In 2018, the world economy became more complex and volatile with increased uncertainties. China’s economy grew at a slower pace amid structural transformation, but this does not necessarily mean that businesses have to brace for tough times ahead. Instead, they can expect to unleash the vitality and impetus to generate more social and economic benefits by introducing forward-looking innovations.

Businesses around the world have to begin to embrace inclusive development in order to survive and thrive in a world driven by increasingly diverse values and rapidly evolving technologies. CEIBS, as a product of the broader China-EU partnership, has been working to promote inclusive development by facilitating economic and cultural exchanges between China and the world in addition to pursuing academic excellence and imparting business knowledge. Supported by its three mainstay mission components: China depth, global breadth and social responsibility, the school, in conjunction with its alumni, launched in 2018 a Corporate Social Responsibility Action Plan and published its first CSR report, which was one of the first in summarizing practices and exploring theoretical issues in this area.

This year's report is now out as planned. It contains a thorough analysis of the developments with CSR in China and internationally over the last year, a run-through of the best CSR practices implemented by CEIBS alumni-owned businesses, and findings of research conducted by CEIBS professors. The report reveals that inclusive development has been prioritized by leaders in the manufacturing, services and consumer industries, generating positive social and economic benefits.

According to the latest research in 2019, China was responsible for a quarter of the increase in forestation across the world between 2000 and 2017. This impressive contribution could not have happened without the relentless greening efforts made by countless businesses and individuals. As China keeps surprising the world with its advancements, we at CEIBS are more united than ever to serve as a force for good, helping businesses navigate their future through uncertainties.

Dr. Li Mingjun
President,
Professor of Management,
Programme Co-Director of Key Talent Programme for Chinese Companies Going Global,
CEIBS

Dr. Ding Yuan
Vice President and Dean,
Professor of Accounting,
Cathay Capital Chair in Accounting,
CEIBS
CONTENTS

01 CSR Trends Across the World: A Time for Bold Action

02 CSR in China: Practices, Lessons and Way Forward

03 CSR Practices of CEIBS Alumni Companies
• Poten Enviro: Promoting Corporate Ambition and Social Impact Through CSR Practices
• CHERVON: Building Better Tools to Help Build a Better World
• Jianye Group: A Corporate to the Society is Like a Tree to the Earth
• First Respond®: Sparking Universal Mutual Aid in Emergencies
• Essilor: Helping Needy Children with Poor Vision in China’s Mountain Areas See the World Clearly
• CEDAR Charity: Making Public Welfare a Strong Force for Good

04 CEIBS CSR Research
• Selection of Published Papers
• Research Projects in Progress

05 Research on CSR Reports of A-Share Listed Companies
CSR Trends Across the World
From controlling climate change to managing waste and ensuring economic inclusivity, today’s most pressing “corporate social responsibility” issues are systems-level, global challenges. Knowledgeable NGOs, governments, and even nations have long realized that no single entity can solve issues of such magnitude and complexity by working in isolation. What’s new in recent years is a rapid growth in the number of companies leveraging opportunities to collaborate with public entities in bringing innovative ideas and solutions to market. To facilitate that work, others are mobilizing finances, collecting and disseminating useful data about supply chains, and coaching a new generation of leaders.

In this chapter, we have compiled examples of pioneering initiatives illustrating what promises to be a massive reconfiguration of the global economy as companies come to grips with new social expectations and demands. We have organized these cases to illustrate five major trends that capture the spirit of this budding evolutionary change, and thus warrant close consideration by business executives in China and abroad.
TREND #1:
Collaboration on Systems-level Solutions

A decade of rigorous research has shifted conversations about what constitutes responsible business behavior away from the moral and emotional arguments that characterized yesteryear and toward more rational assessments of what is needed to fix problems. Nowhere is this more visible than in the efforts to mitigate and manage climate change. Scientific evidence amassed by the United Nation’s Intergovernmental Panel on Climate Change (UN IPCC) was analyzed by a consortium of non-profit organizations to establish science-based targets that indicate the reductions in greenhouse gas (GHG) emissions needed by individual countries and industrial sectors to meet the goal of capping global temperature increases at 2 degrees, and more ambitiously, at 1.5 degrees. This has prompted more and more companies to establish their own science-based targets for individual GHG commitments as a function of proportionate contributions to an overall industry baseline.

Delivering on these newly ambitious targets requires collaboration, given that major shifts in supply chains and operations are typically required. Energy intensive western IT companies like Google, for example, must quickly adopt renewable energy to contribute what’s considered to be adequate reductions for their industry. Limited renewable energy supplies would have prevented them, in earlier years, from actively pursuing that goal. The supply gap reflected a chicken-and-egg problem common to new markets: in this case, utilities refrained from increasing renewable energy supply because of demand uncertainties, while corporate buyers held back from signing renewable energy purchase contracts because of supply uncertainties. A solution emerged when two NGOs (The Climate Group and CPC) and a host of business partners committed to collaboratively forming a renewable energy market. The resulting initiative, titled RE100, aimed to commit 100+ companies to powering their operations with 100% renewable energy and also to add renewable energy capacity to the grid by installing their own solar panels or via other energy producing technologies. This collaborative action provided the scale to unlock a broader surge in renewable energy production capacity.

RE100 now has 166 members, including many with operations in China. As of March 2019, 20+ RE100 member companies successfully shifted to 100% renewable power usage. Now in its 5th year, RE100 has expanded from the US and Europe to rollout in India and China. To date, two Chinese companies have joined, Elion and Broad Group—so far converting 25% of their combined energy usage to RE. Other power purchase agreements are now proliferating in Western markets, including some designed to allow smaller companies to purchase renewable energy in partnership with larger regional partners. The ultimate result of all this collaboration is to push renewable energy prices downward as the industry scales. In a virtuous cycle, this further accelerates renewable energy adoptions and begins a fresh round of infrastructure investment.

RE100 is emblematic of a new spirit of cooperation among NGOs, utility service providers, and business—and among businesses themselves. There is a growing acceptance that ecosystem members need one another to move forward. There is an understanding that we, as a system, created these global problems, and now we, as a system, need to solve them.

TREND #2:
Disruptive Innovation

Circular Economy

The second trend we see emerging from the new face of corporate social responsibility is a rise in innovations designed to break away from business-as-usual. One of the most innovative methods for addressing waste management, for example, is the Circular Economy (CE). The basic idea of CE is to entirely eliminate waste by designing and managing closed loop systems of materials and components that flow into production systems, on to customer usage as finished products, and then back into input streams as refurbished components or recycled and composted materials for new products and usages. Companies are innovating products, processes and business models in a drive to put this concept into practice. Experiments in “product-as-a-service” (PaaS) are a case in point.

In February 2019, for example, IKEA announced a ‘lease not own’ program for office furniture in Switzerland as part of its “wider ambition to become a fully circular business by 2030.” To implement a PaaS business model innovation like this, IKEA will have to redesign its furniture as composites of durable modular components (i.e. table legs and pillows) that will hold up under long cycles of repeated refurbishment and reuse, in addition to using uncontaminated biological materials such as natural wooden table tops that can be safely returned to nature. These changes to IKEA’s design, production and selling functions will trigger corresponding changes in its financial systems as cash flows and assets are adjusted to meet the new business model. Companies entering the CE realm must rethink all aspects of their business processes—from purchasing to distribution, to reverse logistics, storage and refurbishing—in an effort to attain zero-waste operations.

IKEA is part of another global collaboration called CE100, launched by England-based Ellen MacArthur Foundation. CE100 members include not only companies but also cities (including Toronto and London) working to make the conceptual CE model work. CE100 offers members “a pre-competitive space to advance individual agendas through collective approaches,” thus fostering a platform for shared learning and exploration.
**Social Enterprise**

An innovative business model altering the way that social services are delivered to the market is the Social Enterprise (SE)—a hybrid of for-profit and non-profit business practices that offers a distinct alternative to traditional CSR approaches as well as to charities and NGOs. Whereas traditional corporate CSR programs donate financial and human resources to charitable organizations and other NGOs that work on problems like poverty alleviation and inclusivity, SEs use market means to cultivate their own revenue streams to support their social missions, and in so doing attain self-sufficiency and sustainability.

The competing demands for both financial and social returns within a single organization make SE a difficult model to practice, but when it works it can generate highly innovative and effective solutions. One successful example based in China and founded by CEIBS alumni is First Respond®. Launched in order to save lives by training a large number of volunteers in the skills of emergency cardiac first aid, First Respond® supplies trained volunteers to large-scale public marathons and other athletic events. Revenues are earned by selling AED first-aid equipment to be used in business offices, and also training staff to use it in emergency situations. Another successful SE based in India is Aravind Eye Hospital. Aravind began with the social purpose of “eliminating needless blindness” by providing eye surgery to poor patients in India. As the number of surgeries increased, the organization gained a solid reputation with the general public for their proven surgical expertise. The hospital then leveraged their excellent reputation to become the public’s preferred clinic for eye surgery. Next, they began to serve wealthy clients at market rates, generating a profit stream to fund the surgeries for low-income clients. This model turns traditional charity upside down because the social purpose work-stream creates the market competencies and the attendant possibility to generate revenue streams that ensure the business self-sufficiency.

**TREND #3: Mobilizing Finances**

The shift to a clean and inclusive economy requires the mobilization of huge financial reserves to support innovation, infrastructure development, and business restructuring. Until recently, professional financial institutions have been slow to respond to this market need due to the complexities of linking sustainability to financial performance, and the invariable truth that sustainability investments can take a long time to generate returns. All that is now changing as two different phenomena gather steam in the West. First, investors are demanding better disclosure about how companies are managing the inherent risks and opportunities of the emerging economic transformation, and second, banks and financial service firms are setting ambitious sustainability targets for themselves based on a sense of purpose and opportunity.

A telling indicator of this new mindset in the financial community is the highly influential Letter to CEOs issued annually by BlackRock’s CEO Larry Fink. BlackRock is one of the world’s largest asset management companies, and Fink has issued a call-to-action to CEOs of portfolio companies to personally ensure that their long-term company strategies address key societal challenges. His 2018 letter warned, “In the $1.7 trillion in active funds we manage, BlackRock can choose to sell the securities of a company if we are doubtful about its strategic direction or long-term growth.” In the same letter, he names climate change, fair wages and the impact of automation on employment as issues that companies must address directly.

Excerpts from BlackRock’s Annual CEO Letter to CEOs

(1) A company’s ability to manage environmental, social, and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth, which is why we are increasingly integrating these issues into our investment process.

Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we adapting to technological change? Are we providing the retraining and opportunities that our employees and our business will need to adjust to an increasingly automated world?…

The statement of long-term strategy is essential to understanding a company’s actions and policies, its preparation for potential challenges, and the context of its shorter-term decisions. Your company’s strategy must articulate a path to achieve financial performance. To sustain that performance, however, you must also understand the societal impact of your business as well as the ways that broad, structural trends—from slow wage growth to rising automation to climate change—affect your potential for growth….  

---

Fink’s comments reflect a growing sense among investors and creditors that future financial success of a business will depend strongly on management’s ability to understand and handle Environmental, Social and Governance (ESG) risks. A recent report by the Taskforce for Climate-related Financial Disclosures (TCFD) casts doubt on the extent to which climate risks are currently understood and reported to investors. While experts estimate the total financial risk of climate change to be trillions or even tens of trillions of dollars in additional costs to the global economy—due to supply chain disruptions, infrastructure development needs, worker illnesses and displacements, etc.—the cumulative financial risks reported by companies in their sustainability, financial and CSR reports amounts to only a fraction of that. TCFD is now calling for companies to practice scenario analysis in order to adjust their expectations to the new realities.

Credit rating agencies including Moody’s are also deepening their scrutiny of company reports to ensure that ESG factors are accurately addressed. When transparency is lacking or strategies are outdated, a company’s individual credit rating will fall. As Moody’s explains: “[O]ur objective is not to capture all considerations that may be labeled green, sustainable or ethical, but rather those that have a material impact on credit quality.” Particularly useful is Moody’s report outlining 23 ESG factors that influence ratings including climate change and air/water/physical pollution, human rights and health & safety, and audit practices and transparency/disclosure. Moody’s is now developing heat maps with traffic-signal color-coding to reveal the best and worst prepared companies in specific industry verticals. What emerges is a new view of credit worthiness that factors in the principles of “clean and inclusive society.” This reporting and credit scoring trend creates a “virtuous cycle” in which companies that commit to ESG goals, innovate to find new ways of meeting their targets, and transparently report on their progress are not only boosting internal capabilities, but are also improving their access to, and lowering their costs of, capital.

Traditional banks are playing a role in fueling this trend by dedicating funds to support company transitions. Though green bonds have been issued for many years to finance large clean infrastructure projects, banks are now beginning to offer green loans to smaller businesses that want to improve their environmental, social and governance capabilities. Dutch bank ING, for example, has called on its clients to commit to sustainable practices. The company website states “If ING is to thrive in the future, we don’t only need to manage our own direct and indirect impact—we also need to help our clients address the risks and opportunities that environmental challenges create.” The bank lists “What we do finance” (i.e., projects promoting renewable energy, energy efficiency in buildings, e-vehicles, bio-based plastics, and CE initiatives) and “What we do not finance.” Here, they state: “We apply strict social, ethical and environmental criteria in our financing and investment policies.”

