainability performance as it relates to environmental policy, employee and supplier management, corporate governance, and responsive communications in regards to controversies picked up by media. Drawing from the information disclosed by the corporate communications (e.g. annual reports, corporate social responsibility reports, websites, press releases) of each company published in Fall 2012, SynTao assesses each company on sustainability performance according to the indicators below:

ENVIRONMENTAL POLICY	EMPLOYEE AND SUPPLIER MANAGEMENT	CORPORATE GOVERNANCE
Environmental policy	Anti-discrimination policy	Bribery and corruption policy
(Certified) Environmental management system	Health and safety policy	Whistleblower policy
Renewable energy	Product safety and quality of service policy	Signatory to Global Compact
Carbon emission reduction	Supply chain management policy	CSR reporting (Third party verification/Global Reporting Initiative)
Sustainable products and services	(Certified) Social Management system	Independent company board composition
Green procurement/suppliers		Dow Jones Sustainability index
Country Specific Data		

2. CSR BRAND PERCEPTION

We follow sustainability performance with CSR brand perception, drawing from R3's research covering CSR consumer recall rankings and CSR branding campaigns. Every three months, R3 connects with 1,500 consumers from ten cities to draw CSR consumer recall rankings based on consumer attitudes toward brands, celebrities, media, and CSR. Covering more than 40 brands and their CSR activities, R3's CSR consumer recall rankings assess brands according to a number of indicators including leadership in innovating "Responsible and Green Products", demonstration of an image of "Caring for Chinese Consumers" and effective communication of CSR activities with consumers via "Mass Media News".

3. GAP ANALYSIS

Once providing a basis for understanding the full picture of each brand's CSR model, we offer a gap analysis to pinpoint the areas of discrepancy between sustainability performance and CSR perception for each brand.

At the close of the report in Topline learnings, you'll find a sum up of key trends and best practices to help stakeholders better understand the current state of CSR among the top-performing brands in China.

EXECUTIVE SUMMARY





When we step back to take a big picture view of a company's whole CSR strategy, we often find that a gap exists, stemming from a lack of integration between a brand's CSR branding and actual sustainability performance.

To further explore this gap, R3 partnered with SynTao to identify any potential differences between stakeholder understanding of brand sustainability performance and CSR marketing campaigns.

Combining SynTao's expertise on brand sustainability performance with R3's proprietary research on CSR campaigns and consumer perception, this joint report details case studies from Lenovo, China Mobile, Samsung, Volkswagen, Coca-Cola, and Mengniu.

KEY FINDINGS

REALIZE THE GREATEST POTENTIAL OF YOUR CSR STRATEGY THROUGH HOLISTIC THINKING

A holistic CSR strategy that serves to improve the sustainability performance and direct marketing campaigns of a brand has the potential to ensure the development of sustainable-growth in the long-term. Despite diversified perspectives held among different stakeholders, alignment between sustainability performance and campaigns will result in greater consistency.

BRIDGE THE GAP BETWEEN SUSTAINABLE REBRANDING AND SUSTAINABILITY

There is a wide gap between a company's branded CSR and its CSR strategy. While a CSR strategy indicates CSR objectives elevated to the core of all processes, operations, products, and communication, 'branded CSR' can be considered a PR tack-on gimmick to create the false impression of a company with a CSR strategy. Companies must recognize that branded CSR falls secondary to the goals of a CSR strategy. To have a true CSR strategy, most companies must reinvent their entire business strategy to reconcile business objectives with social objectives.

GO BEYOND MINIMUM COMPLIANCE TO CREATE A DIALOGUE

These days, brands cannot afford to think of communication of any kind as a one way street and the communication of sustainability performance is no exception. While many brands publish sustainability reports, rarely do brands take measures to use a diversified portfolio of CSR information as a means to inform, engage with, and receive feedback from stakeholders. By tapping into different channels of communication according to the key interests of risk analysts and consumers, brands enable stakeholders to make more informed assessments of a company's CSR strategy. Then the purpose of CSR information becomes more than just a PR tool or fulfilling minimum compliance standards- CSR communications can be used to create value within the brand and the communities it affects.

BUILD A CSR STRATEGY UPON A SOLID FOUNDATION ADAPTABLE TO CHINESE STAKEHOLDERS

International brands usually implement comprehensive and structured CSR policies, but lack a clear strategy adapted to Chinese stakeholders, whereas domestic brands demonstrate a better understanding of the expectations and needs of all stakeholders, but seem to lack adequate CSR policies. When laying the groundwork for CSR strategy, international and domestic brands alike must devise a strategy that reflects the long term vision of the company and its role in China.

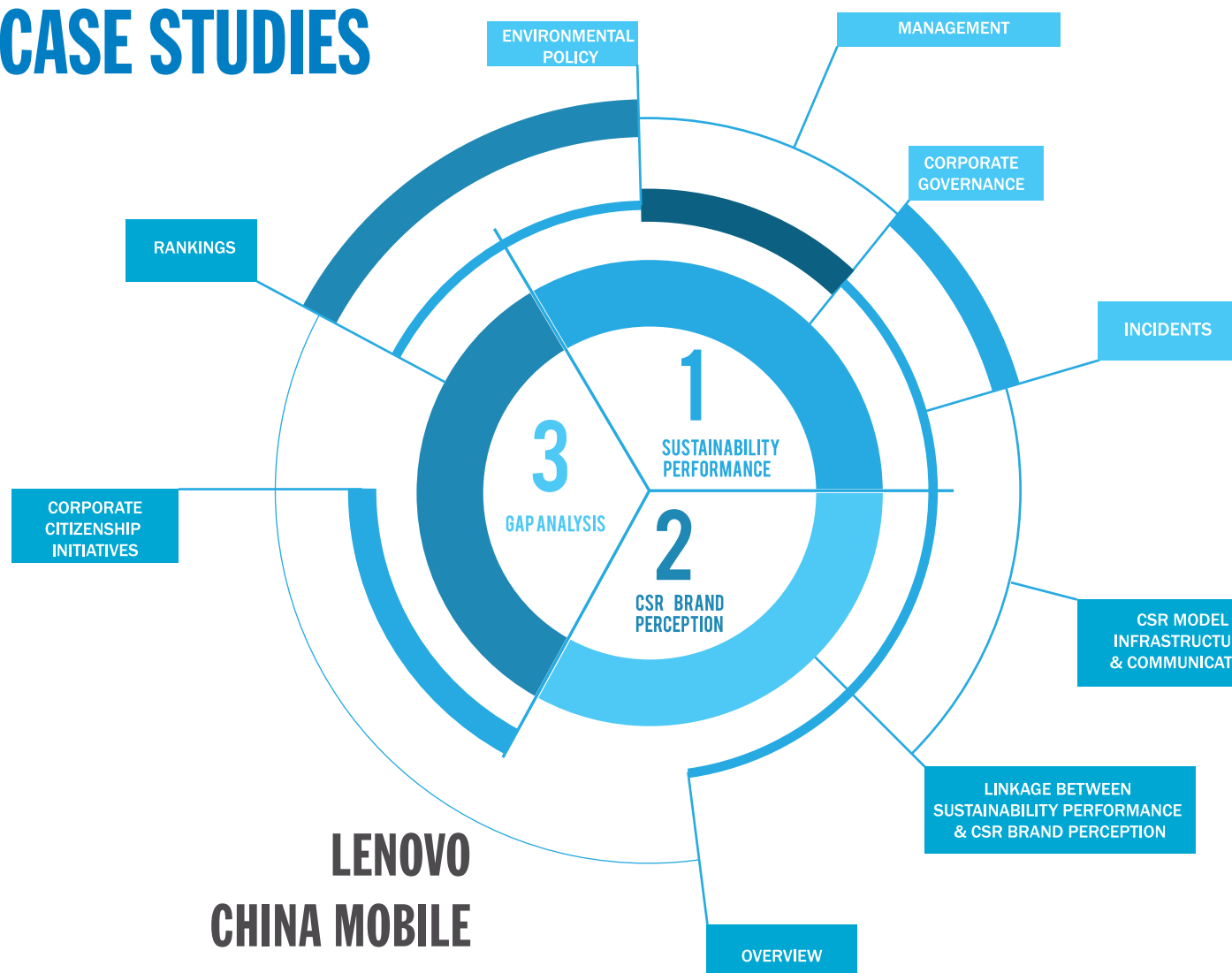
Using a holistic approach, R3 and SynTao strive to offer guidance in bridging the gap between sustainability performance and CSR brand perception, to ultimately improve overall CSR strategy impact.

