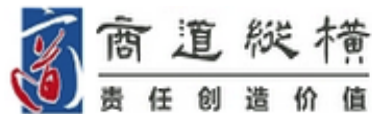


Top 10 CSR Trends in China (2019)

Developed by SynTao Research Department

Published by



January 2019



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

1



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



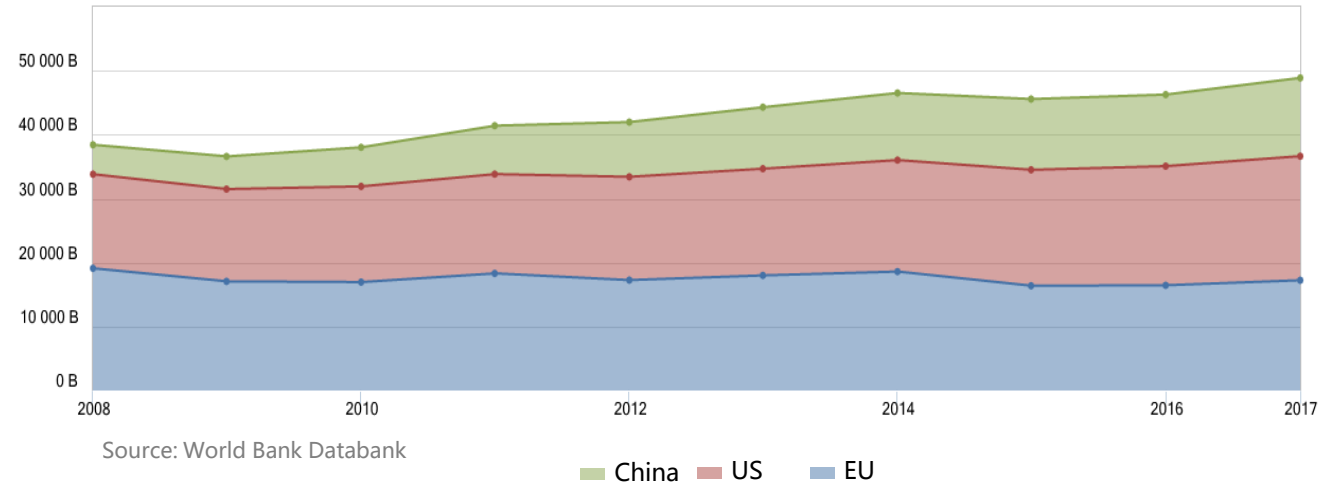
Focus on Community Development & Gain Social Licenses to Operate

- 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

GDP Growth of 2008-2017 in China, US and EU
(in US dollar)



**SUSTAINABLE
DEVELOPMENT GOALS**

Chinese Oversea Investment Synergizes with Chinese Development Aid

2



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

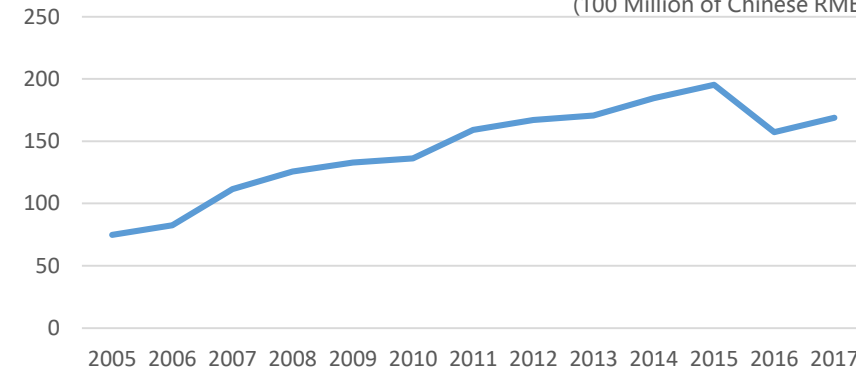
- Soft penetration: *Guideline for Compliance Management of Domestic Enterprises Operating Overseas*
- Dedicated community engagement manager
- Community engagement tools
- Overseas CSR reporting

Recommendation for CSR managers

- ✓ "Going Out" companies seek cooperation with CIDCA
- ✓ Publish overseas CSR reports
- ✓ Allocate dedicated responsible for community engagement

Overseas Chinese Development Aid, 2005-2017

(100 Million of Chinese RMB)