Apple—Efforts to assist the company’s suppliers in adopting low-carbon operations has brought energy efficiencies that pay for the initial outlay. The program is expected to cut the company’s overall carbon footprint from manufacturing by 33% by 2030. https://www.apple.com/environment/.

Ant Forest—As of mid 2018, 350 million Chinese users were active on this app, leading to the planting of 55 million trees. By 2022, Ant Forest plans to plant 500 million trees. Chinese article: https://bokelei.hidu.com/f-10000070/20180650.8252490fspider/forpc. English article: https://social y.com/ant-forest-to-invest-79 m-in-over-5-years-to-plant-500m-trees/.

Mi Charity—China-based SE offering an app for users to track personal good deeds via mobile phone, then convert points gained per deed to trigger donations from sponsor companies to chosen charities. https://www.mi.com/.

JD.com’s blockchain platform to support charities—In- got’s blockchain-based platform allows the public to trace charity donations in China, adding transparency and ease for those making donations. https://jdcorporatedef.org/launched-blockchain-open-platform/.

Large companies are also offering financial support to smaller members of their value chains. One company to learn from is Apple. Not only has Apple joined the RE100 and committed to transitioning to 100% renewable energy in direct operations, it is now helping its suppliers to make the same transition. Apple initiated a program in 2015 to help suppliers cut energy use by conducting audits, then working out schemes to improve energy efficiency. During 2017 and 2018, the company partnered with 48 suppliers to initiate energy improvements resulting in a Co2 equivalent of 320k metric tons yearly. The program is self-sustaining because the energy savings quickly repay the initial investment. So far, the program has resulted in US$44.8 million in annual energy savings. Apple expects this supplier program to generate more than 4 gigawatts of new clean power worldwide by 2020, allowing the company to cut its current carbon footprint from manufacturing by one third.

Chinese company Ant Financial is innovating its own way of mobilizing capital for climate change. The popular Ant Forest app invites users to input personal sustainability goals such as walking to work, paying bills online, or traveling by public transport. Each time the user completes a low-carbon activity, the app provides “green energy” for a virtual sapling. When a user has raised a sapling to a fully-grown tree, AF plants an actual tree as part of a collaborative reforestation program (mainly in a deforested region of Inner Mongolia). Though financial performance information is not publically available for this initiative, the campaign has obvious advantages for lowering the costs of Ant Financial’s customer and data acquisition in an increasingly competitive and crowded digital marketplace.

JD.com—As of mid 2018, 350 million Chinese users were active on this app, leading to the planting of 55 million trees. By 2022, Ant Forest plans to plant 500 million trees. Chinese article: https://bokelei.hidu.com/f-10000070/20180650.8252490fspider/forpc. English article: https://social y.com/ant-forest-to-invest-79 m-in-over-5-years-to-plant-500m-trees/.

Mi Charity—China-based SE offering an app for users to track personal good deeds via mobile phone, then convert points gained per deed to trigger donations from sponsor companies to chosen charities. https://www.mi.com/.

JD.com’s blockchain platform to support charities—In- got’s blockchain-based platform allows the public to trace charity donations in China, adding transparency and ease for those making donations. https://jdcorporatedef.org/launched-blockchain-open-platform/.
TREND #4: Boosting Supply Chain Transparency

One theme running throughout the first three trends we have identified is a growing need for high quality data to support key decision-makers. Corporate leaders, innovators, investors, and creditors can move markets on the basis of their professional decisions. Global purchasing managers can as well. While scientists amass climate change statistics, CE pioneers track material flows, and credit agencies gather deeper and more strategically meaningful ESG reports, supply chain consortia and third party agencies are working to increase the granularity and relevance of data that tracks the major industrial supply chains.

Supply chain audits are not a new phenomenon but digitizing and layering that data with new technology. A.k.a in China Walmart, IBM and JD.com variance in China abilityconsortium.org. Suppliers. The China branch improve sustainable practices is a global coalition formed to help suppliers transition toward sustainability is now active across China. Like SupplyShift, Walmart’s Sustainability Index is widely known to China’s manufacturers. In 2005, the massive retailer promised consumers to “sell products that sustain people and the environment.” Four years later, they announced a Sustainability Index to “establish baselines and track progress against that goal.” Today, the index ranks individual suppliers on a range of sustainable practices, relative to benchmark norms. For sub-par suppliers, Walmart creates a timeline and plan for improvement. The initiative is another collaborative effort of business and non-profits. Walmart Foundation has also issued multiple grants to The Sustainability Consortium (TSC) to open its offices in China (starting in 2013). This global coalition formed to help suppliers transition toward sustainability is now active across China. Like SupplyShift, TSC leverages new technologies to compile data that verifies supplier self-audits. Drones and satellite images can be used to identify hot spots of deforestation, for example, leaving little room for low-tier suppliers to hide. TSC has focused its work in past years on collecting high-quality data, and now is working hard to improve the information’s decision relevance.

5G, cloud and AI technologies will certainly fuel the progress of such initiatives going forward. Blockchain is another technology with enormous potential to boost supply-chain transparency. By simply scanning a barcode or QR code at the warehouse or the point of purchase, data can be accessed anywhere in the world. Walmart Food Safety Alliance launched in China—formed by Walmart, IBM and JD.com along with Tsinghua University to promote food safety via blockchain technology. As in China, the “green supply chain” https://www.3iim.com/presse/ us/en/pressrelease/53487. was.

SupplyShift—a response platform to seamlessly gather and analyze a supplier network. All users, via an intuitive interface, to establish dashboards used to make informed decisions regarding supply chains. https://www.supplyshif t.net/.

Walmart’s Sustainability Index — This index based on data ranking sustainability practices among the company’s suppliers gives a rating to individual suppliers. Those with low scores must improve. https://www.walmart sustain abilityhub.com/sustainability-in dex.

The Sustainability Consortium is a global coalition formed to improve sustainable practices and standards. The China branch opened in 2013. www.sustain abilityconsortium.org.

Blockchain Food Safety Alliance in China—Formed by Walmart, IBM and JD.com plus Tsinghua University, to promote food safety via blockchain technology. As in China, the “green supply chain”. https://www.3iim.com/presse/ us/en/pressrelease/53487. was.

TREND #5: Leadership Engagement

The final trend we identified as impacting CSR worldwide—as well as in China—has to do with the top leadership of companies. The vast scope and scale of changes underway, the creativity and innovation required, and the rigorous data-collection and data-sharing needed, add up to a clear need for new models of leadership regarding social challenges—including new positions emerging within the C-suite.

It is promising to see more companies appointing a Chief Sustainability Officer (CSO) to address the high expectations and demands of modern customers, suppliers, regulators, investors and millennial employees in terms of addressing the pressing issues we have been discussing. Corporate executive teams increasingly recognize the need for officially appointed CSOs to truly and professionally blend CSR seamlessly with mainstream company operations and strategies. In fact, global executive search firm Heidrick & Struggles has recently issued a report on the topic, commenting that “Today, in companies that understand the crucial role that EHS performance will increasingly play in overall company performance, the function is no longer regarded as a cost center but as a strategic asset, or, if poorly managed, a liability. In these companies the CSO no longer reports into Legal or Human Resources but directly to the CEO…”

As an alternative, some companies appoint Board members with deep technical and practical understanding of the toughest CSR challenges and the latest CSR innovations. The important point is this: Given the scope of today’s challenges, and the urgency with which they must be addressed, CSR can no longer remain a trivialized side project handled by the HR and PR departments.

We also see a rising call to identify and cultivate the new skills required to lead in a VUCA world. The term “VUCA”, which originated in the military, is an acronym taken from the words Volatile, Uncertain, Complex and Ambiguous. The term offers a fitting description of the situation business leaders see when they look beyond the walls of the factory or HQ building to a world challenged by poverty, climate change, inequity and job-displacing technological changes. Each of these problems brings intractable business risk but also vast opportunities for innovative growth. Each is poorly understood and in need of urgent change.

The preceding trends give us insight on what is needed from today’s business leaders regarding CSR: the ability to understand systems and ecosystems while simultaneously mastering the nuances of a complex organization; the ability to make fast decisions despite uncertainty and then quickly change course when initial solutions prove to be wrong; the ability to understand and empathize with diverse stakeholders while meeting the stringent demands of financial investors. Terms such as “ambidexterity” “agility” and “responsibility” abound in the current leadership literature.

A number of effective resources exist to assist business leaders in their challenges. One of the most respected, the World Business Council for Sustainable Development (WBCSD) serves as a useful bridge between public policy makers, NGOs and executives. They’ve recently worked to adapt and translate The UN’s country-level Sustainable Development Goals (SDGs), for example, into manageable action points for individual companies. In China, the CBCSD takes on similar role domestically.
China's Complementary Top-Down Approach

The cases in this article describe bottom-up collaborations that are moving CSR into new territory on a global scale. We would be remiss if we neglected to mention the complementary role of China's top-down government initiatives in driving massive domestic change. Ambitious targets for tackling China's major developmental challenges are delivered in successive Five Year Plans (FYP). From eradicating poverty to eliminating pollution and building an economy powered by innovation, China's FYP's assure continuous progress while maintaining a stable economy and society.

Recent efforts by China’s e-commerce giants to connect rural villages to the digital economy are a unique Chinese version of the collaborations we discuss in Trend 1. Circular industrial parks, Smart Cities, and Sponge Cities are large-scale focused experiments to develop the CE model presented in Trend 2 while reinforcing Chinese strengths in new technologies. New CSR reporting guidelines of the Shanghai and Shenzhen stock exchanges are a first step toward ESG transparency as noted in Trend 3, though more work is needed to make that mechanism truly effective. Finally, the work of a restructured and reinvigorated Ministry of Ecology and Environment is bringing not only transparency, but actual change to the less efficient, more polluting sectors of China’s supply chain and manufacturing base.

China’s business leaders are responding to these changes in various ways. More and more seek education on ESG reporting and transparency following widely used standards developed by ISO (Internationals Standards Organization), GRI (Global Reporting Initiative), and CASS (Chinese Academy of Social Sciences). While some are relocating operations to less developed economies in Southeast Asia as a way to escape the higher costs and stringent standards of a more advanced society, others are embracing these challenges by moving up the value chain to develop brands and reputations that allow them to recover costs from higher market prices. A key strength of Chinese leaders is their flexibility and adaptability. As noted in Trend 5, this is a key aspect of leadership in a VUCA world. Hence, we fully expect to see China playing an active role as the new market realities emerge from these trends.
Enterprises are like the cells of an economy and their growth is impossible without the support of the community and country in which they do business. When they grow and prosper, businesses have a responsibility to give back to the community and country that host them. Last year, we provided in the 2017 report an overview of CSR practices such as pollution prevention and control, targeted poverty alleviation, responsible investment and social responsibility reporting and disclosure, as a reference and source of inspiration for CEIBS alumni and the general public. This year, we are producing an updated version which contains new CSR developments in China’s business community in 2018 with a focus on current issues such as economic and legal responsibilities, supply chain partner responsibilities, Internet platform responsibilities, web-based charity and green finance.
2018 marked the 40th anniversary of China’s reform and opening up to international markets and the first year of China’s implementation of the social and economic road map presented by the 19th CPC National Congress. In his report delivered at the Congress, President Xi noted that socialism with Chinese characteristics had entered into a new era based on realities on the ground relative to envisioned development stages. He underlined the need to build a credible society, institutionalize volunteer services, and develop an awareness of social responsibilities, and give back to society. Businesses have to live up to new social responsibilities of the new era.

In 2018, China cemented its second place in world economic rankings with a GDP in excess of RMB 90 trillion. Apart from the stellar economic achievements, China’s efforts in poverty alleviation, rural revitalization and energy conservation, and emission reduction have also made headlines. On January 1, 2018, the Environmental Protection Tax Law of the People’s Republic of China went into effect, making environmental protection tax the first green tax ever introduced in China. The State Council issued the Opinions on Comprehensively Strengthening Ecological Protection and Resolutely Pushing Ahead with Pollution Prevention and Control by the State Council which required that enterprises below environmental standards take measures to comply or face forced closures. Industrial Bank also published the “Green Producers’ Index” to support the growth of green finance and other green industries. Furthermore, The State Council issued the Opinions on the Three-Year Action Plan for Poverty Alleviation which sets out measures to involve businesses in the fight against poverty.

Today, as an increasing number of Chinese businesses invest overseas, they also need to fulfill their social responsibilities in the respective host countries in order to achieve sustainable development. In April 2018, the Chinese government established the China International Development Cooperation Agency; thus marking the formal creation of a responsibility performance mechanism for China’s foreign aid. At the Forum on China-Africa Cooperation, the Chinese government pledged to support Chinese companies in Africa to forge an alliance of corporate social responsibility. The National Development and Reform Commission, in conjunction with six other ministries, published the Guidelines for Businesses Operating Overseas on Compliance Management to help Chinese investors build stable and sustainable operations in international markets. These policies have ushered in a new era for Chinese businesses in terms of performing CSRs overseas.