DETAILED FINDINGS



DETAILED FINDINGS

DEEP DIVE BRAND CASE STUDIES



LENOVO
CHINA MOBILE
SAMSUNG
VOLKSWAGEN
COCA-COLA
MENGNIU

CASE 1

lenovo 联想





ENVIRONMENTAL POLICY

Lenovo has developed sound environmental policy and implemented an ISO 14001 certified environmental management system. Lenovo implemented a comprehensive program to reduce carbon emissions by 20% by 2020. The company adheres to environmental standards that aim to realize energy-savings and emission reduction not only for its designs and manufacturing processes, but also concerning its procurement decisions.

To further minimize its environmental impact, the tech brand initiated programs assuring sustainable manufacturing processes and products by adopting renewable energy sources (e.g. bio-fuel and solar power) and encouraging product recycling. Though Lenovo disclosed data on its environmental performance, it did not specify whether the data represented its global or China only operations.



EMPLOYEE & SUPPLIER MANAGEMENT

Lenovo employs a no-discrimination employment policy. The company is OHSAS 18001 occupational health and safety certified, and implements programs to ensure employee health and safety. The company's global Quality Management System has received ISO 9001 certification to ensure the quality of its products. Lenovo monitors and audits all processes and practices of its suppliers and contractors to achieve full compliance with its supply chain standards.



CORPORATE GOVERNANCE

Lenovo has been a signatory to the UN Global Compact since 2009. The company released its 2011 CSR report, which was written in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Lenovo has implemented an anti-bribery and anti-corruption policy and provides additional specific guidance regarding compliance with rules and laws related to bribery and corruption. However, Lenovo does not enforce a formal whistleblower policy. In addition, more than half of Lenovo board members are not independent.



INCIDENTS

Based on available evidence, no counts of unethical behavior have been found in Lenovo's CSR performance over the past year.

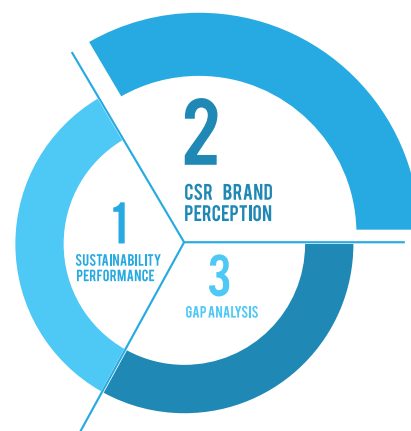
**SUSTAINABILITY
PERFORMANCE**



RANKINGS

In the most recent wave of R3's CSR benchmarking study for the Fall 2012 quarter, Lenovo gave up its number 1 spot to slide back to the number 2 brand for CSR perception among consumers. Over the course of 2012, Lenovo kept

the second place seat warm among the top CSR perception rankings up until the Summer 2012 quarter when the innovative IT industry leader surpassed China Mobile for the first time to secure the top spot. Lenovo is currently the 1st ranked company across the board in terms of "CSR Perception" based on consumer recall, "Caring for Chinese Consumers", and "Responsible and Green Products" in the R3 En-Spire CSR Report. Consumer perception of Lenovo's "Mass Media News" and "Caring for Chinese Consumers" has improved over the year from third place to first and second place respectively in the latest wave of research. Lenovo's 2012 rankings suggest a continuous upward trajectory with no signs of slowing down, thanks to CSR initiatives deeply engrained with Lenovo's core brand values.



CSR BRAND PERCEPTION

CORPORATE CITIZENSHIP INITIATIVES



During the past year, Lenovo has fulfilled its social obligation by reducing the digital divide in rural China, addressing climate change, and supporting

young social entrepreneurs. With more than 90 percent of China's 700 million rural residents without access to computers, Lenovo has championed the cause for closing the digital gap and helped millions of rural users achieve the computer dream since 2004. Lenovo enjoys strong brand recognition among Chinese consumers which can in part be attributed to its penetrating sales channel encompassing first-tier all the way to sixth-tier cities in China. While Dell covers only about 10 percent of China's fifth-tier and sixth-tier cities, Lenovo has nearly 100 percent coverage in these rural areas. According to R3 En-Spire Wave 10, Lenovo holds the top spot in terms of favorite PC brands among Chinese consumers, holding 26.7 percent of the total vote. By providing subsidies and donations to the youth in lower tiers of China, Lenovo is able to establish strong brand loyalty among students at a young age and tap into the future growth of fourth-tier to sixth-tier cities driven by these young people.

Lenovo has also focused its CSR initiatives on innovation and social entrepreneurship among youth. Over the past year, Lenovo launched a youth social entrepreneurship contest, micro-blogging competition, and social initiative film festival. Utilizing Weibo as an idea-arena for young people to participate in conversation about environmental protection, education, and community development, Lenovo has sought to promote public service and charity as a lifestyle. Since the inception of its youth-oriented initiative, Lenovo has demonstrated a willingness to experiment and take risks within the parameters of its intrinsic capabilities in technology and innovation. Lenovo's approach to CSR has lent credence to its brand promise, while gaining a competitive advantage on its competitors. Though many brands chose to support arbitrary CSR initiatives and charity events to sponsor, Lenovo's clearly defined directions for its CSR commitments are aligned with its overall brand strategy. By going back to its core values of technology and innovation, Lenovo's efforts to close the digital-divide in rural areas and support young social entrepreneurs demonstrate a deep understanding of what it stands for as a brand.



GAP ANALYSIS

OVERVIEW

The IT manufacturer Lenovo tops R3's CSR ranking for consumer recall, outperforming significant competitors such as Samsung. SynTao's research shows that the company did not feature in any widely publicized controversies or incidents, which may imply successful implementation of its internal code of ethics.