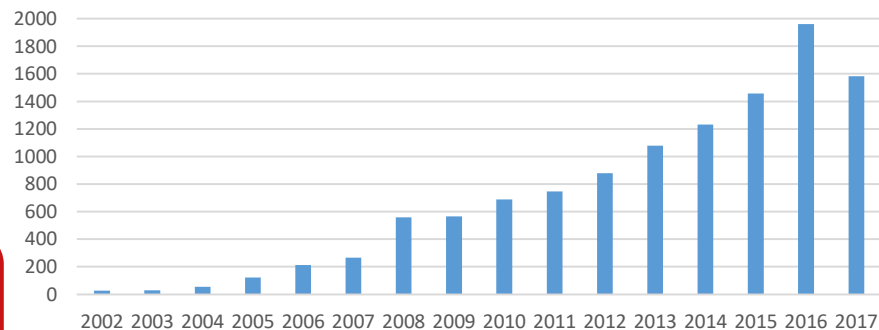


Source: Ministry of Finance



China's Outward FDI Stock, 2002-2017

(Billions of US Dollars)



Source: 2017 Statistical Bulletin of China's Outward Foreign Direct Investment



Efficient CSR Strategy under Economic Pressure

3



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



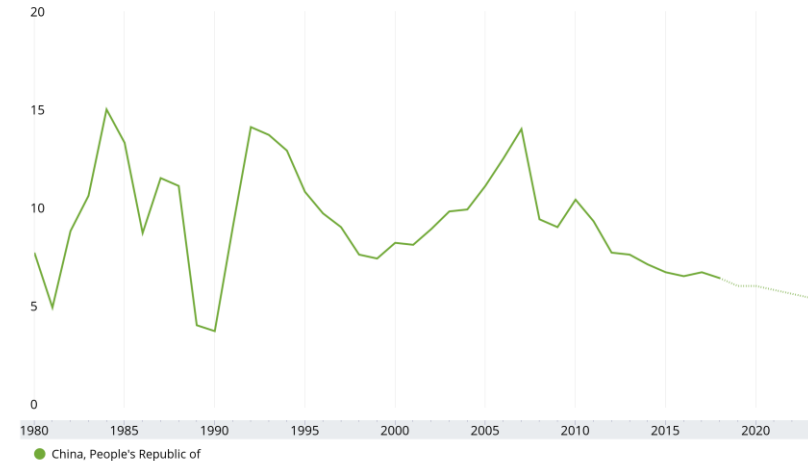
Close attention to labor rights

- 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

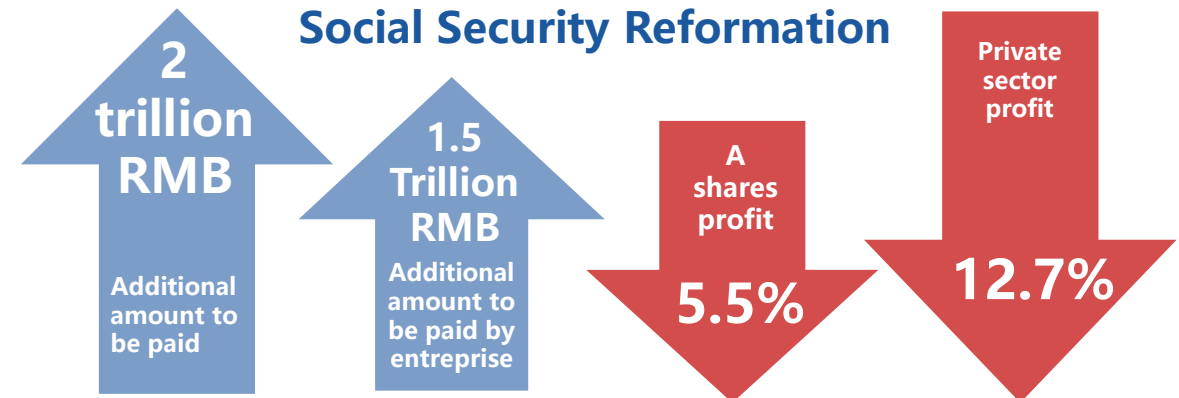
IMF DataMapper



©IMF, 2018, Source: World Economic Outlook (October 2018)