Economic and Legal Responsibilities: Recognized and Performed

In his report delivered at the 19th CPC National Congress, President Xi underlined the importance of cultivating world-class enterprises with global competitiveness. To join the ranks of the world’s best, Chinese businesses not only need to improve their technological use, managerial prowess, and core competitiveness but also have to shoulder greater social responsibilities. Economic and legal responsibilities are essential duties that businesses have to fulfill; failure to perform these duties will spell disaster for a business.

Safeguarding shareholder and employee interests

Safeguarding the interests of shareholders and investors is one of the most basic social responsibilities of enterprises and paying out dividends is a basic way for listed companies of doing so. Between November 1, 2017 and October 31, 2018, a significant increase from 2017 incurred as a total of 2,776 listed companies in the A-share market paid RMB 94.32 billion worth of cash dividends.1 Not only so, no business can grow without the hard work of its employees. In this sense, an enterprise’s primary responsibility is to protect the health and benefits of its employees. Gree has been exemplary in this regard. In 2018, the company made an across-the-board pay increase of 1,000 yuan, and provided each of its employees with free housing in the talent apartment buildings it had constructed with its funds. In early 2019, Gree offered another pay rise. In the future, the company will continue to give employees pay rises as its finances allow.

Providing safe and quality products

Providing safe and reliable products and services is an essential driver of competition and the right way to reward customers and society for their trust. Take Belu Pharmaceutical as an example. At its inception, the company built an effective quality assurance system on the conviction that product quality and safety can mean life or death for a company. The quality of its pharmaceutical products helped it secure the “Distinguished Corporate Social Responsibility Award” at China’s first CSR assessment for pharmaceutical companies. In contrast, Changsheng Biotech was caught falsifying data in the production of rabies vaccines in 2018, causing national outrage. By violating its legal responsibilities and moral obligations, Changsheng became the first company to be delisted, providing a cautionary tale of the failure to duly perform social responsibilities.

Operating in compliance with regulations

Operating in compliance with regulations is a prerequisite for achieving healthy development, and flourishing in an economically globalized world. In recent years, as the international community and governments across the world are increasingly committed to establishing and maintaining an open, transparent and fair social order, Chinese businesses must ensure regulatory compliance in order to expand their influence across domestic and overseas markets. In 2018, ZTE’s humiliation at the hands of the US laid bare China’s dependency on the US for chips, as well as the vulnerability of Chinese businesses in business dealings through poor compliance with international conventions, laws and business codes. As China’s largest telecommunications company, ZTE provides job opportunities for its 80,000 employees, thousands of supply chain business partners, and their hundreds of thousands of employees. Through breach of business rules, it put its own prospects and of its employees, partners and even that of the whole industry in great jeopardy.

Supply Chain Responsibility Management: 
Expanding CSR Boundaries to Include Supply Chain Partners

Incorporating supply chain partners in its CSR management system is essential for a company to ensure sustainable development of its supply chain. The International Guidelines on Social responsibility ISO26000 and the national social responsibility standard GB/T36000 contain clear requirements for supply chain responsibility management. In fulfilling their social responsibilities, businesses are increasingly enforcing compliance amongst supply chain partners as well. The scope of CSR management has gradually expanded to include supply chain management; businesses are strengthening their supply chain CSR management and promoting healthy industrial growth by implementing responsible procurement and green supply chain programs.

Establishing responsible procurement mechanisms

Responsible procurement requires businesses to fully integrate the concept of social responsibility in the procurement process and to ensure that products and services are purchased in compliance with ethical norms, codes on labor rights and other social responsibility requirements. In some countries and territories such as conflict-affected high-risk regions where the mining and trade of natural resources may exacerbate conflicts and human rights violations, it is especially important for businesses to conduct supply chain management in order to protect human rights and avoid the risk of fueling conflicts. Huawei, Yunnan Tin Industry, Ronbay New Energy Technology, among other enterprises, have issued responsible supply chain management statements, announcing their firm commitment to responsible procurement.

Responsible procurement also means that businesses have to buy products or services based on the principles of fairness, openness and impartiality. In the honey industry, for example, beekeepers are usually at the bottom of the value chain and are hard-pressed to both obtain a fair share of income and maintain consistency in the quality of raw honey. In order to ensure the quality of raw honey and safeguard beekeepers’ fair economic benefits, Baihua Honey, a brand created by one of the CEIBS alumni, have integrated beekeepers into their inclusive business model. The company has established an apiculture center and a professional bee-keeping cooperative where beekeepers are given technical training on bee-keeping and assisted in raising the yield and quality of raw honey. It has not only improved the economic benefits of beekeepers but also secured a reliable source of raw materials aligned with its responsible procurement policy.

Implementing green supply chain management

Green supply chain management involves steering business partners and the whole industry towards green development through supplier management and green procurement in a top-down process. In April 2018, the Ministry of Commerce and seven other ministerial departments jointly issued the Circular on Trial Innovations and Application of Supply Chain, which prioritizes the development of green supply chain systems throughout the processes and links of businesses’ operations. Distribution companies and industry associations have also established a “Green Procurement Alliance” to promote green procurement in the distribution industry.

Businesses also lent strong support to the promotion of the green supply chain notion. Landsea Group, Vanke and the SEE Conservation launched the “China Real Estate Industry Green Supply Chain Action Plan” calling on real estate enterprises to improve resource efficiency and environmental benefits and help cut carbon emissions through green procurement. Sanyuan Foods, for instance, is committed to waste and pollution reduction through reuse or reduced use of product packaging whilst maintaining product quality. Midea, Hisense and a number of other of Shunde-based manufacturers jointly published the Shunde Green Supply Chain Declaration. They also developed the Green Evaluation Standards for Shunde-Based Home Appliance Suppliers under the auspices of the Shunde District Energy Conservation Association, shifting the focus of green supply chain management from distributor management to full life cycle management.

Internet Platforms:
With Great Power Comes Great Responsibility

In a digital, networked and intelligent world, information and communication technologies are increasingly more integrated in various social and economic activities. This makes life and consumption much easier for the general public. While the boom of an “Internet +” entrepreneurial climate and the rapid development of Internet-based companies have generated significant economic and social benefits, they also shine a light on many new social responsibility problems.

Urgent need to strengthen information security

Our life has been made much easier thanks to advances in internet and big data technologies, rapid growth of mobile payment and O2O services, and the rise of share economy and e-commerce. The massive amount of information and data generated by users are a vital strategy resource for internet-based businesses, especially application service providers and platforms. How to protect user information security has become a new responsibility issue for internet companies. In 2018, Alibaba Cloud, Tuniu, and Ctrip were named and shamed by the Ministry of Industry and Information Technology for high-risk loopholes in information security management system and a failure to establish new business security assessment systems. Internet companies are duty-bound to protect users’ information security. To fulfill their own social responsibility in the big data era, they need to re-examine and improve the information security practices.2

CSRs apply to internet platforms

The rapid development of internet-based companies in China’s feverish “Internet +” startup scene has provided a strong impetus and source of innovation for economic development. By mobilizing social resources, internet platforms may have created enormous economic and social benefits but have also laid bare new CSR-related challenges. In the bike sharing industry, companies have, by operating via an online mobile application, greatly improved mobility for urban residents. However, the murder of a passenger by a taxi-driver using Oidi’s hitchhiking platform exposed serious loopholes in the company’s passenger security management. Bike-sharing was hailed as a great innovation for zero carbon footprints; however, mountains of abandoned sharing bicycles have resulted in great waste of resources and added to urban management difficulties. Ofo, one of the station-free bike-sharing platforms, have hurt the interests of its users through delays in refunding their deposits. If enterprises only focus on their own economic interests without performing their social responsibilities, problems will rise and their ability to operate as a going concern will be undermined. In December 2018, 36 internet companies, including Alibaba, Tencent and Baidu, signed the “Chinese Internet Companies CSR Initiative 2018” to explore how internet-based businesses can best fulfill their CSRs and build a healthy business environment.

**Internet-based Charity: Universal and Informed Participation**

Rapid advances in information technology have allowed the internet to become a major focal point for connecting donors and recipients. Evolving internet-based charity models have become a major rallying force for getting more people to perform acts of love. Through public oversight and self-regulation, web-based charities are becoming increasingly sophisticated and orderly.

Promoting universal participation in charity

Internet-based charity has evolved rapidly to become a major form of philanthropy as participation is possible anywhere at any time. Technological interventions and innovations have pushed web-based charity to a whole new level of prosperity.

Following “99 Charity Day”, a nod to September 9th, Tencent launched Action for Good. In 2018, it launched the “Walk to Give” charity campaign, calling on the general public to donate their steps to help children with leukemia. Over 30 million people participated in the campaign, donating over 500 billion steps. In addition, Ant Forest and Revenue Donation, launched by Alibaba on Alipay mobile client, have become ongoing charity programs that users can directly participate in when they shop and exercise. The accessibility of these programs have greatly aroused the interest of the general public in charity, ushering in an era of mass participation in charity.

Towards well-informed charity

While internet-based charity has increased public interest and gained in popularity, it has also called into question the authenticity of information on charity programs and implementation efficiency. Public confidence that charity programs are transparently operated is the bedrock of their sustainability. Through public oversight and self-regulation, web-based charity has got on the right track of healthy and orderly growth.

To build users’ trust in charity organizations, especially internet platforms, Tencent Charity has created a “transparency” popup box to disclose information on where users’ money will be used before they make any donations. The use of the reminder makes sure every penny of donation it receives is made out of users’ compassion and a well-thought out decision making process. Charity platforms such as azxchou.com, Qfund and shuidichou.com have jointly published the Self-discipline Initiative for Taking to the Internet for Support with Grave Illnesses and the Self-Discipline Convention on Tuning to Internet Service Platforms for Relief with Grave Illnesses, to prevent any misuse of the platforms. According to Chen Yidan, founder of Tencent Charity, charities may need to use sensational stories to rally support in the initial stage but as they grow, they have to truly connect with well-informed constituents and should focus more on their long-term sustainability instead of prioritizing short term donations spikes.

---

**Green Finance: New CSR Catalyst**

Today, as China has entered a critical period of economic restructuring and transformation, a stronger demand for finance is emerging for the development of green industries and the greening of traditional industries. Green finance requires financial institutions to pay more attention to the management of environmental pollution, the protection of the environment in their business activities, and promotion of sustainable social development by mobilizing social and economic resources. Green finance has become a new catalyst for the development of CSR in China.

In 2018, China’s green bond market enjoyed steady growth with 129 green bonds totaling RMB 220.853 billion issued, marking a substantial increase in the number and size of bonds issued over 2017. The funds raised were mainly used in the field of pollution prevention, clean transport and clean energy. In 2018, Industrial Bank issued RMB 60 billion yuan worth of green financial debt in two batches thereby increasing its outstanding green bonds to RMB 110 billion yuan—the largest in size by any commercial banks.

In response to China’s needs to transition to a green economy, Industrial Bank launched diversified financial products and services including financing and smart finance in an effort to create a green financial product chain. ICBC, in view of the increasing need for energy conservation and environmental protection in developing a circular economy, has launched carbon factoring, energy efficiency loans and other green financial products in the green finance market. At the same time, the bank has been promoting e-banking, network financing and other green financial services, to create an environmentally friendly “green bank”.

Green finance is essential for the sustainable development of the financial system itself. At the same time, it is helpful for promoting green investment, as it guides capital flows into energy-saving, environmentally-friendly and green industries but discourages investment in high-polluting and energy-intensive sectors. In addition, it can produce a wide range of other benefits, including: helping build a market-oriented green technology innovation system; promoting resource conservation and environmental friendliness; and facilitating the formation of green development models. Under which economic and social development are aligned with environmental protection.

---


4 Note.
Since its opening up and reforms 40 years ago, China has achieved spectacular economic progress. Chinese businesses have taken the initiative to fulfill their social responsibilities as they grow, adding new dimensions to the notion of CSR and pushing its development to a whole new level.

Chinese businesses are increasingly focused on having supply chain partners shoulder their own social responsibilities. Web-based platforms are evolving rapidly, giving rise to internet-based charities. In an era of universal participation in charity and people grow more wary of internet scams, web-based charities are enjoying healthier growth through public oversight and self-regulation. By encouraging private investors to participate in green industries, green finance has become a new catalyst for corporate social responsibility.

In a world that is undergoing once-in-a-century changes, Chinese businesses need to better enact their social responsibilities as an effective tool for transformation, upgrading and strengthening their global competitiveness when further expanding their operations domestically and internationally. Only by fulfilling their social responsibilities as they participate in social and economic changes can they ensure sustainable growth.