LINKAGE BETWEEN SUSTAINABILITY PERFORMANCE & CSR BRAND PERCEPTION

Lenovo's environmental policies point toward the many strides that have been made in the brand's environmental management by reducing carbon emissions and launching product recycling programs. To fulfill its environmental responsibility, Lenovo mitigates its negative impact on the environment by implementing green procurement requirements and effectively abating its greenhouse gas emissions. The company also maintains a high threshold of qualification for suppliers and contractors. On the campaign front, Lenovo has focused its efforts on environmental protection, support of local communities, and cultivation of innovation among young entrepreneurs. In sum, Lenovo's sustainability performance seems to be largely in line with its brand image. **However, the campaigns tend to center on philanthropic activities alone, which are not necessarily considered to be an integral component when it comes to crafting a strong CSR strategy.**



Lenovo could achieve an even stronger positive brand impression by informing a wider range of stakeholders of its CSR related activities and diversifying the communication channels it uses to disseminate this information.

CSR MODEL INFRASTRUCTURE AND COMMUNICATION

In leveraging micro-blogs and other social media in its campaigns, **Lenovo has established relevant channels to communicate and create dialogue with its target consumers on CSR related activities.** Lenovo could further improve its transparency among other stakeholders with respect to disclosure on corporate governance arrangements and publishing its anti-corruption policy. With the number of notable CSR activities receiving minimal exposure to consumers, Lenovo could achieve an even stronger positive brand impression by informing a wider range of stakeholders of its CSR related activities and diversifying the communication channels it uses to disseminate this information.





SUSTAINABILITY PERFORMANCE



ENVIRONMENTAL POLICY

The company has formulated a detailed policy on energy management with defined target of 20% energy consumption reduction between 2008 and 2012. **Furthermore, China Mobile introduces renewable energy resources into its operation such as solar power, wind and biofuel.** By adopting new technologies such as energy-saving base stations, offering green products such as new SIM phone cards, and requesting suppliers to switch to sustainable resources and green technologies, China Mobile has been able to reduce its greenhouse gas emissions.



EMPLOYEE & SUPPLIER MANAGEMENT

China Mobile has launched several projects (e.g. rural areas network construction and agricultural information broadcasting) to eliminate the digital divide between urban and rural areas and has built special city information platforms to improve access to public services. To ensure consistency and high standards of service across all practices, China Mobile provides training programs for all employees and it has established a supply chain monitoring system. China Mobile also implemented an Employee Assistance Program to improve employee's health care.



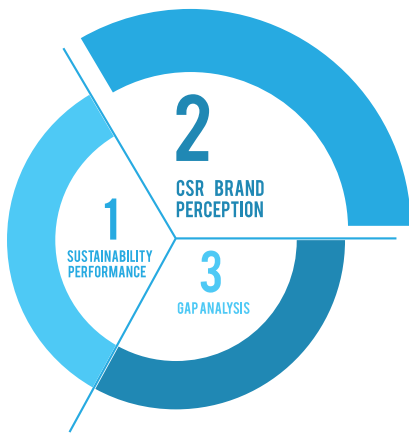
CORPORATE GOVERNANCE

China Mobile published a CSR report for 2011 in accordance to the guidelines of the Global Reporting Initiative. China Mobile has been a signatory of the UN Global Compact since 2007, and is the only Chinese company that has been listed in the Dow Jones Sustainability Index for five consecutive years. The telecom giant has implemented policies against bribery and corruption that apply to all internal employees and suppliers in alignment with a group-wide whistleblower policy and reporting management system.



INCIDENTS

Despite the anti-corruption policies in place, several executives of the company were sentenced for accepting bribes and being involved in corruption over the last two years. **There have been several counts of bribery among China Mobile's leadership,** resulting in death sentences. The total value of these bribes are estimated to amount to over CNY 60 million, accepted by former general managers, chairmen, and members of the board. In March 2012, a former member of the board, vice general manager of China Mobile, was investigated for taking bribes.



RANKINGS

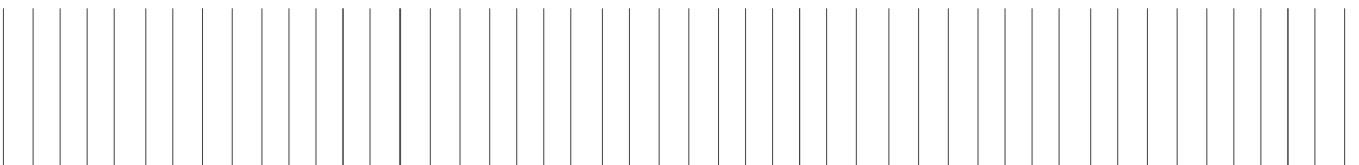
In the latest wave of **Fall 2012 CSR benchmarking research**, **China Mobile ranked as the highest recalled brand for CSR perception among consumers**. No single brand in any other category performed better than China Mobile during the 2012 year. Coming in at first place for 4 consecutive quarters, China Mobile excelled in all aspects including “CSR Perception”, “Image of Caring for Chinese Consumers”, and “Mass Media News”. During the Summer 2012 quarter, China Mobile abdicated its top spot to Lenovo for the first time. China Mobile’s 2012 rankings point toward “Responsible and Green Products” as the attribute where the telecom giant does not perform as strongly in comparison to other attributes. While China Mobile has been the incumbent winner across the board for over a year, its recent swap with Lenovo for second place during the Summer 2012 quarter suggests that we will see further developments during 2013 to see which CSR campaigns leave the strongest impression on the minds of consumers. Though China Mobile’s widespread footprint across China gives it an upper hand, the telecom giant’s next moves in its CSR strategy will have to incorporate more relevant and relatable elements to continue achieving top-of-mind status among consumers.



CORPORATE CITIZENSHIP INITIATIVES

Recognized as a company deeply invested in promoting the welfare of its country, China Mobile divided its CSR activities over the year between supporting AIDS orphans, children in need of surgery and rehabilitation for congenital heart disease, and disaster relief. Since its inception in 2008, China Mobile’s “12.1 Love Foundation” supporting AIDS orphans has become the largest project championing the AIDS cause in China. With the frequency of natural disasters across China, China Mobile’s communication services and expertise in disaster management play a key role to mitigate and manage the disasters. The telecom giant’s critical part in managing the Hubei and Yunnan disasters over the past year has not gone unnoticed by people across China, and China Mobile’s invaluable efforts have reshaped the meaning and value of communication.

CSR BRAND PERCEPTION





GAP ANALYSIS

OVERVIEW



Though back in first place for the Fall 2012 quarter, China Mobile moved down a spot in the rankings for R3's CSR consumer recall survey in the third quarter of 2012 following a three-quarter consecutive stretch in first place. Although the company remains at the top, China Mobile was hit by a series of bribery allegations among company executives in the last few years. Offering no proper response to these fraud and corruption claims, **China Mobile has caused the public to raise questions concerning the company's implementation of anti-corruption policies and future handling of such incidents.**

LINKAGE BETWEEN SUSTAINABILITY PERFORMANCE & CSR BRAND PERCEPTION



As the only Chinese company listed on the Dow Jones Sustainability Index, China Mobile is recognized for its environmental protection programs. According to SynTao research, **China Mobile engages in areas of CSR that are perhaps lower on the consumer radar, such as employee caring programs and promotion of nationwide wireless interconnectivity.** China Mobile's CSR campaigns go hand in hand with the company's corporate strategy to promote greater welfare in society. Based on R3's CSR recall survey, China Mobile enjoys high levels of awareness for its CSR campaigns. While the company receives wide-reaching acclaim for its disaster relief support as well as its AIDS orphans and congenital heart disease initiatives, **China Mobile seems to gain its awareness through press releases and marketing campaigns that relate to unaligned topics that are a sure-fire concern for all consumers** (i.e. natural disasters and children's welfare). The telecom brand rarely takes the initiative to proactively disclose information as it relates to the more embedded aspects of its CSR strategy through consumer communication channels. Without disclosure of such information regarding more relevant areas of stakeholder interest, China Mobile falls short of full disclosure of its complete sustainability performance picture.