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



Source: CICC, ShenwanHongyuan prediction

In-depth Poverty Alleviation with Corporate Strength

4



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

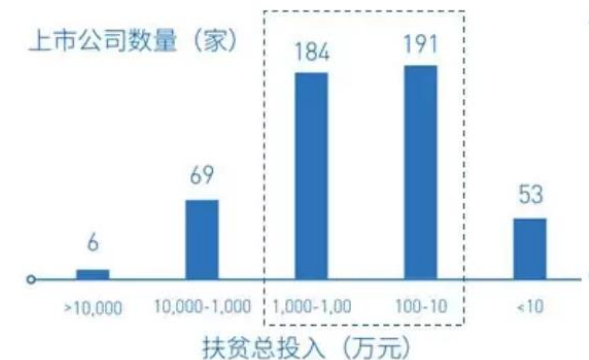
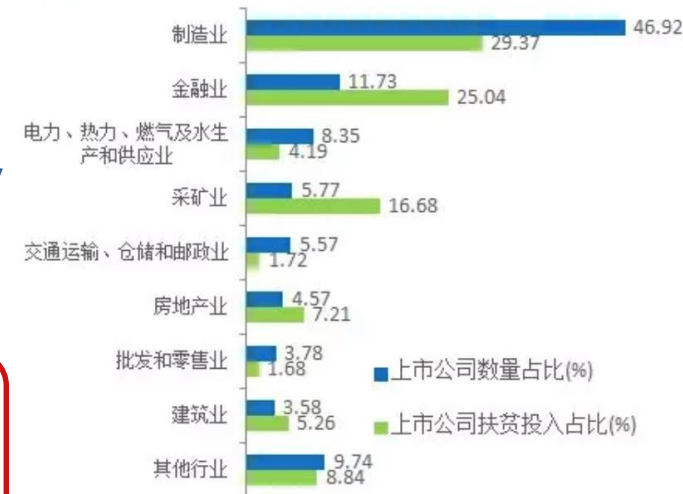
- *Rural Vitalization Strategy (2018-2022)*: create rural vitalization index & realize rural vitalization and new-type urbanization
- Targeted poverty alleviation & prevent returning to poverty
- Optimize existing poverty alleviation projects, and develop strategies in preparation for the post-2020 era

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

5



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

ESG Reporting Guide for A Share Listed Companies

6



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

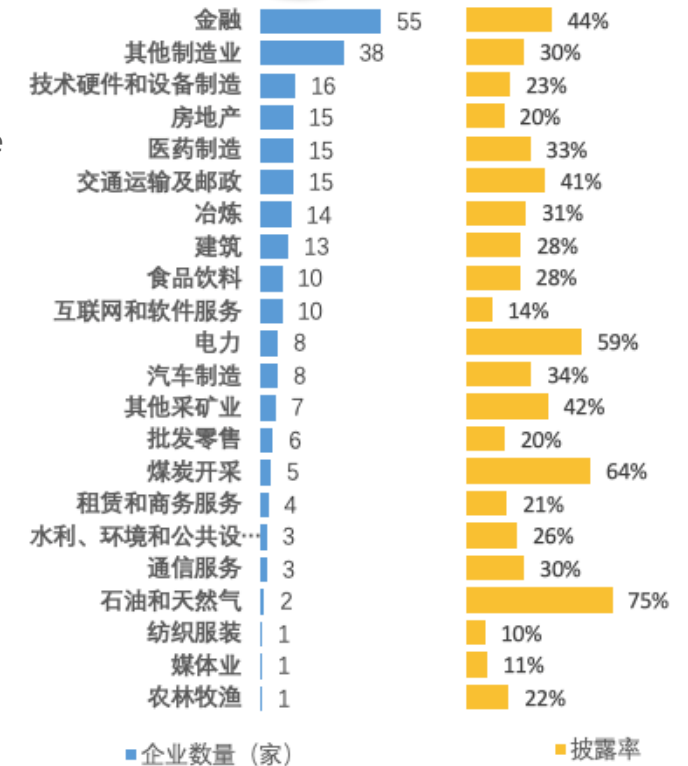
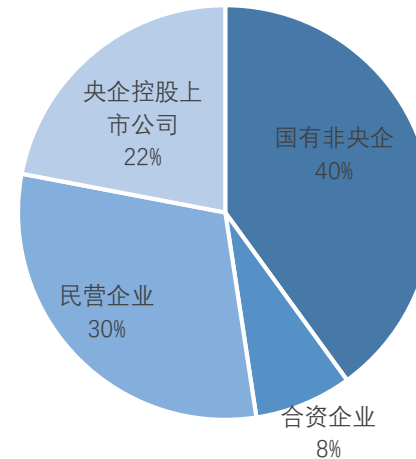


Quantitative CSR Management

- 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**.