In 2018, many government departments and agencies also prepared and published their own social responsibility reports. The SASAC and the Academy of Social Sciences jointly released the Blue Book on CSR in State-Owned Enterprises 2017 as a major guideline for SOEs to implement their CSRs efficiently. The All-China Federation of Industry and Commerce (ACFIC) released its first Report on Chinese Private Businesses CSR 2018 which gives a rundown of the successful experiences and fruitful achievements of private enterprises in fulfilling their corporate social responsibility. Other CSR-related reports published by government departments include the China Sustainable Development Evaluation Report 2018 and the Report on the Sustainable Development of Cities in Western Provinces 2018.


There are also a growing number of research-based social responsibility reports including the Research Report on A-Share Companies’ CSR 2018 jointly released by Shanghai University of Finance and Economics and CEIBS; the GoldenBee Research on China’s Corporate Social Responsibility Reporting 2017, prepared by GoldenBee; and A Substantive Analysis of CSI300 Index Constituent Businesses’ CSR Reporting 2018, jointly released by Good Business and SynTax-Sustainability Solutions, and etc.
Poten Enviro: Promoting Corporate Ambition and Social Impact Through CSR Practices

Huang Xiayan, Dean’s Office, CEIBS

Poten Enviro Group Co., Ltd. (603603.SH) is a trailblazer in China’s environmental protection industry. Since its inception in 1995, Poten Enviro has taken on the mission of “creating an enjoyable environment for the harmony of human and nature”. Adhering to the essential values of environmental protection operations, the company has relied on its attention to detail and innovation in delivering exceptional solutions to industrial water treatment systems, urban and rural water environment projects, and ecological industrial applications. In addition, Poten Enviro strives to promote the integration of environmental protection activities into the manufacturing stages of the product life cycle, thus promoting green transformations in companies to achieve green development.

“Greatness originates from altruism” is the business philosophy of Poten Enviro, and the concept of social responsibility is deeply enshrined in the values of all employees at Poten Enviro. The companies’ CSR initiatives include: the “Clean water stations” campaign, which promotes safe drinking water for the improvement of the quality of life for young people; the “China Desert Environmental Challenge”, which brings together stakeholders in the environmental industry and raises public attention on environmental issues; the charity auction for people with pneumoconiosis; the “Green Bookshelf” and “Memsino” scholarships and other charitable educational activities; and the “CEIBS Alumni Forums” series that promotes CSR practices—just to name a few. Zhao Lijun, Chairman of the Board of Poten Enviro once said, “Responsibility gives companies the ambition to grow and makes the society a better place.”
The dream landscapes

An affluent and peaceful nation surrounded by green mountains, lush grasslands and clear water under the blue sky—this is the dream landscape cherished by all members of Poten Enviro, whose mission is to create an enjoyable environment for the harmony of human and nature.

The harmony of human and nature is an important notion in the traditional culture of China. “Unlike hardline environmentalists who pursue environmental conservation while neglecting people’s pursuit of a better life, we aim to enable quality life through creating a beautiful environment for all,” says Zhao Lijun, who believes that Poten Enviro must not only respect, adapt to and protect nature, but also provide a better environment for human beings in doing so. Poten Enviro not only harbors an earnest desire for a beautiful environment, but also the dream of better life.

And I do believe that greatness originates from altruism. This belief has also motivated me to work in the environmental protection industry, because by definition, companies in this field are responsible for assisting other companies to protect the ecological environment, and hence act as the backbone for social and environmental sustainability. Since its inception, Poten Enviro has been adhering to the principle of altruism. We firmly believe in the power of quality, attention to detail and innovation, with which we continue to create greater value as we commit ourselves to becoming a company widely needed by all sectors of the society.

Zhao Lijun
CEIBS EMBA 2001 Alumnus
Chairman of Poten Enviro Group Co., Ltd.

Forging ahead

In its early days, Poten Enviro was serving a single industry. As the economy developed, the demand for water treatment in emerging industries continued to increase, and so were the society’s expectations for the values of the environment. As a result, Poten Enviro gradually extended its environmental protection business from the waste treatment stage to the production stage of the material management cycle, providing support to the green production transformation and opening up new windows for green development.

Responding to the needs of the society, Poten Enviro adhered to the essential values of environmental protection businesses and extended its business portfolio from “water-related industrial environmental protection” to “healthy lifestyles for ecology, tourism and living”. In recent years, Poten Enviro has upgraded its key business areas of industrial water systems, urban and rural water environment and ecological industries under the new banners of “strong industries” “superior water services” and “beautiful ecology”. The company also strengthened its focus on three key areas of growth—soil and groundwater remediation; environmental monitoring and intelligent environment management; and core equipment manufacturing. In addition, they’ve been innovating their technology, products, services, business models and management, so as to continue providing improved ecological solutions to create new values for a beautiful environment and a better life.

Where the Journey Begins:
A great ambition nurtured at the Gulf of Finland

Born in Ningxia, Zhao Lijun spent his younger years in his hometown located at the Loess Plateau, a region severely impacted by soil erosion. Later, he studied and worked in Beijing, a city prone to sandstorms at the time. In 1993, during a study tour to inspect new energy facilities at St. Petersburg, Russia, Zhao Lijun was fascinated by the beautiful scenery of the Gulf of Finland.

Seagulls soared into the azure blue sky, and lush fields of grass blanketed the coast as far as he could see. As he relished the beauty of the Gulf of Finland, Zhao Lijun realized that he could never have imagined a major industrial city surrounded by such marvelous nature. “When will Chinese cities have such a beautiful environment?” he couldn’t help but wonder. It was at that very moment that the aspirations to provide his compatriots back home a beautiful environment kindled in his heart, which in turn led to his pursuit towards environmental protection in China.

Although the environmental protection industry was more or less an uncharted territory at the time, Zhao Lijun firmly believed that anything for the benefit of humankind will have a great future. According to Zhao Lijun, environmental improvement is bound to become an important need in the future. Pollution management requires efforts from the private sector as much as it requires the support of the government. Inspired by the forefathers of the industry, Zhao Lijun founded Beijing Boda Environmental Engineering Co., Ltd., the predecessor of Poten Enviro, at the age of 27, committing himself to the cause of environmental protection.

Chasing Dreams:
Creating an enjoyable environment for the harmony of human and nature

An affluent and peaceful nation surrounded by green mountains, lush grasslands and clear water under the blue sky—this is the dream landscape cherished by all members of Poten Enviro, whose mission is to create an enjoyable environment for the harmony of human and nature.

The harmony of human and nature is an important notion in the traditional culture of China. “Unlike hardline environmentalists who pursue environmental conservation while neglecting people’s pursuit of a better life, we aim to enable quality life through creating a beautiful environment for all,” says Zhao Lijun, who believes that Poten Enviro must not only respect, adapt to and protect nature, but also provide a better environment for human beings in doing so. Poten Enviro not only harbors an earnest desire for a beautiful environment, but also the dream of better life.
In both traditional fundamental industries such as energy and chemicals, and emerging strategic industries such as integrated circuits, Poten Enviro is committed to providing an integrated solution for industrial water systems that covers the entire life cycle. The company positions itself as a promoter of comprehensive resource conservation and recycling from the start of the life cycle in order to address the needs for green development, circular economy and low-carbon development for ecological development. In doing so, it has become one of the first Chinese listed company operating in the high-tech water treatment field, for example, the integrated circuit industry.

In recent years, based on close to 300 typical projects launched, Poten Enviro developed a number of proprietary technologies and process toolkits that were used to tackle a variety of environmental problems. Flagship projects have been set up in the treatment of industrial sewage, domestic water, circular water and reuse water, contributing to the green development of our clients in various industries. For example, Poten Enviro achieved a breakthrough in zero-discharge of high-concentration salt wastewater in China’s first million-ton indirect coal liquefaction project implemented by Shaanxi Future Energy Chemical Industries Co., Ltd. 1 The project was awarded the “2016 National Outstanding Chemical Industry Engineering Project” and was listed in the “2018 Directory of Key Environmental Protection Technology Demonstration Projects”.

In delivering “superior water services”, Poten Enviro builds on its expertise in water supply, drainage, water reclamation and pipe networks, actively extending its operations from traditional water management to integrated solutions at the river basin level, creating an intelligent integrated ecosystem of urban and rural water management. It aims to continue serving higher environmental standards with new business models and new technologies, optimize operating costs, improve service quality, create improved water assets, and deliver better water environment services.

In 2016, to address the challenges of urban river basin management, Poten Enviro took the lead in managing polluted water bodies in the city of Linyi using its cutting-edge expertise in integrated management. Through innovating its technological approaches and treatment options while taking into consideration the unique characteristics of hydrological and pollution conditions, Poten Enviro has established a technical system for water environment treatment. In the process, it has overcome many challenges as it strives to contribute to an improved environment. After working for more than a year, the treatment of polluted water in the urban area of Linyi has made remarkable results and clear waters have been restored. 2 Clean rivers and lush shorelines returned to the city, and fish can be seen roaming in the water. Such a beautiful landscape made Linyi one of the twenty “Model Cities in Polluted Water Management 2018”.

Responding to the increasing understanding and demand for ecological values by the society at large, Poten Enviro launched a business portfolio labeled as “beautiful ecology”. Building on its work on environmental improvement, Poten Enviro has been working in areas with rich ecological endowments to explore ecological values through environmental art and ecological technologies. It has created various ecological industries for different scenarios such as the “Mountain, River, Forest, Farmland, Lake, and Grass System” that provides diversified high-quality ecological products for upgrading green consumption, thus creating a “good landscape and idyllic life”.

Currently, through its environmental protection projects, such as the Jinggang Cultural Tourism Theme Town, infrastructures for the scenic belt along Guijiang River in Zhaoping County, and the “City of Water” in Wuyishan City of Fujian Province, Poten Enviro has combined ecological values with cross-cutting industries such as culture and tourism, health and wellness, and sports, creating a more direct and broader link with consumers, while empowering local economic development by adhering to the principle of “Green is Gold” and exploring new ecological values.

2 official website of Poten Enviro. Poten Enviro helps to restore clear stream water supported by state subsidy of RMB 600 million for Linyi’s polluted water body management, 2016-10-30 [2019-01-13], http://www.poten.cn/show/h2o/1056&page=1&siteid=1.
Membrane chemical reactor (MCR)

At present, environmental protection supervision is mainly conducted manually, and a standardized and refined environmental quality supervision system is yet to be established. Based on its leading monitoring and detection capabilities, Poten Enviro integrates big data, cloud computing, artificial intelligence and other new technologies to generate insight from various environmental data, through which it has established an all-inclusive three-dimensional ecological and environmental monitoring system to provide credible environmental big data, providing customers with the ability to prevent and control environmental risks, and enabling them to achieve intelligent environmental management.

During the 2017 BRICS Summit in Xiamen, Poten Enviro was responsible for primary and alternative water source monitoring, landscape water quality monitoring and environmental law enforcement monitoring to ensure water safety and air quality for the Summit.3

Supporting modern environmental governance, Promoting intelligent environmental management

Promoting intelligent environmental management

As China’s environmental governance has shifted focus from “visible” pollution to “invisible” pollution, greater attention has been drawn to ecological remediation. However, many remediation projects are near-sighted, which is evident by their hasty field surveys and over-remediation. The concept of green remediation that comprehensively takes into account environmental, economic and social benefits has not been widely accepted by the market.

Poten Enviro provides a comprehensive portfolio of services that cover surveying, risk assessment and solution design, implementation and acceptance for different stages of intervention, such as pollution prevention, control, emergency treatment and pollution remediation, for various soil and groundwater remediation scenarios such as mines, oil fields, farmland, industrial sites and river sediments. This helps achieve green ecology, joint water-soil management and long-term safety, helping the industry to transition from short-term result-driven operations to the longer term pursuit of green, safe and sustainable remediation.

Practicing green remediation, Restoring natural ecological vitality

As China’s environmental governance has shifted focus from “visible” pollution to “invisible” pollution, greater attention has been drawn to ecological remediation. However, many remediation projects are near-sighted, which is evident by their hasty field surveys and over-remediation. The concept of green remediation that comprehensively takes into account environmental, economic and social benefits has not been widely accepted by the market.

Poten Enviro provides a comprehensive portfolio of services that cover surveying, risk assessment and solution design, implementation and acceptance for different stages of intervention, such as pollution prevention, control, emergency treatment and pollution remediation, for various soil and groundwater remediation scenarios such as mines, oil fields, farmland, industrial sites and river sediments. This helps achieve green ecology, joint water-soil management and long-term safety, helping the industry to transition from short-term result-driven operations to the longer term pursuit of green, safe and sustainable remediation.

Adhering to perfectionism and innovation, Creating leading technological products

Only through technological innovation embedded in products can we achieve better values. In the area of water environmental services such as industrial water systems, urban and rural water management and watershed management, Poten Enviro relies on its leading proprietary membrane technologies to provide high-quality membrane products, integrated membrane equipment and membrane technology solutions to the society.

At the same time, by integrating global technologies, Poten Enviro strives to enhance its core product capacity and provide differentiated water treatment equipment and purification products providing direct drinking, seawater desalination, sewage treatment, disaster relief, among others, for military, civilian and emergency management use, creating green values through advanced technology.