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CSR MODEL INFRASTRUCTURE AND COMMUNICATION



Although China Mobile holds company-wide policies that forbid bribery and corruption, the bribery allegations over the recent years suggest a break between theory and practice when it comes to policy. Furthermore, the brand's failure to communicate the violations of internal policy to the public points toward a lack of transparency which can easily give way to deterioration of consumer perception. Though ranked highly by consumers for its CSR image in line with its strong performance on societal and environmental indicators, China Mobile faces the need for improvements in the area of corporate communications. The corrective actions taken by the massive state-owned-enterprise to fully enforce its existing governance policies will be of great interest and concern to stakeholders, and opting for heightened transparency in all its communication with stakeholders would be in the best interest of China Mobile's CSR-related endeavors.

CASE 3

SAMSUNG



SUSTAINABILITY PERFORMANCE

ENVIRONMENTAL POLICY

Holding ISO 14001 certification and a formal policy for its environmental management, Samsung has been on a steady positive trajectory towards energy efficient consumption. The company introduced renewable energy sources (e.g. solar and geothermal power) and green design for its products to drive sustainable growth. In 2011, Samsung reduced Green House Gas emission by 31% compared to 2008. Holding its suppliers accountable to the environmental management system, Samsung plans to push greenhouse gas emissions reduction with its global suppliers. While the company discloses data on waste and water management in Korea, information on waste management in other countries is not available.

EMPLOYEE & SUPPLIER MANAGEMENT

Samsung strictly enforces an equal opportunity employment process. All of Samsung's operating sites across the globe have a labor council and have also acquired OHSAS 18001 certification. The company conducts tests to ensure product safety, and helps suppliers in Korea, China, southeast and southwest Asia to embed CSR strategies in their business activities.

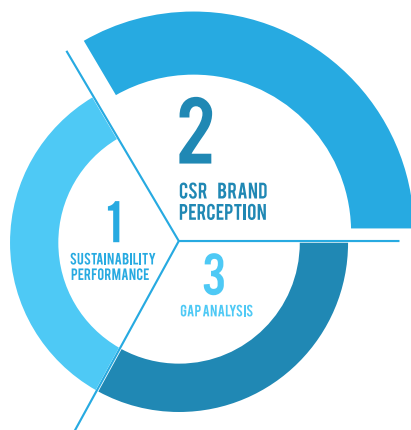
CORPORATE GOVERNANCE

Samsung published a CSR report for 2011 which received external verification and was written in accordance with the Global Reporting Initiative Sustainability Reporting Guidelines. Its code of conduct includes a detailed commitment against bribery and its board composition is considered to be independent. However, no evidence suggests that the company has implemented a whistleblower policy. Though the company is listed in the Dow Jones Sustainability Index, Samsung is not a signatory to the UN Global Compact.

INCIDENTS

In August 2012, NGO Child Labor Watch reported seven underage workers found to be working at HEG Electronics (Huizhou), a supplier of Samsung in China. Though Samsung rejected the allegations, the company has taken the initiative to send 100 employees from its Korean headquarters to conduct inspections on all of its 105 suppliers in China.





CSR BRAND PERCEPTION



RANKINGS

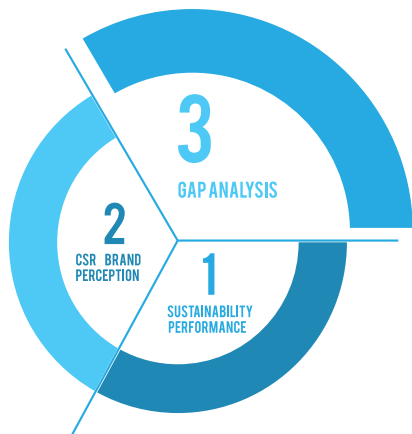
Samsung's rankings for the 2012 year show a struggle to gain a secure foothold among the top ten companies for CSR perception. As one of the only multinational companies to crack into the top ten rankings, Samsung alternates between 9th and 10th place for "Mass Media News", "CSR Perception", and "Green Responsible Products". **Samsung fell out of the top ten rankings for CSR perception in the last wave of Fall 2012 CSR benchmarking research.** Though Samsung's CSR performance reflects a high count of CSR events every quarter, the rankings suggest that there is a gap between actual performance and consumer perception. The gap could be explained in part by the departure from Samsung's core capabilities in its CSR activities- without a strong association between Samsung and the Samsung's CSR activities, the brand will struggle to gain relevance with its consumers.



CORPORATE CITIZENSHIP INITIATIVES

Samsung had a strong year of CSR activities with monthly events in 11 different provinces in support of its long-term initiative to provide aid to China's rural areas. Samsung's dedication to support the education of young students, the welfare of China's elderly, and the medical care for cataract patients demonstrates a conscientious integration of its CSR activities with a wider social strategy in mind. Reaching out to China's rural areas in need, Samsung's CSR activities align with the company's goal to localize Samsung's operations and extend sales and distribution networks far into the Chinese countryside.

The impact of Samsung's localization efforts is reflected in R3's 2012 Q1 En-Spire Top 50 Engaging Brands study in which Samsung was voted the 11th most engaging brand in China by consumers. By involving employees as an integral part of its CSR initiatives, Samsung has not only built a true culture and process of stakeholder engagement, but has also brought customer empathy back to its brand. The brand's willingness to maintain a long-term and ongoing dynamic through monthly events, conferences, and sharing sessions demonstrates a true commitment to its CSR program, allowing for greater depth to be created over time. Rather than seeing its service initiatives as a separate endeavor, Samsung has developed business objectives that go hand in hand with the aims of Chinese social welfare development.



GAP ANALYSIS

OVERVIEW

Representing multinational brand presence among the top ten rankings in R3's CSR perception study, Samsung has swung between 9th and 10th place during the 2012 year for "Mass Media News", "CSR Perceptions" and "Green and Responsible Products". Though Samsung showed a year of strong engagement with multiple employee volunteerism and philanthropic events, Samsung's overall standing indicated a struggle to gain a secure foothold among the top ten companies. Samsung found itself in hot water recently with child labor allegations and unsafe workplace practices among suppliers. **With the brand's recent lawsuit with China's tech-darling Apple as well as its alleged violation of labor policies and poor working conditions for its employees, Samsung is in the hot seat to provide an explanation for the departure from its original brand promises to the public.**

LINKAGE BETWEEN SUSTAINABILITY PERFORMANCE & CSR BRAND PERCEPTION

According to SynTao research based on Samsung's CSR reports, Samsung has been a strong backer of energy conservation and employee rights. The brand's global code of conduct specifies compliance with laws and ethical standards, exemplary organizational culture, and accountability to the environment, health, and safety of the community. While Samsung is not a signatory to the UN Global Compact, the company had an extensive CSR program during the 2012 year. Providing aid to China's rural areas through education of young students, care for China's elderly, and establishment of cataract surgery and rehabilitation centers for the visually impaired, Samsung has actively demonstrated its commitment to contribute to the health and safety of local communities. As the brand recovers from the recent negative publicity, Samsung would do well to make strategic decisions in its CSR strategy to demonstrate a genuine care for Chinese consumers and all other stakeholders by better aligning its practices with its guiding principles.

