CSR in China's A-share Listed Companies

Impact Investing, a financial process which integrates business and public welfare, has become an effective way for modern enterprises to undertake social responsibility while achieving sustainable development. The CEIBS Global Impact Investing Forum, jointly sponsored by the CEIBS Research Centre for Wealth Management and the United Nations Development Programme was held on December 1, 2017. During the event, CEIBS Professor of Finance and Accounting Oliver Rui published the 2017 Research on the Report of Corporate Social Responsibility of A-share Listed Companies (hereinafter referred to as the Research). This was a joint project between CEIBS Research Centre for Wealth Management and the Accounting and Financial Big Data Research Centre of the Shanghai University of Finance and Economics. This article is a brief synopsis of the Research.

A Corporate Social Responsibility Report (CSR Report) is a very important piece of non-financial information released by a listed company. The report's contents are of great significance in analysing and tracking these companies and understanding how a firm maintains its public image. The CSR report helps to improve the company's information environment, thereby providing investors with suggestions when they are making investment decisions. Since CSR guidelines have been issued, in succession, in 2006 by the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the number of companies that release CSR reports has grown yearly, and the content of these reports has also become richer. A look at these reports reveal that companies vary in industry, region, organisational form, and listed segments. The Research collects and evaluates the financial and non-financial information released by listed

"Listed companies in eastern China, listed financial companies, and state-owned enterprises have a strong sense of social responsibility, with the highest participation and biggest investment in this effort."

companies, judging the company's future prospects, thus helping investors make decisions based on the information in the CSR report.

The Research divided the basic indicators of the CSR report into seven groups and the findings are as follows:

CSR management. Companies in different industries vary in their use of websites to release CSR information. More and more companies are setting up internal teams – or even entire departments – to handle CSR issues, conducting social responsibility training, and hiring third parties to inspect their CSR reports.

Corporate management. Sino-foreign joint ventures have attached more importance to strategic cooperation, sharing, honesty and compliance management than state-owned and private enterprises. But some companies also have unsatisfactory factors in their operations and management. For example, in 2016, some 82 companies had accounting irregularities, an increase of 0.79% from the previous year.

Product quality and innovation. The proportion of R&D personnel and R&D expenditures rose slightly. On average, listed companies in eastern China spent more on R&D.

Employee responsibility. Half of the companies that issued CSR reports in 2016 released information on salary incentive measures. Among these companies, private enterprises were the most active and state-owned enterprises are more prone to talk about offering supplementary benefits to employees.

Diversity and equality. Nearly 70% of the companies' board of directors had female members, but only 13% of board members were female.

Fulfilling environmental responsibility. State-owned and foreign-funded enterprises are more active, while private enterprises have a relatively weak sense of environmental responsibility. The number of companies which admitted to being punished for environmental missteps is still relatively small.

Social contribution and charity. Listed companies in eastern China, listed financial companies, and state-owned enterprises have a strong sense of social responsibility, with the highest participation and biggest investment in this effort.

As for the economic value of the CSR report, even though the proportion of third party inspections is low and its reliability is lower than information provided in financial statements, the Research shows that it is still very helpful to investors when making investment decisions. This is because it is timely and of predictive value. Among the factors that constitute social responsibility, four elements – employee responsibility, the proportion of R&D personnel, the proportion of R&D expenditures and patented technologies – have played an essential role, helping to improve the profitability of investment strategies.