An example is the energy-saving submerged membrane chemical reactor (MCR) technology developed by Poten Enviro. The MCR combines the high-efficiency membrane separation technology with chemical reactions, further strengthening the chemical reaction process through the special function of membranes. This improves the efficiency of chemical reactions and efficiently removes hardness, turbidity and dissolved silicon in the water, which results in significantly higher water quality than traditional precipitation methods. The advantages of this technology include remarkable energy-saving capability, high integration, sophisticated softening, and silicon removal at room temperature, making it applicable to various fields such as brine pretreatment, wastewater discharge and water reuse.

Project Site of the Xinjiang Zhongtai Chemical Soil Remediation Project

Membrane chemical reactor (MCR)
In 2008, the whole country was saddened by the Wenchuan earthquake in Sichuan province. Zhao Lijun went to the disaster-stricken area to coordinate relief work representing Beijing Urban and Rural Construction Group in the capacity as Chief Coordinator for providing development support to Sichuan Province. There, he was constantly struck by the sight of broken bridges, falling rocks and the sudden perishing of life.

The stark realization that life is so fragile has been lingering on in his mind till today. Aftershocks continued through the days and nights that followed, and Zhao Lijun was compelled to rush in and out of their shelters constantly along with his colleagues and survivors of the disaster. In between these restless rushes, Zhao Lijun was observing people’s exhaustion and persistence, tears and smiles, fragility and strength, constantly asking himself, what is the meaning of life? In this fleeting life, how to live a life with a clear conscience?

“*In this limited life, we have to do more for the society.*” Behind this simple statement lies Zhao’s profound understanding of life and what is the most worthwhile thing to do in our ephemeral life? Since then, Zhao Lijun would continue to contemplate on these questions as he went on hikes deep into the heart of nature. The trip to Antarctica, his farthest adventure so far, has touched the deepest corner of his heart.

According to Zhao, “when you venture deep into nature, a strong feeling of awe will surge up from inside. As I stood in front of a glacier that was there hundreds of millions of years ago, the feeling of awe and responsibility kicked in. I realized how insignificant humanity is in the nature, and was appalled at the thought that how could we just do whatever we want to.” Thanks to the awe of nature, Zhao Lijun often reflects on himself. Knowing that the emergence of human has just been a vanishingly small fraction of the history of our planet, we should do more to respect nature, conform to its laws and protect nature, rather than being arrogant enough to ignore its mighty power.

If it was the beauty of the Gulf of Finland that made Zhao Lijun decide to devote himself to the cause of environmental protection and to build “an enjoyable environment for the harmony of human and nature”, then the Wenchuan earthquake and the close encounter of nature definitely kept him in awe of nature and to realize the value of life, which reaffirmed his belief that “greatness originates from altruism.”
Hosting CEIBS business forum: The way of business, for the virtue of wealth

In order to better promote CSR awareness and encourage companies to take up social responsibility, Poten Enviro has been working with the CEIBS Alumni Association for Environment Protection and China Environment News in holding the annual CEIBS Alumni Forum on the Art of Business since 2014.

What is the way of business? Zhao Lijun once said, “Many companies often understand CSR as a one-off donation. But the Business Forum has put forward the idea of ‘the Way of Business for the Virtue of Wealth’. Using this idea, we want to show that CSR should be an integral part of a company’s business operations. It should support and promote each other as the company develops. In doing so, companies will have a more sustained and healthier development, which in turn allows for larger responsibilities on their shoulders.”

Currently, the CEIBS Alumni Business Forum has been held three times, bringing together economists, renowned sinology scholars, CEIBS alumni, and environmentalist-entrepreneurs, and eminent personalities to exchange views on the topics of “reconstructing the values of business ethics” “opportunities and challenges for green economy under the new realities” and “green development: from responsibility to opportunity”. At the same time, the Forum also issued the “The Way of Business Declaration”, which calls on entrepreneurs to actively participate in rethinking the values of business ethics.

An auction was held during the third forum which sold ten paintings drawn by innocent young artists brimming with sincerity and imagination. These artworks were hand-painted by the pupils in the poverty-stricken counties in Hebei province where “CEIBS clean water stations” were installed. The paintings deeply moved the audience and raised a total of RMB 39,573 yuan, which was sufficient to provide clean water and better prospects for 425 children for one year.

Exploring models for public interest: Apples with the warmth of gratitude

Social responsibility is not a one-off investment, but an ongoing commitment. In its charitable poverty alleviation work, Poten Enviro was able to explore new business models building on local ecological resources, as a means to help translate high-quality local organic products into economic benefits, thereby enabling more people to enjoy a quality life while reaching out to local communities.

In January 2018, the Poverty Alleviation Office of the State Council collaborated with the All-China Federation of Industry and Commerce jointly to launch the “Ten thousand enterprises for ten thousand villages” program for consumer poverty alleviation. Zhao Lijun participated in an in-depth field research in Gansu province as the president of the Environmental Chamber of Commerce of the All-China Federation of Industry and Commerce. During his field research, he visited Jingning, a national key poverty-stricken county in Gansu Province, where the ecological environment was well preserved and high-quality apples were produced locally. However, due to its remote location, the county had problems marking their apples, which remain quite unknown until then. Farmers were compelled to sell their apple stockpiles at low prices to beverage factories without even able to recover production costs.

To help Jingning County eradicate poverty, Poten Enviro worked with local cooperatives and trading companies to bridge supply and demand through purchasing apples and introducing e-commerce. On Mid-Autumn Festival in 2018, employees of Poten Enviro received a special gift, apples with the warmth of gratitude. By the end of 2018, Poten Enviro had purchased 30,000 kilograms of apples, bringing a direct or indirect income of nearly RMB 600,000 yuan to local farmers.

Investing in charitable clean water stations: Every drop of clean water counts

In June 2015, pupils at the Daqianchang Primary School in Zhongning County, Ningxia Hui Autonomous Region witnessed clean water gushing out of the faucet, and finally were able to enjoy clean water from the tap. “The water is very sweet!” the Children exclaimed. In fact, the water is not sweet by any standard, but taste of sweetness actually came from its drastic difference from the puckery taste of the water they used to drink.

Bohui Technology, a subsidiary of Poten Enviro, has conducted professional tests on the water quality of Ningxia, which found that local drinking water has a varying degree of excessive hardness, as well as chloride and nitrate content. In the long run, excessive intake of such water may cause damage to brain development and nerve activity among children. Therefore, safeguarding the safety of children in Ningxia has become a top priority.

In response, through its Special Environmental Fund for Environment Protection and China Environment News in May 2015, 300 environmentalists challenged their own limits by walking 70 kilometers in three days and two nights deep in the Tengger Desert, completing a journey “in, and for the beauty of nature”. This sporting event within the environmental protection community was also a charitable competition that strengthened the determination of environmentalists, united their power for environmental protection, and kindled environmental awareness among more and more people. It was already the fourth China Environmental Protection Desert Challenge, which was initiated by Zhao Lijun.

The Desert Challenge encouraged participants to discover the beauty of the desert landscape, while at the same time inspired them to contribute to protecting the fragile environment in the desert. Pollution in the Tengger Desert has been a matter of grave concern and has sparked many heated debates. Through the Desert Challenge, Poten Enviro drew more attention and support for environmental protection. By safeguarding this purest form of nature with concrete actions, it is committed to protecting the untouched nature of Tengger.

Challenging the endless sea of sand: Promoting environmental awareness

Starting from Ningxia, Poten Enviro has invested in 73 drinking water stations at 19 schools in 6 regions across China, providing clean and healthy drinking water to nearly 20,000 teachers and students countrywide.

In May 2018, 300 environmentalists challenged their own limits by walking 70 kilometers in three days and two nights deep in the Tengger Desert, completing a journey “in, and for the beauty of nature”. This sporting event within the environmental protection community was also a charitable competition that strengthened the determination of environmentalists, united their power for environmental protection, and kindled environmental awareness among more and more people. It was already the fourth China Environmental Protection Desert Challenge, which was initiated by Zhao Lijun.

The Desert Challenge encouraged participants to discover the beauty of the desolate desert, while at the same time inspired them to contribute to protecting the fragile environment in the desert. Pollution in the Tengger Desert has been a matter of grave concern and has sparked many heated debates. Through the Desert Challenge, Poten Enviro drew more attention and support for environmental protection. By safeguarding this purest form of nature with concrete actions, it is committed to protecting the untouched nature of Tengger.

Social responsibility is not a one-off investment, but an ongoing commitment. In its charitable poverty alleviation work, Poten Enviro was able to explore new business models building on local ecological resources, as a means to help translate high-quality local organic products into economic benefits, thereby enabling more people to enjoy a quality life while reaching out to local communities.

In January 2018, the Poverty Alleviation Office of the State Council collaborated with the All-China Federation of Industry and Commerce jointly to launch the “Ten thousand enterprises for ten thousand villages” program for consumer poverty alleviation. Zhao Lijun participated in an in-depth field research in Gansu province as the president of the Environmental Chamber of Commerce of the All-China Federation of Industry and Commerce. During his field research, he visited Jingning, a national key poverty-stricken county in Gansu Province, where the ecological environment was well preserved and high-quality apples were produced locally. However, due to its remote location, the county had problems marking their apples, which remain quite unknown until then. Farmers were compelled to sell their apple stockpiles at low prices to beverage factories without even able to recover production costs.

To help Jingning County eradicate poverty, Poten Enviro worked with local cooperatives and trading companies to bridge supply and demand through purchasing apples and introducing e-commerce. On Mid-Autumn Festival in 2018, employees of Poten Enviro received a special gift, apples with the warmth of gratitude. By the end of 2018, Poten Enviro had purchased 30,000 kilograms of apples, bringing a direct or indirect income of nearly RMB 600,000 yuan to local farmers.

Exploring models for public interest: Apples with the warmth of gratitude

Social responsibility is not a one-off investment, but an ongoing commitment. In its charitable poverty alleviation work, Poten Enviro was able to explore new business models building on local ecological resources, as a means to help translate high-quality local organic products into economic benefits, thereby enabling more people to enjoy a quality life while reaching out to local communities.

In January 2018, the Poverty Alleviation Office of the State Council collaborated with the All-China Federation of Industry and Commerce jointly to launch the “Ten thousand enterprises for ten thousand villages” program for consumer poverty alleviation. Zhao Lijun participated in an in-depth field research in Gansu province as the president of the Environmental Chamber of Commerce of the All-China Federation of Industry and Commerce. During his field research, he visited Jingning, a national key poverty-stricken county in Gansu Province, where the ecological environment was well preserved and high-quality apples were produced locally. However, due to its remote location, the county had problems marking their apples, which remain quite unknown until then. Farmers were compelled to sell their apple stockpiles at low prices to beverage factories without even able to recover production costs.

To help Jingning County eradicate poverty, Poten Enviro worked with local cooperatives and trading companies to bridge supply and demand through purchasing apples and introducing e-commerce. On Mid-Autumn Festival in 2018, employees of Poten Enviro received a special gift, apples with the warmth of gratitude. By the end of 2018, Poten Enviro had purchased 30,000 kilograms of apples, bringing a direct or indirect income of nearly RMB 600,000 yuan to local farmers.
At the end of 2018, the Branding Department of Poten Enviro conducted an internal survey on employees’ brand perception. Results show that “a high sense of social responsibility” was the highest ranked among the eight characteristics provided in the survey. As a result of this survey, Poten Enviro started to take stock of the CSR activities over the past years, which was a present surprise for Zhao Lijun, who said: “We realized how many CSR activities we have conducted over the years, although we have never deliberately tried to do it just for the sake of ticking boxes.” Indeed, when it comes to giving back to shareholders, caring for employees, leading the industry, protecting the environment, and supporting social welfare, Poten Enviro has been taking actions consciously, inspiring all employees with the concept of “greatness originates from altruism”. In this way, Poten Enviro was able to ingrain a CSR mindset in each and every employer. Zhao Lijun once said, very proudly that “By proactively showing their sense of responsibility, the people of Poten Enviro have created a positive impact and a leading effect across the entire industry.”

Zhang Chi, Case Center, CEIBS

Headquartered in Nanjing, CHERVON started as a trading company for power tools, enjoying a high reputation in the international market for its business integrity and stringent quality control. In the short span of a little more than ten years, CHERVON has become a major player in the tool industry in China and a leading brand of outdoor power equipment in the world.

CHERVON at first kept itself away from the outdoor power equipment business due to its concern over the serious pollution caused by small engines. After spending more than five years on overcoming technical difficulties in product development, CHERVON found an innovative way to replace gasoline engines with those powered by high-voltage lithium batteries. It then successfully “changed the lane to overtake” in the industry with the launch of a cordless outdoor power equipment under the EGO brand. In 2014, right after its release, EGO products quickly became “bestsellers” on the market because of their advantages like the one-button start, no vibration, and low noise, contributing cumulatively USD 200 million to CHERVON’s sales revenue. In addition, they also generate social benefits like energy saving and emission reduction. So far, the EGO products sold are equivalent to a reduction of 93,000 tons of carbon dioxide and 27,000 tons of carbon emission. EGO is leading the trend of cordless outdoor power equipment.