Source: Syntao, Materiality Analysis on CSI 300 CSR Reports 2018

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

7



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

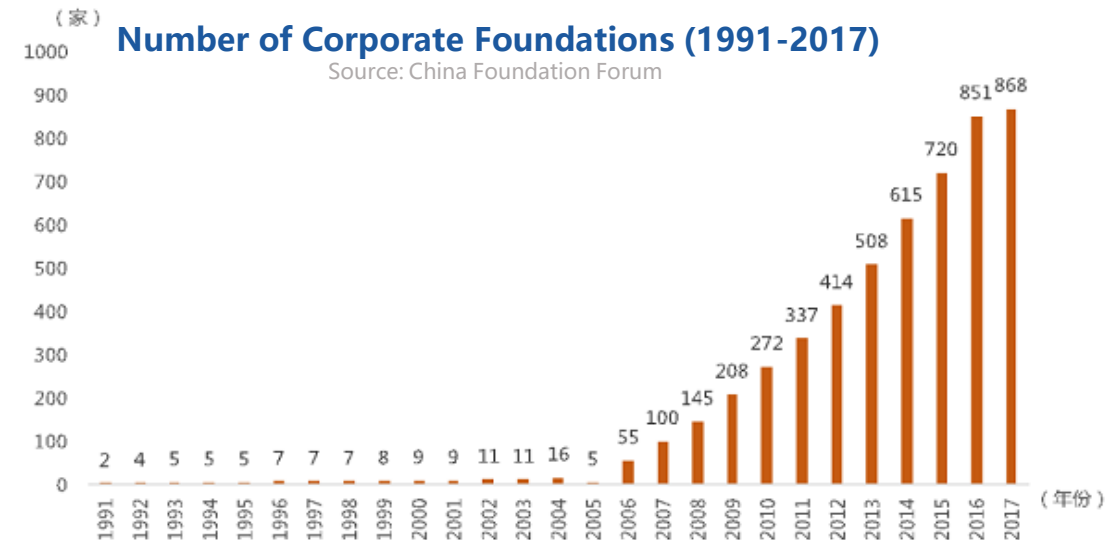


Strategic & Branding for Philanthropy

- 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

8



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



[9.9公益日]



Encouraging Sustainable Lifestyle

9



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

- Shanghai: *Action Plan for the Establishment of Solid Waste Sorting System in Shanghai (2018-2020)*
- 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

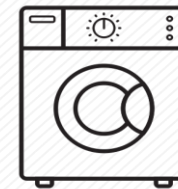
Recommendation for CSR managers

- ✓ 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

Source: NDRC

Energy-saving Appliances



Annual energy saving **10 billion kWh** = **6.5 million** tons of CO₂, **14 thousand** tons of SO₂, **14 thousand** tons of NO_x, and **11 thousand** tons of particulate matter emission

Waste Textiles

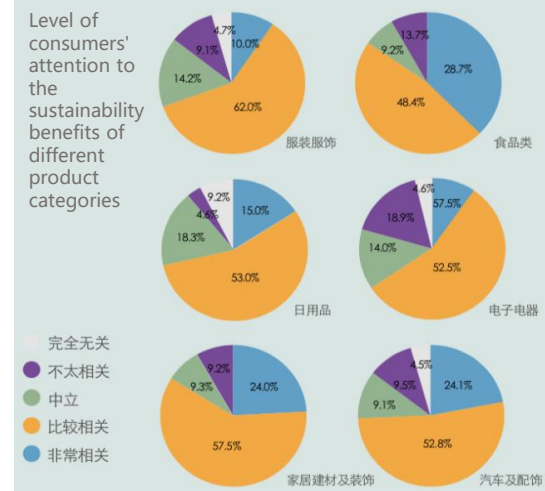


Comprehensive utilization of **3.6 million** tons, which saves **4.6 million** tons of crude oil and save **4.1 million mu** of cultivated land.

Sharing Mobility



Shared bicycle reduces **4.2million** tons CO₂ emission
Didi, carpool sharing save **1.3 million** tons of fuel = reduce **3.7 million** tons CO₂ emission



ESG Fund Products Attracting More Investors

10



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



中华人民共和国民政部令

第62号

《慈善组织保值增值投资活动管理暂行办法》已经2018年10月25日民政部部务会议通过，现予公布，自2019年1月1日起施行。

部长 黄树贤

2018年10月30日

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



Beijing • Shanghai • Guangzhou • Chengdu • Washington,D.C.



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