CSR MODEL INFRASTRUCTURE AND COMMUNICATION

Though Samsung has had a high count of CSR events every quarter, the brand's tenuous footing among the top ten suggest a lack of alignment between the brand's values and CSR model. While Samsung has the systems and policies in place to ensure strong environmental management systems and outstanding labor policies, the low levels of recall among consumers indicate a weak association between the brand and the brand's CSR activities. **While SynTao's findings reveal Samsung to have a strongly embedded CSR model through its supply chain management and environmental policy, the gap between actual sustainability performance and consumer perception could be bridged in part by a stronger association between Samsung's core capabilities as a technology leader and its CSR activities.**



SUSTAINABILITY PERFORMANCE



ENVIRONMENTAL POLICY

Volkswagen has published a comprehensive environmental policy and has obtained ISO 14001 certification. Following the launch of a program to reinforce the use of renewable and clean energy, Volkswagen has also initiated a formal policy for green procurement and is exploring ways to make its products more sustainable (sustainable mobility). The average emissions from Volkswagen's automobile fleet have decreased by 11 % since 2009. The company did not specify data for its China operations.



EMPLOYEE & SUPPLIER MANAGEMENT

Volkswagen has developed formal policy against discrimination, and has made improvements to its employee health management system over 2011. Also, the company is working to improve vehicle safety with the aid of new technologies. The auto brand's external monitoring system requires all suppliers to be in compliance with Volkswagen's supply chain standards.



CORPORATE GOVERNANCE

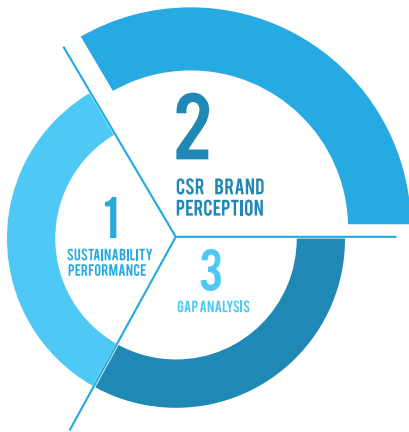
Volkswagen's 2011 sustainability report follows the GRI Sustainability Reporting Guidelines, achieving A+ application level. In addition, the car manufacturer is a signatory to the Global Compact and is listed in the Dow Jones Sustainability Index. The company implements policy against corruption and bribery, and has an established a whistleblower program. The majority of its board members, however, are not independent.



INCIDENTS

Volkswagen has been confronted with a number of products recall issues, and its market image has been impacted adversely. In 2012, FAW-Volkswagen Automotive Co., Ltd., a joint venture between Chinese automobile producer FAW Group Co. and Germany's Volkswagen Group, announced a recall for 1,633 cars due to the below-standard quality of the sunroof glass. Shanghai Volkswagen had another incident in 2012 occasioning a recall for 7,544 vehicles due to the potential for loss of steer control.

The brand's clean energy projects demonstrate an entirely embedded sustainable solution at the heart of its business strategy and operations



RANKINGS

Though Volkswagen had a short-lived appearance in the top ten rankings during the winter 2012 quarter, the brand's memorable campaign indicate a promising year ahead for the multinational auto brand. Volkswagen's impressive integrated campaign during the winter quarter saw it to the bottom half of the top ten brands for "Responsible and Green Products", "Image of Caring for Chinese Consumers", and "Mass Media News". Up against other foreign automobile brands vying for the loyalty of the Chinese nouveau riche in the market to purchase their first cars, Volkswagen has an advantage with the innovative strides it has made in sustainability for its industry.

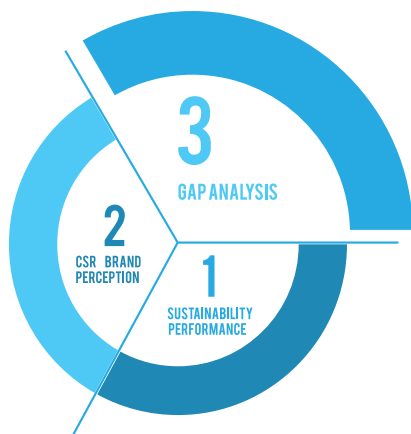


CORPORATE CITIZENSHIP INITIATIVES

As China's demand for energy and transportation heightens with the growing wealth of the urban population in China, Volkswagen has recognized the need to change its model altogether to reflect a cleaner energy mix. Through tapping into the company's resources and capabilities to come up with an energy efficient solution in line with its business strategy, Volkswagen has strengthened its position among competitors and has successfully communicated the brand as a champion and pioneer of the green movement. By engaging drivers through social networking websites, BTL activities, mobile applications, reward systems, and games, Volkswagen's "Think Blue" driver challenge was able to raise awareness of eco-conscious driving behaviors while simultaneously address a challenging issue which is naturally aligned with Volkswagen's interests and capabilities.

Volkswagen's "Embrace the Environment, Imagine the Future" project is a prime example of how businesses can embed sustainable solutions at the core of their business strategy and operations. Earning ISO14001 environmental management system certification, Volkswagen has made a long term commitment to embed sustainable practices in its entire product life cycle. Volkswagen has been on the forefront of green technology innovation over the past 20 years, bringing sustainable development in the car industry to a higher standard altogether. By restructuring and redefining its model to adopt advanced green technologies and eliminate energy inefficient practices, Volkswagen has changed the rules of the game for green innovation in China's auto industry.

CSR BRAND PERCEPTION



GAP ANALYSIS



OVERVIEW

Appearing among the top ten CSR perception rankings during the fourth quarter in 2011, Volkswagen is a multinational newcomer to the CSR rankings. Landing among the bottom half of the rankings for “Responsible and Green Products”, “Image of Caring for Chinese Consumers”, and “Mass Media News”, Volkswagen has gained an advantage with the innovative strides it has made in sustainability in the auto industry. The auto brand has seen a number of product recall incidents due to substandard sunroof glass as well as design defects causing drivers to lose control of steering capabilities. Though the brand’s impressive integrated campaign has brought Volkswagen to the forefront of consumer minds, these incidents have also adversely impacted the brand’s image.



LINKAGE BETWEEN SUSTAINABILITY PERFORMANCE & CSR BRAND PERCEPTION

Volkswagen’s initiatives have largely centered on environmental policy and the use of renewable, clean energy. The company is involved with the research and development of sustainable solutions for electric vehicles. The auto brand’s green procurement efforts go hand in hand with the brand’s 2012 Think Blue CSR campaign which advocates for eco-conscious practices, while the brand’s clean energy projects demonstrate an entirely embedded sustainable solution at the heart of its business strategy and operations. Though Volkswagen pushes for consistent transparency in all its communication, the brand’s product recall incidents indicate the need for heightened consumer protection as well as product safety in order to boost its image of caring for Chinese consumers.