“Two things fill the mind with ever new and increasing admiration and awe, the more often and steadily we reflect upon them: the starry heavens above me and the moral law within me.”

Immanuel Kant once remarked: “Two things fill the mind with ever new and increasing admiration and awe, the more often and steadily we reflect upon them: the starry heavens above me and the moral law within me.”

Over the past 24 years, Poten Enviro has been committed to protecting the purity of nature and “creating an enjoyable environment for the harmony of human and nature”, striving to maintain the purity of the environment we have been enjoying under the sunny and starry heavens above us. At the same time, it is our hope that our firm’s belief of “greatness originates from altruism” will be able to create greater benefits for more people. Zhao Lijun looks forward to working together with more CEIBS alumni to open up a wider horizon for cooperation, connect more resources, promote better synergy among stakeholders, and strive for a better future.
The Never-Fading Aspiration
to “Make Good Products”

Twenty-five years ago, Pan Longquan decided to build a new startup after he had been engaged in the power tool trading business for five years. He finally had the opportunity to visit the overseas markets he had been developing for decades. However, he found the reality very cruel: Foreign customers regarded Chinese products as inferior and only marketable if sold cheap. In stores, Chinese products were piled up in a corner “as if they were garbage”; at the negotiating table, customers did just one thing—to slash prices as fiercely as they could, and Chinese companies seemed to be capable of nothing but yielding again and again. Pan Longquan realized that being “cheaper than others” was the easiest way to succeed, but it was like quenching thirst with poison. “In my opinion, this is the least sustainable way of doing business”. Since then, Pan Longquan has been determined to achieve CHERVON’s growth through great products of great quality. This aspiration has been imprinted on everyone’s mind at CHERVON. One solid step after another, they strive to realize the initial intention of the company: to make great products for users all over the world and to change the image of “Made in China” in the global market.

The journey of making great products is painful. In 1994 when CHERVON was founded, quality control was still an unknown concept to many trading companies in China. Customers often had no way to claim for compensation due to the “no returns or exchanges” policy. However, CHERVON gritted its teeth to accept a $50,000 claim, a huge amount for it at that time, for quality issues arising from the products it procured. They paid off their indemnity in one year and a half, which secured them a partnership for ten years in return. “Integrity could turn bad things into good ones”, observed Pan Longquan. Integrity has also been the very first rule in CHERVON’s code of conduct ever since.

This incident has sounded the alarm to CHERVON: Good products are not made through bragging. Quality control is at the very top of the company’s agenda. To this end, CHERVON invested heavily in building its first test center in China. The high bar set by its testing has caused dissatisfaction among many of its suppliers. After all, even the largest power tool factory in China at that time did not have a fully-equipped test center. Nevertheless, the forward-looking CHERVON continued building laboratories and even hired engineers from abroad as it gradually expanded its business to manufacturing, aimed at having every piece of its products undergo scientific and rigorous testing in a systematic manner.

Ego: Identifying Business Opportunities with the “Green” Concept

The Birth of Cordless Outdoor Power Equipment

“What exactly shall we make?” This was an important question for CHERVON during its transformation towards manufacturing. Outdoor power equipment, an important segment of the power tool industry, caught CHERVON’s attention more than a decade ago. At that time, light–weight yard tools were already powered by batteries, but heavy-duty ones, such as lawn mowers that constituted the major category, still relied on small gasoline engines. Should CHERVON enter the outdoor power equipment business? In terms of business scope, CHERVON had been deeply engaged in the power tool industry for many years, so outdoor power equipment could be a natural extension of its existing business, and there were many precedents of tool manufacturers expanding into this segment. Therefore, every year at the company’s strategic analysis meeting, CHERVON’s top management would study the segment, but it still held itself back from launching the business. The competition on the small-engine outdoor equipment market was blazing hot. Not only that, CHERVON’s management was also concerned about the pollution caused by small engines: the serious noise pollution of mowers working in the morning in the neighborhood, and the fact that emissions from a small-engine mower exceeds that of a dozen cars... Pan Longquan revealed frankly that it was a conversation with the head of Bosch, the leading player in the industry, that finally firmed his belief. “He told me that he would never consider making heavily polluting products. Bosch also discusses its development strategy every couple of years, and the idea of making heavy-duty outdoor equipment is always crossed out. Through my communication with them, I found that when they chose a business direction, apart from studying the business prospects and market potential, they were also forward looking and environmentally conscious. I was very impressed. I believe this is what makes a great company.” Therefore, CHERVON shelved the outdoor power equipment business although it was commercially attractive. As a result, it missed some short-term opportunities to grow its business.
However, this business direction was not totally ignored, because pollution could not change the fact that there was market demand for such products. If existing products failed to keep up with the trend of environmental protection, would it be possible to develop new products based on more advanced environmental technologies? CHERVON executives were quick enough to realize that if they could do so, it might mean a golden opportunity for the company and create even greater business than what they had given up. After all, with its long-time involvement in the new energy sector, CHERVON had already accumulated relevant experience and technologies. Leveraging its technical strength and its research—based insights into the market and technology development trend, CHERVON finally chose the direction of replacing traditional power for small engines with lithium battery power, so it decided to develop a high-voltage battery solution for outdoor equipment.

There were no precedents on the market for CHERVON to refer to, so every step it took was a very difficult one. In terms of power supply, CHERVON found that it could only provide 40V lithium batteries while the voltage required by outdoor power equipment should be much higher than that. The higher the voltage of batteries, the higher the technical complexity, and hence greater difficulty in product development. It took CHERVON five years to overcome the challenges and come up with a creative solution made up of high-voltage 56V batteries and a complete power system. It paved the way for a new energy—based alternative to replace gasoline engines.

No Compromise of User Experience

“User experience shall never be compromised!” This is the iron law obeyed by CHERVON all the time. It also explains why CHERVON never loosens its efforts on details. Household users use outdoor power equipment occasionally, so they cannot accurately describe how long they use the equipment or how often they need to charge it. As a result, CHERVON employees have to make observations and experiments by themselves. Especially, outdoor power equipment is used in a variety of settings.

“I have mowed lawns with our customers in the U.S., Australia, and U.K.”, disclosed Zhang Qichun, Product Director of CHERVON, with a sigh that contained a trace of pride in it. “I have travelled all over the world, just to mow lawns.” Users do benefit from such painstaking efforts. The battery-powered mowers, with their performance completely comparable to gasoline-powered ones, also boast advantages such as low noise, low vibration, no pollution, and no odor, granting users a totally different experience. Once users have tried them, they want to keep using them forever. This is particularly true with elderly users, because it is physically demanding and not entirely safe to use the pull-start mechanism of mowers with traditional gasoline engines. EGO products, on the contrary, can be easily started with just one push of the button.

In addition, CHERVON has developed a better and more endurable EGO product line for commercial users. According to Zhang Qichun, “Many of our customers are landscaping maintenance service providers. Be it companies or municipal units, they all have to take into account the health and safety of their employees at work.” Therefore, from the very beginning, the design of EGO professional outdoor power equipment focused on addressing occupational safety concerns.

Traditional gasoline engines emit a lot of pollutants due to insufficient fuel combustion, which is the cause of many diseases and even cancers. The engines of EGO products, however, are powered by lithium batteries with zero emission during use, hence no harm to their users. Vibration at high frequency is another issue with traditional outdoor power equipment, so according to relevant standards in the UK, such equipment can only be used continuously for 1 to 2 hours. Otherwise, they may induce illnesses such as neurasthenia. In the family of EGO commercial products, even hedge trimmers, which have the highest level of vibration, can work continuously for more than 4 hours. The noise of traditional outdoor power equipment can reach 98 decibels, leading to irreversible hearing damage, but EGO commercial products can be used continuously for 8 hours with no harm. Therefore, EGO products do offer real physical benefits to their users. What’s more, they can help employers save spending on not only health and safety protective consumables such as noise protection devices, but also the annual cost of employees’ hearing inspection, safety evaluation, etc.

Michael Porter, the guru of strategy, maintains that creating shared value (CSV) is a way to reintegrate business with the society. According to him, companies do not need to assume responsibilities for all social issues, nor do they have the resources to solve all social problems. However, every company can identify a specific type of problems that the company is good at solving, and it can gain competitive strengths from solving such problems. Therefore, corporate social responsibilities are not confined to charity or sustainability causes alone. Companies can also help address social issues by adding new perspectives to products and markets, which will allow them to achieve commercial success at the same time.
In 2014, the first generation of EGO products were launched in the U.S. As was expected by CHERVON, the products were well received on the market enjoying excellent sales. By 2018, the annual sales of EGO products had hit $200 million. The brand also attracted a large number of followers. Take the mower as an example. With the introduction of EGO, the market share of cordless lawn mowers rose from 7% to 18%.

EGO also serves as the physical carrier of CHERVON’s environmental philosophy. From 2014 to 2018, approximately 3.5 million units of EGO products were sold. Based on frequency of use, the batteries of all the products sold should have consumed 16 million KWH of electricity, equivalent to a reduction of 93,000 tons of carbon dioxide and 27,000 tons of carbon emission if compared with the use of gasoline. Moreover, EGO also indirectly contributes to energy conservation and emission reduction since an increasing number of users, though initially attracted to EGO only by its product experience, have now become aware of the importance of environmental protection.

Double Gain of Both Economic and Social Benefits

In 2014, the first generation of EGO products were launched in the U.S. As was expected by CHERVON, the products were well received on the market enjoying excellent sales. By 2018, the annual sales of EGO products had hit $200 million. The brand also attracted a large number of followers. Take the mower as an example. With the introduction of EGO, the market share of cordless lawn mowers rose from 7% to 18%.

EGO also serves as the physical carrier of CHERVON’s environmental philosophy. From 2014 to 2018, approximately 3.5 million units of EGO products were sold. Based on frequency of use, the batteries of all the products sold should have consumed 16 million KWH of electricity, equivalent to a reduction of 93,000 tons of carbon dioxide and 27,000 tons of carbon emission if compared with the use of gasoline. Moreover, EGO also indirectly contributes to energy conservation and emission reduction since an increasing number of users, though initially attracted to EGO only by its product experience, have now become aware of the importance of environmental protection.

Power outage occurs far more frequently in the U.S. than in China because the power grids in the US are rather old. Many U.S. households would buy generators for emergency needs. However, the generators can hardly be used indoors because they produce loud noises and pungent toxic gases when the engines are started. To solve this problem, CHERVON has developed a portable power supply solution that can provide uninterrupted power to 2KW electric appliances indoor without producing noise or exhaust gas.

Energy conservation is also an important consideration in CHERVON’s product design. EGO products are modular in structure with battery packs at its core. Therefore, although there are many EGO product lines, the same battery pack can be used for all of them due to its high compatibility. EGO products are not cheap, but users only need to buy one piece of complete equipment, and the rest can be bought without the battery pack. This is absolutely great news for users. After all, it is the battery pack that takes a lion’s share of the equipment cost. Even the EGO portable power supply product uses the same battery pack as the rest in the portfolio. As of December 2018, there were approximately 1.5 million users of EGO battery packs, and more than one-third of them have purchased multiple EGO products. With a core module of higher reuse rate, EGO products not only reduce resource consumption for battery production, but also brings greater value to users.

Users also benefit from improved product performance. There is a “strange” phenomenon about EGO: Its after-sales service team always receives a lot of customer calls that express appreciation and liking for EGO products. Once, an elderly American user called to tell the team that “your product is really easy to use. It is incredible. Five minutes after I used yours, I decided to sell my previous one to the recycling station.” Phone calls such as these are a great encouragement to the people of CHERVON. To them, it is the highest recognition of their efforts to realize the company’s never-fading aspiration of “making good products”.

EGO string trimmer

(Scan to watch the animation)
Green Roof, Green Factory

More than a decade ago, CHERVON invested heavily to introduce a full-roof green garden from Germany to its site. There are six or seven types of plants on the roof of the CHERVON R&D center, so the garden shows different colors as the seasons change. However, the beautiful garden scene can only be viewed from a sloped angle, so the huge investment into this garden has been questioned a lot. When CHERVON made this investment, it was still a small company. Why did it invest into something that is not visible? What is the point? As Pan Longquan firmly states: “In the past few decades, China’s industrial development has indeed taken a toll on the environment. If a company can give some thoughts to the green factor when developing its business, say building a green roof, it is doing a ‘small good deed’, and it is also a proper way to reflect your value.” This green roof design actually also brings tangible benefits to CHERVON. Thanks to the heat insulation function of the turf, the R&D center is warm in winter and cool in summer, so its air conditioning system alone saves 20%–30% of energy consumption, or 3,500 liters of fossil fuels per year. The turf only needs watering by rainwater and costs around RMB 20,000 for maintenance per year.

In 2014, CHERVON built a new factory in its Green Power Industry Park. As a project built entirely from the ground up, it gave CHERVON the opportunity to fully implement its environmental concepts in the design. Liu Yi, who oversaw the construction at that time, was very proud of the factory: “I applied my decades-long experience to the construction of this factory. In February 2018, it was recognized as the only national-level ‘green factory’ in Nanjing. In addition, it has also won titles like an ‘intelligent factory’ and ‘smart workshops’ at provincial and municipal levels.” In the latest phase of the industry park construction, CHERVON intended to use rainwater collected from the roof to create a river. “While we were designing phase 1 of the project, we had already reserved a place for rainwater collection,” Liu Yi said frankly that CHERVON did invest heavily in landscaping and advanced technologies for the new industrial zone, but he admired the shareholders’ vision and their commitment to the society and the employees. “As long as funding is not a major issue, they would give more consideration to social factors when investing in infrastructure, equipment or facilities.” The main color of CHERVON’s logo is CHERVON Green, so investing to build a green factory seems to be the natural choice for the company.

In front of its factory, along the subway from Nanjing South Railway Station to Nanjing Airport, CHERVON has built an impressive landscape belt of exquisite design. Covering an area of over 20,000 square meters, the belt consists of 7 theme sections such as Ginkgo, Rose, and Camphor, with many species personally selected by Pan Longquan and imported from abroad. Apparently, CHERVON has spent a fortune on it, and few companies could boast a landscape area of this scale. CHERVON has also built other landscape areas that are equally impressive. Inside the Green Power Industry Park alone, the greeneries covers more than 151,000 square meters. According to Liu Yi, these are not just “social causes for a better environment”, they match perfectly with the main business of CHERVON. Outdoor power equipment, as the focus of CHERVON’s business, needs continuous testing and improvement during product development. Different types of vegetation, such as bushes, grasslands, and trees, are indispensable for product performance tests. Therefore, the landscape areas serve as the natural testing fields for CHERVON’s products. In this way, environment protection, CHERVON’s business and products, and the company’s view on factory construction are harmoniously integrated.

Energy conservation is another important aspect of the green factory. On its green factory, CHERVON has installed a “blue roof”, which is actually made up of solar panels. The Green Power Industry Park is capable of generating up to 5,300 KWH of electricity per day. The two industry parks of CHERVON altogether can achieve solar power generation of 2 GWH per year. There are solar water heaters in the Green Power Industry Park to provide 190 tons of hot water for the dormitory and dining hall. The whole park is also illuminated by 94 street lights at night and 66 sets of daylighting devices indoor, all powered by the clean solar energy. Beneath the landscape belt, there lies another secret “weapon” that CHERVON utilizes to save energy—the ground source heat pump. The pump system uses the mid-temperature zone underground as the heat source for winter and the cold source for summer, so that all workshops in the factory are kept warm in winter and cool in summer. While reducing operating costs, this system also helps to cut carbon dioxide emission by 839 tons per year. In addition to green infrastructure, CHERVON is also certified by the GB/T 23331-2002 and ISO 50001:2011 energy management systems, and it has joined Wal-Mart’s initiative to eliminate 1 billion tons of emission in the long run. In 2018, clean energy accounted for 32% of the total energy consumption by CHERVON’s Green Power Industry Park, and energy consumption per RMB 10,000 turnover of the whole company was only 0.015 tce, ranking among the top 5% in the manufacturing industry.

“Some customers doubt whether we would transfer our heavy investment in these areas to them through pricing”, said Pan Longquan with a smile. “However, it has never happened. Many customers choose us as their long-term partners because they find that our value is consistent with theirs. Moreover, we have done the calculation as well. These one-time big investments in the long run will bring us good returns.”

Make decisions with a long-term plan, and ultimately you will be rewarded.
Creating a New Image of “Made in China”

Strategic Partnership Calls for Deeper Trust

The establishment of a joint venture with Bosch marked a big step forward for CHERVON’s globalization. But, there was an issue when the joint venture was to be formed. CHERVON at that time had prepared for several years for the launch of its own brand DEVON before Bosch suddenly proposed the joint venture. Should CHERVON let Bosch know the plan for its self-owned brand? There was the risk of losing the opportunity to partner with this global leader in the industry. However, Pan Longquan disclosed it to Bosch without any hesitation. "The joint venture is not a simple business, but a long-term real strategic partnership, so I have to let you know that CHERVON is not content with only OEM production. Rather, we have our own brand development plan. The brand will only target at the Chinese market, but the two companies still maintain a good competitive yet cooperative relationship."

In Pan Longquan’s eyes, "In the business world, strategic partners need to develop a deeper trust in each other.” Finally, it turned out that CHERVON did not lose the opportunity to join hands with Bosch and in return earned a good reputation and respect for itself. At that time, people did not think highly of Chinese companies. Foreigners tended to have biased views on Chinese businessmen, thinking that they were rather slippery and self-interested. CHERVON’s transparency convinced Bosch that it was an honest and trustworthy partner, and CHERVON’s own brand actually was viewed favorably as a bonus to the joint venture. According to Bosch, the brand plan reflected CHERVON’s well-grounded vision both for itself and for collaboration with external parties. Today, after 10 years, DEVON has become a main competitor of Bosch products in the Chinese market, but the two companies still maintain a good competitive yet cooperative relationship.

High Attention to Employee Benefits

In 2014, CHERVON acquired the famous German tool brand Flex. CHERVON communicated with the trade union of Flex as soon as possible of this acquisition, although this was not a necessary procedure. Then on the first day after the acquisition was completed, Pan Longquan gave a speech at the staff meeting. According to him, in the first 365 days after the acquisition, any operational difficulties should be his responsibility rather than the employees’, so no one would be laid off due to performance issues, and there would be no conditions attached to this promise. CHERVON fulfilled its promise by the end of the first year. In this German company that had experienced turbulence and changed hands several times, employees were ensured job security for the first time. In 2018, Pan Longquan made another speech, but this time he offered his promise with two conditions: (1) Despite still unsatisfactory business performance, as long as there was continuous improvement in business development, manufacturing activities would be maintained in Germany since “made in Germany” was something that German employees were proud of; (2) CHERVON would not take away profits made in Germany, but keep them there for long-term local business development. These commitments completely dispelled employees’ doubts and uneasiness about “being sold to a Chinese company.” CHERVON won the trust of both the employees and the local community.

Pan Longquan found that he had learnt a lot from dealing with the trade unions of foreign companies. For many years, many small and medium-sized companies in China did not pay the “five insurances and pension” for their employees in full. “Bosch is a typical example of multi-national companies. It does things in full compliance with rules and regulations. Compliance is the golden rule for them.” CHERVON quickly learnt from their international counterpart and started to pay all the social benefits and pensions in full for its employees. Chinese manufacturers mostly use assembly lines in production to reduce costs and improve efficiency. However, working at assembly lines is boring and not conducive to employees’ overall development. Therefore, CHERVON borrowed the German “artisan system” to improve its production method. At some production lines, employees work in small teams and everyone can make a relatively complete product on his or her own. Work thereby becomes more fulfilling and interesting, which also lays the foundation for product customization on a large scale in future. Of course, care for employees is more than that. CHERVON has built new dorms where every room is equipped with two standard beds, two washbasins, two toilets, a solar water heater, air conditioning, etc., far better than the condition of most residences for university graduates. There are also basketball courts and badminton courts in the dormitory area. Within the landscape belt, there are tables and chairs for employees to relax outdoors and have barbecues.

No matter whether employees express their needs through established or unstructured channels, their interests need to be properly considered by business owners.
Adhering to the IDEA Concept to be a Responsible Corporate Citizen

In the lobby of the CHERVON R&D Center, there is a landscape decoration that echoes with the “square Heaven and round Earth” theory in Chinese culture. Consisting of images of lofty mountains and gurgling fountains, the decoration is reminiscent of the meaning of the company’s name in Chinese (the Chinese name of the company literally means “fountains and peaks”—the translator’s note). On the wall leading to the office area carved the words “Integrity” “Diligence” “Enthusiasm” and “Aspiration”. They stand for CHERVON’s IDEA concept and its values. The “first lesson” preached to CHERVON employees about the company’s culture is “to be honest in doing and prudent in thinking; no pain, no gain.” Talking about the slogan “Better Tools, Better World”, Pan Longquan is full of pride. “This is the business philosophy of our company. It is the result of discussion by everyone at CHERVON, including foreign employees, so it reflects the value of our entire staff.”

Full participation by employees has always been encouraged at CHERVON. It is also reflected in the company’s charity activities. In 2013, CHERVON launched a “Charity Run”. Unlike direct donations of money, a Charity Run requires employees to raise funds by the distance they run. In the past five years, the Charity Run has raised RMB 869,618 in total to support public welfare projects like construction of wells in drought areas in West China, reconstruction of schools in the earthquake-stricken Y’ain area in Sichuan, and the Spring Bud educational aid initiative in northern Jiangsu province. Apart from actively advocating more CHERVON employees to join the Charity Run and challenge themselves, CHERVON has also organized volunteer groups to travel to northern Jiangsu province and provide on-site support to the educational aid initiative. Many employees have brought their children along in the hope that the philanthropic spirit could be passed down to the next generation.8

The word mentioned most often by Pan Longquan is “responsibility”. Although many people joked with him that he could “live on his success for the rest of his life”, Pan Longquan saw himself differently. He still works till very late every day, and instead of the sense of accomplishment, he feels more the sense of responsibility. He also expressed the same view on CHERVON. “As a leading player in our industry in China, we have responsibilities to assume for our products and our employee welfare system. We must fulfill these responsibilities step by step based on our experience and capabilities. We shall not only always make good products, but also create a development path for our customers, employees, and all stakeholders that can create long-term synergy and multi-win outcomes.”

As a manufacturing company, we have to think long-term for our development. Never be satisfied with what we have or what we can do today. Don’t just look at immediate gains or our own gains. A company can only thrive in the long run if there’s co-development and balanced interest for all of its stakeholders.

Jianye Group: A Corporate to the Society is Like a Tree to the Earth

Yuan Mei, Marketing and Communication, CEIBS

Though already in his sixties, Mr. Hu Baosen, Chairman of Jianye Group (also known as Central China Group), still lives his life at the pace of an entrepreneur starting a new businesses. The night before his interview, he arrived at home past 11 p.m. Yet this morning, he shows up in his office at 9 a.m. to do the interview, after which he will head out towards Jianye Football town at 10 a.m. He says, “Jianye’s development can be seen as the drawing of a circle. The center of the circle is our core values, and how big the radius of the circle is will be determined by our capability. The boundary of the circle represents the extent of our market, industry, and more importantly, our social responsibility. We are always trying to make the circle bigger, to push its boundaries further.”

“Rooted in central China, benefit the general public” has been the core value that Jianye enshrined since its establishment. According to Hu Baosen, “benefiting the general public” is, in itself, an enterprise’s responsibility. The method, capacity and result of it could vary, depending on how developed the enterprise is. When the company was small in its size, its goodwill can only benefit a small group of people. Now Jianye hires close to 20,000 employees, and its “circle” is bigger, and the sphere of its influence also has increased. Upholding the core value relentlessly for 27 years is not an easy thing for a company that is fast developing and evolving. For Hu Baosen, the one who is responsible for steering this company, he is indeed grateful for this era and the fortune that comes with it, which allows Jianye to grow into a frontrunner in its trade, but in the meantime, he also cares a lot about what legacy Jianye can create to benefit the central China and all the people in Henan province.

Founded and headquartered in Henan province 27 years ago, Hu Baosen always walks the talk to be a constructor, who starts with the goal of building a good neighborhood, then the aspiration of “good housing for everyone in Henan”, and then the vision of “good living and wellbeing for everyone in Henan”.

---

9 Ibid.
Corporate Value is the Core of Corporate Social Responsibility

Committed to drive the urbanization and comprehensive social advancement in central China, Jianye is using real estate development as an anchor to carefully and thoughtfully map out an environment where people in Henan can live happily. Jianye’s responsibility grows and evolves. High quality residential buildings, boutique hotels, pastoral complex, towns with special characteristics, etc., These are changing people’s stereotyped bias against Henan. As Hu Baosen pointed out, “a corporate to the society is like a tree to the earth.” You are rooted here, growing here, and more importantly, you need to give back to this piece of soil that nurtured you.

Hu Baosen made an apt analogy that vividly reflects the relationship between business and social responsibility. He observed that, “for trees that grow fast, they either have big leaves, or a great number of leaves. Why is that? Because in the autumn, fallen leaves from those trees will have enough nutrition to grow and trees which turn into fertilizers. When spring comes, those trees will have enough nutrition to grow and thrive. Enterprises are likewise. They make profits and use social resources. And they pay the society back through CSR activities. This process is just like how trees grow new leaves by absorbing nutrition from their fallen leaves that nurture the soil in return.”

Founded by Hu Baosen, Jianye Group now has businesses that spans across 18 prefecture-level cities and 77 county-level cities in Henan. It accumulated tax revenue reaches 24.1 billion RMB, ranking the first among the top 10 regional real estate companies for 10 consecutive years. Jianye has been actively living up to its corporate social responsibilities. Hu Baosen says his “Chinese dream” is to advance from 100 projects to 1000 communities, from contributing billions RMB in tax revenue to being the number one taxpayer in Henan, from creating hundreds of thousands jobs indirectly to serving tens of millions of people directly. His dream is coming true. As the saying goes, as long as you can dream it, you can do it.