CSR MODEL INFRASTRUCTURE AND COMMUNICATION

Obtaining the highest grade level according to the GRI Sustainability Reporting Guidelines, Volkswagen has taken the necessary measures regarding anti-corruption and bribery issues, a whistleblower program, and better employee benefits. The company’s strong commitment to environmental policy is evident in its supply chain and products, and its CSR campaigns have called attention to its position among competitors as a champion and pioneer of the green movement. Volkswagen’s communication with consumers through non-traditional channels, such as social media and mobile apps, has allowed the brand to gain widespread recognition among young Chinese in the market to purchase their first cars. Volkswagen’s embedded CSR infrastructure, as well as its resonant communication with consumers suggests a promising year ahead for the multinational auto brand.

CASE 5



SUSTAINABILITY PERFORMANCE

ENVIRONMENTAL POLICY

With strong environmental policy and ISO14001 certification, Coke has focused its environmental programs on water use management, climate change, and sustainable packaging. The company has set targets for an increase of water efficiency by 20% in 2020, through a number of actions such as the exclusive use of freon-free refrigerators by 2015 and recycling at least 50% of its packaging materials by 2015. Coca-Cola also collaborates with international NGOs such as WWF and China International Center for Economic and Technical Exchanges (CICETE) to protect China's water resources. In addition, Coca-Cola is realising a reduction of greenhouse gas emissions by adopting green building standards and makes use of clean energy, such as geothermal, solar, wind and biofuel power, at various production sites in China.

EMPLOYEE & SUPPLIER MANAGEMENT

Coca-Cola is committed to a strict employee rights policy and outlines health and safety standards for its products and workplaces, which are OHSAS 18001 certified. Coca-Cola also received ISO 9001 and FSSC2200 (Food Safety certification) certifications. The company holds all its partners accountable to supply chain standards under Coke's overall policies and values.

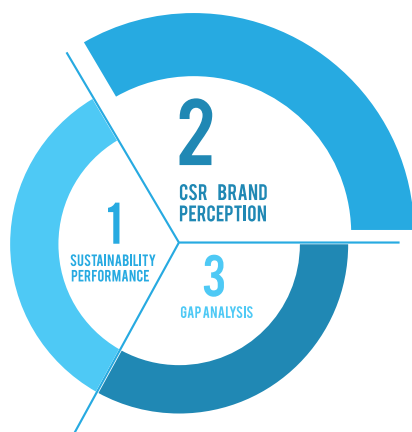
CORPORATE GOVERNANCE

A signatory to the UN Global Compact, Coca-Cola has a strong policy against bribery and corruption, including a whistleblower program. Additionally, the majority of its board members is independent. Coca-Cola Company and Coca-Cola China publish separate CSR reports every two years according to GRI's Sustainability Reporting Guidelines, though the reports have not yet received external verification. The most recent company CSR report has been released for 2010-2011. Despite these efforts, Coca-Cola's listing was removed from the Dow Jones Sustainability Index in 2011.

INCIDENTS

Coca-Cola has been reported for two product-safety incidents in mainland China in 2012. In April 2012, Coca-Cola Shanxi Beverages Company admitted to a chlorine contamination accident that took place at its plant earlier in February, after previously denying this allegation and claiming the report to be a rumor. The company eventually apologized to the public on May 7. Just a couple months later, in June 2012, a cancer-causing chemical, 4-methylimidazole (4-MI), was found above acceptable limits in Coca-Cola products for sale in the US market. Allegedly, the same products in the Chinese market contain 14 times the amount of 4-MI of those in the US market. Coke eventually announced intentions to decrease the amount of 4-MI in its soft drinks across China.





CSR BRAND PERCEPTION



RANKINGS

Though typically found among the bottom half of the top ten rankings for CSR perception, Coca-Cola has been the only multinational company with consistent performance every quarter. Sitting in 7th and 8th place for CSR Perception, Coke has had solid footing among the top ten over the past year. **The latest wave of research from R3's benchmarking study for the Fall 2012 quarter found Coke falling from 7th to 10th place among the top ten rankings for CSR perception.** While R3's En-Spire study results prove Coke to be a strong driver at engagement with consumers, the brand's CSR rankings show that there is room to grow in terms of engagement on the CSR front. Focused CSR initiatives that are more in tune with Coca-Cola's brand values may enable the beverage brand to see the upper half of the top ten rankings in the next year.



CORPORATE CITIZENSHIP INITIATIVES

Through creating a public health initiative centered on its youth target market, Coca-Cola demonstrates a purposeful CSR project adapted around the dynamic preferences and profiles of its young customer segment. Promoting greater access to health knowledge among students, Coca-Cola has made it its mission to mobilize youth and encourage necessary changes in behavior to lead a healthier and happier lifestyle. Stemming from the need to address the growing health issues around college students, the Coca-Cola "Balanced Diet, Healthy Lifestyle" initiative has sought to stir positive energy among college students and student organizations in 56 different colleges and universities across 10 provinces.

Coca-Cola also sponsored a number of BTL charity events to raise money for cancer research and youth education. For each event, Coca-Cola empowers participants with the tools and resources needed to spread, share, and connect with the brand through Weibo and other digital platforms. In engaging students and the public to be proactive in their local communities with environmental and health initiatives, Coca-Cola has established brand loyalty among Chinese youth while empowering and demanding deeper levels of engagement from a young audience to spread the spirit of philanthropy.



GAP ANALYSIS

OVERVIEW



Consistently in the top ten of R3's CSR consumer recall survey, Coca-Cola surprisingly falls behind domestic competitors such as Jiaduobao and Mengniu when it comes to perception.

Although the leading international beverage producer achieves positive brand impression among consumers for its engaging CSR activities, Coca-Cola's limited communication regarding integrity management issues may have negatively influenced the brand's CSR image.



LINKAGE BETWEEN SUSTAINABILITY PERFORMANCE & CSR BRAND PERCEPTION

Over the past year, Coca-Cola carried out a number of campaigns promoting environmental protection and healthy living. The brand's BTL events supporting green practices and healthy lifestyles were in line with the company's internal environmental initiatives as well as its emphasis on internal health and safety standards for its employees and workplace. Despite Coca-Cola's many community-oriented CSR activities, there appears to be a fundamental discrepancy between the nature of the product and the CSR initiatives when it comes to healthy living. Without proactively disclosing the potential negative effects involved with consumption of its core products, Coca-Cola balances a fine line when it comes to supporting the welfare of its consumers. Furthermore, Coca-Cola's assortment of CSR initiatives ranging from environmental protection, healthy living, youth education, and cancer research support indicate an unfocused CSR program attempting to address all too many issues under one brand, and could benefit from more concentrated CSR initiatives assigned to sub-brands under the Coca-Cola brand family.

Coca-Cola's insufficient response from its two food safety accidents this year may lead to a greater credibility crisis among consumers, negatively impacting the brand's image



CSR MODEL INFRASTRUCTURE AND COMMUNICATION

Though Coca-Cola performs well in environmental policy, stakeholder management, and corporate governance, the beverage brand seems to lack protocol when it comes to corporate communications. Coca-Cola's insufficient response from its two food safety accidents last year may lead to a credibility crisis among consumers, impacting the brand's image. In the future, not only is it crucial for Coca-Cola to live up to its production standards for food safety, but the brand must also demonstrate a proactive attitude in its communication with consumers when handling widely publicized negative issues questioning the integrity of the brand.



SUSTAINABILITY PERFORMANCE



ENVIRONMENTAL POLICY

Based on available information, Mengniu does not have any formal policies on environmental impact or green procurement. The company has received ISO 14001 certification for its environmental management system and has constructed a bio-energy power plant for its energy supply. It has also been reported that the dairy brand has implemented some environmental protection activities such as utilizing solar systems, recycling packaging materials, using sustainable materials for product manufacturing, and hiring external organizations to perform carbon emission inspections.



EMPLOYEE & SUPPLIER MANAGEMENT

Mengniu has received ISO 9001 and OHSAS 18001 certification for its quality and occupational health management system. However, there is no evidence of an anti-discrimination policy or a supply chain monitoring system.



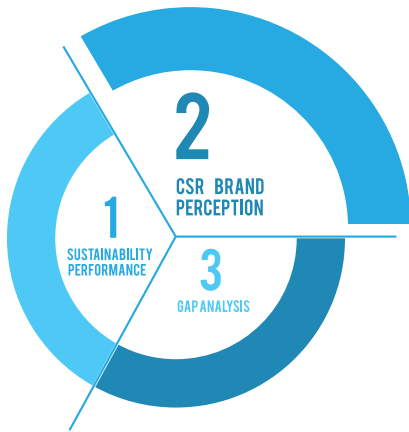
CORPORATE GOVERNANCE

Mengniu has not published any CSR reports since 2008, and lacks any kind of policy regarding bribery, corruption, or whistle-blowing. In addition, only one third of Mengniu's board members are considered independent.



INCIDENTS

Mengniu is no stranger to product quality scandals in China. In 2012, Zhejiang Provincial Administration for Industry & Commerce released news of falsified expiration dates on 3000 boxes of Mengniu's milk sold on the market after the original expiration date. Mengniu denied the incident at first, and then claimed that the incident to be a mistake made by a Mengniu sales manager. In yet another incident in 2012, worms were found in Mengniu's milk. Mengniu once again denied the allegation, claiming it to be impossible for worms to live in its milk products. With the slew of product safety issues, Mengniu's reputation has been seriously damaged due to the lack of action taken to improve its manufacturing and quality control. As a result, consumers have threatened to boycott Mengniu's products.



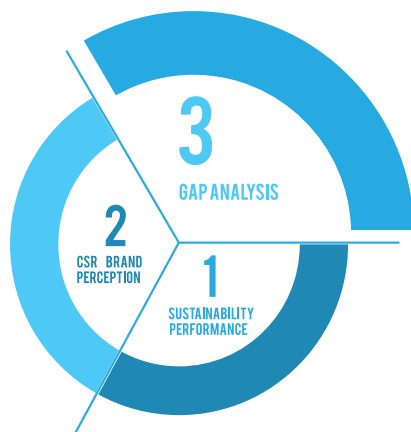
CSR BRAND PERCEPTION

RANKINGS

A long-standing domestic contender among the top ten CSR companies, Mengniu has enjoyed consistently strong recall among its consumers. The latest wave of Fall 2012 research found Mengniu at 6th place for CSR perception among consumers. Hovering between 5th and 6th place over the course of 2012, the milk brand has also had strong performance in the categories of “Mass Media News”, “Responsible and Green Products” and “Image of Caring for Chinese Consumers”. With CSR initiatives revolving around environmental protection, the development of Mengniu’s CSR program to reflect better corporate citizenship policy structures alongside its green image will be of great interest to all stakeholders.

CORPORATE CITIZENSHIP INITIATIVES

As a ten-year veteran who faithfully dedicates to China’s environmental protection initiatives, Mengniu treats balanced development of the society, corporation, and eco-system as its primary goal. In the past two years, Mengniu has backed a handful of green initiatives, including recycling, energy conservation, and green technology programs. The dairy brand’s green programs have often involved a digital aspect, using platforms such as Sina, Tencent, or specially-crafted campaign websites to engage the public in interactive conversations concerning the environment. With more consumers assigning greater value to brands with green products, Mengniu is able to leverage its green perception to translate into higher purchase intent. By featuring celebrities as environmental opinion leaders and integrating online media activities with different events, Mengniu has reinforced its image as a pioneer in green ecology, and has successfully linked its brand with the values of green living, quality, and health in the minds of consumers.



GAP ANALYSIS



OVERVIEW

Mengniu has enjoyed strong CSR perception among consumers over the course of 2012, hovering between 5th and 6th place. The domestic brand has seen consistently strong consumer recall, and has also had strong performance in the categories of “Mass Media News”, “Responsible and Green Products”, and “Image of Caring for Chinese Consumers”. However, despite Mengniu’s favorable CSR perception among consumers, the dairy brand has seen quite a few incidents during the past year due to poor product quality harmful to consumers. The brand saw 2 recorded incidents in 2012 alone, and the frequency of incidents has resulted in a damaged reputation.



LINKAGE BETWEEN SUSTAINABILITY PERFORMANCE & CSR BRAND PERCEPTION

Very limited information regarding Mengniu’s CSR policies, programs, and activities is available to the public, and the brand has not published CSR reports since 2008. Despite the dairy brand’s claim to reduce its carbon footprint and manufacture sustainable products, there is no evidence showing a supply chain monitoring system or any formal environmental policy system from available information. Mengniu’s CSR campaigns project a different image, however, through its environmental protection initiatives. Mengniu’s environmentally-related CSR campaigns and its lack of formal policies point to a yawning gap between the brand’s actual performance and consumer perception.



CSR MODEL INFRASTRUCTURE AND COMMUNICATION

SynTao’s findings suggest Mengniu to have a poor CSR infrastructure in terms of systems and policies in place. With no formal policies or systems, the brand has demonstrated a clear disregard for its stakeholders as well as its negative externalities, while the brand’s product quality incidents further reinforce the brand’s reckless approach to its operations. The wide discrepancy between the brand’s actual sustainability performance and its perception suggest that the Mengniu has been playing off its advantage of being a long-standing brand in the China market-but without the proper infrastructure in place to support transparent and socially responsible practices, the brand’s overall perception is bound to suffer repercussions.

TOPLINE LEARNINGS



So what can we learn from our performance vs. perception gap analyses for these 6 leading brands?
Here are a number of key trends that stand out:

1

A COMPREHENSIVE CSR STRATEGY SATISFIES ALL STAKEHOLDER NEEDS

R3 and SynTao's different research methodologies often lead to a difference in view on company CSR branding. However, companies can achieve more consistency when their CSR marketing campaigns are in line with their sustainability performance. Brands such as Lenovo, Coca Cola and China Mobile are able to strike the right balance between sustainability performance and CSR marketing campaigns to achieve top-of-mind consumer awareness. Lenovo's superior CSR perception can be attributed to its comprehensive and holistic CSR strategy aligning its marketing campaigns with its sustainability conduct. Mengniu Dairy, on the other hand, demonstrates a gap in perception and performance due to its weak product stewardship and untimely communication with consumers.

Developing a holistic CSR strategy empowers companies to realize the long-term potential of sustainable growth. Only when sustainability is embedded at the core of CSR values and activities can the company thrive on both consumer CSR perception and analyst sustainability research, despite the diversified perspectives that might be held among different stakeholders.

IMPROVING THE EFFECTIVENESS
& EFFICIENCY OF MARKETERS
& THEIR AGENCIES

2

DISTINGUISH BETWEEN BRANDED CSR & CSR STRATEGY

The findings from our report reflect a great difference between the CSR marketing campaigns and the actual sustainability performance of a brand. CSR-related marketing is often used by companies to positively influence its public image and enhance consumer appreciation in order to strengthen market competitiveness. On the other end, a company's sustainability performance is the result of CSR principles and policies being integrated to the core of all business practices, influencing corporate processes, operations, products, communications, and marketing.

Though there are brands known to have achieved robust market improvements through sustainable rebranding, truly tangible results are realized only when companies design and implement a fully comprehensive CSR strategy relevant to all key stakeholders involved. In a nutshell, brands can develop a virtuous cycle in promoting public influence if they reassess and continuously work to close the gap between CSR branding and CSR strategy.



3

DIVERSIFIED COMMUNICATION WITH RELEVANT STAKEHOLDERS IS KEY

Consumers usually become acquainted with a company's CSR strategy through its advertisements and campaign activities through mass media or non-traditional channels, such as social media. **R3's Fall 2012 wave of CSR benchmarking research shows TV to be the greatest driver of CSR awareness with 87% of surveyed consumers receiving their CSR information from TV, followed by 58% from the official brand website, 56% from newspaper and magazines, and 44% from the social networking sites of the brand.**

Sustainability analysts, on the other hand, evaluate a company's CSR strategy based on its disclosure of corporate communications, NGO reports, and news reports. As such, consumers on the receiving end of marketing campaigns are not only exposed to a different kind of information than other stakeholders such as risk investment analysts, but they also assess companies on completely different merits. While consumers value a do-gooder, responsible brand image, analysts value the company's ability to manage risk. The disparity in information disseminated by companies leads to major differences in views among various stakeholders.

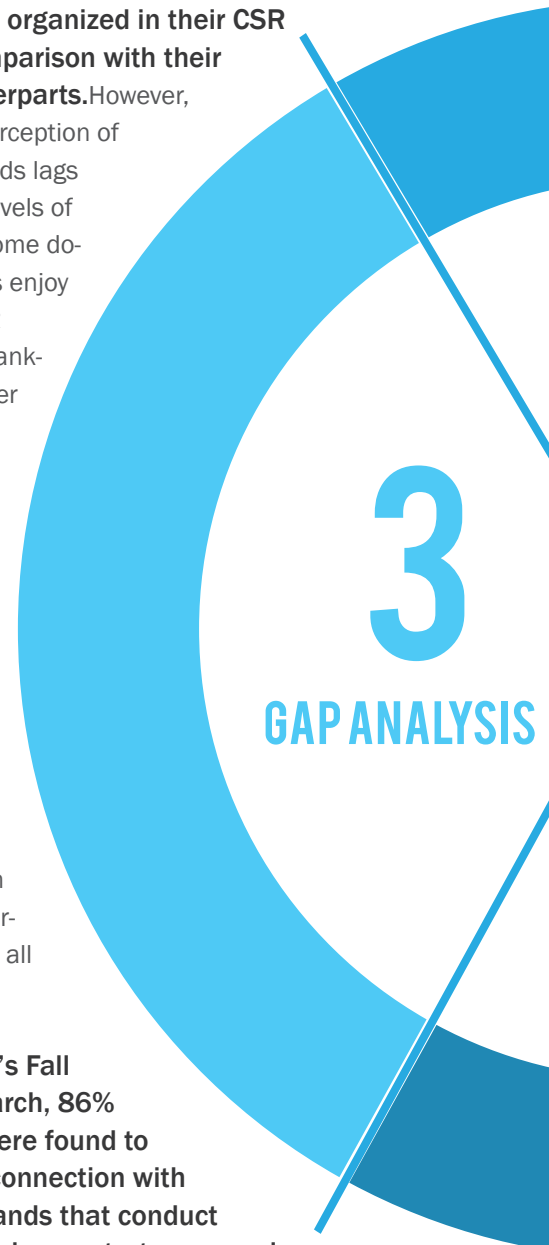
Company CSR brand strategies have the most impact when they target the key interests of stakeholders, and integrate them into the core strategy of the company. To strengthen consumer awareness in context of its CSR strategy, companies would do well to provide consumers with a more diversified portfolio of information on their CSR related activities and practices, ensuring transparent disclosure on product safety standards and product recalls. On the other hand, brands could also tap into the often-missed opportunity to enhance their perceived sustainability performance by fully informing risk analysts of the measured impact of philanthropic activities.

4

DIFFERENCE IN CSR POLICY INFRASTRUCTURE AMONG INTERNATIONAL VS. DOMESTIC BRANDS

While the international brands studied in this report mostly implement comprehensive and structured CSR guidelines to adhere to in their operations in the China market, most domestic companies lack formal policies and programs to form a CSR program. International companies often tend to conduct CSR projects and campaigns in full accordance with their CSR guidelines. **In the latest wave of R3's CSR benchmarking study, 79% of consumers considered international companies to be more transparent and organized in their CSR activities in comparison with their domestic counterparts.** However, consumer CSR perception of international brands lags behind the high levels of awareness that some domestic companies enjoy in the top ten CSR consumer recall rankings, despite higher levels of integrity and sustainability performance overall among multinational brands. When it comes to CSR strategies, brands often design initiatives according to the objectives of the brand, rather than looking at the interests and needs of all stakeholders.

According to R3's Fall 2012 CSR research, 86% of consumers were found to feel a stronger connection with international brands that conduct CSR events and demonstrate responsibility to Chinese society. As such, international companies must craft CSR strategies that put stakeholder





interests at the heart of the objective. Not only must CSR initiatives reflect relevant local interests, but international brands must also be deliberate in communicating an appropriate public response to misconduct or CSR-related incidents. In short, international brands must do their due diligence to learn about the difference in interests and demands among Chinese stakeholders. Without deep understanding of what matters most to stakeholders, a brand's CSR initiatives will fail to gain relevance.

TRUE IMPACT LIES IN THE MARRIAGE OF SUSTAINABILITY WITH ECONOMIC OBJECTIVES



1

**SUSTAINABILITY
PERFORMANCE**

2

**CSR BRAND
PERCEPTION**

An effective CSR strategy integrated throughout a company's value chain can be leveraged in the brand's favor not only to manage and assess risk but also to engage the right stakeholders. As brands redefine their roles within society, the creation of shared value begins only when CSR perception is reconciled with actual sustainability performance.

Done right, CSR programs can have true impact reaching far beyond just the universe of the brand- resulting in better business, better society, and a better environment.

ABOUT US





SYNTAO

SynTao is a leading consultancy promoting sustainability and responsibility in the Asian region. The organization provides corporate social responsibility (CSR) and socially responsible investment (SRI) related consulting, research and training services and is based in Beijing, China. The SynTao ESG Team provides environmental, social and governance (ESG) research to companies and investors that integrate sustainability information and assessments into the risk management of their organization. SynTao's highly experienced analysts thoroughly analyze the sustainability performance of Chinese companies according domestically and internationally recognized standards, taking companies' corporate communications, government evaluations and media and NGO reports into account.

R3

R3 is an independent marketing consultancy whose aim is to improve the efficiency and effectiveness of marketers and their agencies. Founded in 2002, its clients include Coca-Cola, VISA, Johnson & Johnson, Nestle, Yili and Lenovo.



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