The values and development philosophy held by an entrepreneur can well determine the fate of an enterprise. Entrepreneurs are the ones who drive the progress in the society. Their actions will decide the costs and final allocation of resources. The most precious things that entrepreneurs can contribute to the society includes a sense of mission and responsibility, belief in innovation, and the determination to make break-throughs. According to Hu Baosen, “how many hearts do you win overtime will determine how successful you can become. While creating wealth, entrepreneurs must bear in mind the fact that, wealth cannot buy health, or happiness, or respect. We need to draw a line between what we can do and what we cannot do. If you across that line, you give up your integrity and dignity.”

Henan is a big agriculture province. Agricultural civilization is the background color for the central China cultural. Even people local to this area have doubt about whether this is a place that can nurture large enterprises. Hu Baosen admits that, insisting on operating his business in Henan for the past 27 years is his way of showing commitment and support for this part of China. His determination is a message to many who want to start a new business, or in the process of starting a new business: as long as you aim at the right direction and stay true to what inspired you in the first place, your determination will lead you to a fruitful conclusion. He believes his biggest influence to this region is the championing the spirit of “aiming for excellence, achieving success through perseverance”.

Hu Baosen, together with Wang Shi and several other entrepreneurs, started the charity organization SEE. Now within SEE’s Henan Center, Hu Baosen has helped the people who can be the future leaders of this organization. Hu Baosen gathered Henan entrepreneurs together and founded the Mount. Songshan Club, a chamber of commerce that aims to support and promote the younger generation of Henan entrepreneurs. Songshan Club’s guiding principle is “create wealth with integrity, live as a moral model, care for society”, and it encourages Henan entrepreneurs to unite together and take on their social responsibilities. Among the members of Songshan Club, there are two young entrepreneurs who were born in the 1970s. One is Du Zhongbing, Chairman of Banu Beef Omasur Hotpot, who is also the Chairman of SEE Henan Center. The other is Wang Gang, Chairman of 1 Plus 1 Flour and director of SEE Henan Center. Hu Baosen says, “It is our responsibility and obligation to make sure that new generations of entrepreneurs don’t lose sight of the importance of charity work and being able to pass it on from generation to generation. The two have done a very good job, and they are very committed to the cause.”

While leading the Jianye Group to repay the society, Hu Baosen also made personal contributions to charities and has set a good example for Henan entrepreneurs. His accumulated personal donations exceeded 100 million RMB.

Hu Baosen, together with Wang Shi and several other entrepreneurs, started the charity organization SEE. Now within SEE’s Henan Center, Hu Baosen has helped the people who can be the future leaders of this organization. Hu Baosen gathered Henan entrepreneurs together and founded the Mount. Songshan Club, a chamber of commerce that aims to support and promote the younger generation of Henan entrepreneurs. Songshan Club’s guiding principle is “create wealth with integrity, live as a moral model, care for society”, and it encourages Henan entrepreneurs to unite together and take on their social responsibilities. Among the members of Songshan Club, there are two young entrepreneurs who were born in the 1970s. One is Du Zhongbing, Chairman of Banu Beef Omasur Hotpot, who is also the Chairman of SEE Henan Center. The other is Wang Gang, Chairman of 1 Plus 1 Flour and director of SEE Henan Center. Hu Baosen says, “It is our responsibility and obligation to make sure that new generations of entrepreneurs don’t lose sight of the importance of charity work and being able to pass it on from generation to generation. The two have done a very good job, and they are very committed to the cause.”

While leading the Jianye Group to repay the society, Hu Baosen also made personal contributions to charities and has set a good example for Henan entrepreneurs. His accumulated personal donations exceeded 100 million RMB.

Hu Baosen, together with Wang Shi and several other entrepreneurs, started the charity organization SEE. Now within SEE’s Henan Center, Hu Baosen has helped the people who can be the future leaders of this organization. Hu Baosen gathered Henan entrepreneurs together and founded the Mount. Songshan Club, a chamber of commerce that aims to support and promote the younger generation of Henan entrepreneurs. Songshan Club’s guiding principle is “create wealth with integrity, live as a moral model, care for society”, and it encourages Henan entrepreneurs to unite together and take on their social responsibilities. Among the members of Songshan Club, there are two young entrepreneurs who were born in the 1970s. One is Du Zhongbing, Chairman of Banu Beef Omasur Hotpot, who is also the Chairman of SEE Henan Center. The other is Wang Gang, Chairman of 1 Plus 1 Flour and director of SEE Henan Center. Hu Baosen says, “It is our responsibility and obligation to make sure that new generations of entrepreneurs don’t lose sight of the importance of charity work and being able to pass it on from generation to generation. The two have done a very good job, and they are very committed to the cause.”

While leading the Jianye Group to repay the society, Hu Baosen also made personal contributions to charities and has set a good example for Henan entrepreneurs. His accumulated personal donations exceeded 100 million RMB.

Hu Baosen, together with Wang Shi and several other entrepreneurs, started the charity organization SEE. Now within SEE’s Henan Center, Hu Baosen has helped the people who can be the future leaders of this organization. Hu Baosen gathered Henan entrepreneurs together and founded the Mount. Songshan Club, a chamber of commerce that aims to support and promote the younger generation of Henan entrepreneurs. Songshan Club’s guiding principle is “create wealth with integrity, live as a moral model, care for society”, and it encourages Henan entrepreneurs to unite together and take on their social responsibilities. Among the members of Songshan Club, there are two young entrepreneurs who were born in the 1970s. One is Du Zhongbing, Chairman of Banu Beef Omasur Hotpot, who is also the Chairman of SEE Henan Center. The other is Wang Gang, Chairman of 1 Plus 1 Flour and director of SEE Henan Center. Hu Baosen says, “It is our responsibility and obligation to make sure that new generations of entrepreneurs don’t lose sight of the importance of charity work and being able to pass it on from generation to generation. The two have done a very good job, and they are very committed to the cause.”

While leading the Jianye Group to repay the society, Hu Baosen also made personal contributions to charities and has set a good example for Henan entrepreneurs. His accumulated personal donations exceeded 100 million RMB.

Hu Baosen, together with Wang Shi and several other entrepreneurs, started the charity organization SEE. Now within SEE’s Henan Center, Hu Baosen has helped the people who can be the future leaders of this organization. Hu Baosen gathered Henan entrepreneurs together and founded the Mount. Songshan Club, a chamber of commerce that aims to support and promote the younger generation of Henan entrepreneurs. Songshan Club’s guiding principle is “create wealth with integrity, live as a moral model, care for society”, and it encourages Henan entrepreneurs to unite together and take on their social responsibilities. Among the members of Songshan Club, there are two young entrepreneurs who were born in the 1970s. One is Du Zhongbing, Chairman of Banu Beef Omasur Hotpot, who is also the Chairman of SEE Henan Center. The other is Wang Gang, Chairman of 1 Plus 1 Flour and director of SEE Henan Center. Hu Baosen says, “It is our responsibility and obligation to make sure that new generations of entrepreneurs don’t lose sight of the importance of charity work and being able to pass it on from generation to generation. The two have done a very good job, and they are very committed to the cause.”

While leading the Jianye Group to repay the society, Hu Baosen also made personal contributions to charities and has set a good example for Henan entrepreneurs. His accumulated personal donations exceeded 100 million RMB.

Hu Baosen, together with Wang Shi and several other entrepreneurs, started the charity organization SEE. Now within SEE’s Henan Center, Hu Baosen has helped the people who can be the future leaders of this organization. Hu Baosen gathered Henan entrepreneurs together and founded the Mount. Songshan Club, a chamber of commerce that aims to support and promote the younger generation of Henan entrepreneurs. Songshan Club’s guiding principle is “create wealth with integrity, live as a moral model, care for society”, and it encourages Henan entrepreneurs to unite together and take on their social responsibilities. Among the members of Songshan Club, there are two young entrepreneurs who were born in the 1970s. One is Du Zhongbing, Chairman of Banu Beef Omasur Hotpot, who is also the Chairman of SEE Henan Center. The other is Wang Gang, Chairman of 1 Plus 1 Flour and director of SEE Henan Center. Hu Baosen says, “It is our responsibility and obligation to make sure that new generations of entrepreneurs don’t lose sight of the importance of charity work and being able to pass it on from generation to generation. The two have done a very good job, and they are very committed to the cause.”

While leading the Jianye Group to repay the society, Hu Baosen also made personal contributions to charities and has set a good example for Henan entrepreneurs. His accumulated personal donations exceeded 100 million RMB.

Hu Baosen, together with Wang Shi and several other entrepreneurs, started the charity organization SEE. Now within SEE’s Henan Center, Hu Baosen has helped the people who can be the future leaders of this organization. Hu Baosen gathered Henan entrepreneurs together and founded the Mount. Songshan Club, a chamber of commerce that aims to support and promote the younger generation of Henan entrepreneurs. Songshan Club’s guiding principle is “create wealth with integrity, live as a moral model, care for society”, and it encourages Henan entrepreneurs to unite together and take on their social responsibilities. Among the members of Songshan Club, there are two young entrepreneurs who were born in the 1970s. One is Du Zhongbing, Chairman of Banu Beef Omasur Hotpot, who is also the Chairman of SEE Henan Center. The other is Wang Gang, Chairman of 1 Plus 1 Flour and director of SEE Henan Center. Hu Baosen says, “It is our responsibility and obligation to make sure that new generations of entrepreneurs don’t lose sight of the importance of charity work and being able to pass it on from generation to generation. The two have done a very good job, and they are very committed to the cause.”

While leading the Jianye Group to repay the society, Hu Baosen also made personal contributions to charities and has set a good example for Henan entrepreneurs. His accumulated personal donations exceeded 100 million RMB.
Snacks. In 2015, the very first Jianye Dining Hall project create “the living room of Henan people, the place to get pastoral complex, the Jianye Dining Hall is dedicated to leveraging the development of modern agricultural communicating culture through local cuisine. With local cultural elements, Jianye is also preserving and Chinese New Year holidays in 2019, its attendance holiday, it welcomed over 200,000 guests. During the officially opened and during the following October RMB. On September 28th 2018, Jianye Football Town was Zhengzhou, with an expected investment of 5 billion zhong is known as the hometown of Dongbeizhuang acrobatics. This town is revitalized thanks to the restoration and development work by Jianye. October 2017, Jianye joined hands with famous director Wang Chaoge and development work by Jianye. October 2017, Jianye this town as an example. Yanling is both a sightseeing destination featuring modern agriculture experiences, and a poverty alleviation project. September last year, the town was certified as a 4A-level tourist destination issued by the National Tourism Administration, which granted this town the eligibility to sell tourism tickets. In 2017, the Dining Hall situated in the complex reached a total revenue of 23.5 million. Other attractions include the Orion Vehicle Camp, Kids’ Land, and etc. Visitors can also pick fresh fruits, for example grapes and jujubes, from farms. Besides, the complex has 500 mu of land for development and construction purposes, where real estate properties can be developed to fund and sustain the operation of the town. The traditional residential housings are also preserved in this complex. This model not only protects the way of living of the natives, but also creates multiple profit streams. This business model identified by Jianye is an effective way of inheriting the central China cultural elements outside of Henan. Jianye has assumed the social responsibility of passing on the cultural legacy of central China, and our social responsibility expands as our business broadens.”

Specifically, with Zhengzhou as the center, the radius of Jianye’s sphere of influence may be extended to 500 kilometers, covering areas in Hebei, Shanxi, Shaanxi, Hubei, Anhui, and Shandong. Hu Baosen is confident in promoting central China culture and Jianye products, philosophy and values on a larger scale. There are about 300 million people within this radius, 200 million more than the population of Henan. This illustrates how the social responsibilities of a company grow as its business expands.

Alignment of Economic Benefit and Social Benefit

Hu Baosen believes that many cultural programs lack continuity or longevity because they fail to align economic and social benefits. He says, “We have been exploring to find a business that highly aligns economic benefits with social benefits. The reason is, economic success serves as the foundation for corporate social responsibility and cultural heritage preservation. Without solid financials as a foundation, cultural projects alone can’t achieve significance, nor sustainability.”

Every town that Jianye developed has its own profit model. Hu Baosen quoted Xuchang Yanling’s pastoral complex as an example. Yanling is both a sightseeing destination featuring modern agriculture experiences, and a poverty alleviation project. September last year, the town was certified as a 4A-level tourist destination issued by the National Tourism Administration, which granted this town the eligibility to sell tourism tickets. In 2017, the Dining Hall situated in the complex reached a total revenue of 23.5 million. Other attractions include the Orion Vehicle Camp, Kids’ Land, and etc. Visitors can also pick fresh fruits, for example grapes and jujubes, from farms. Besides, the complex has 500 mu of land for development and construction purposes, where real estate properties can be developed to fund and sustain the operation of the town. The traditional residential housings are also preserved in this complex. This model not only protects the way of living of the natives, but also creates multiple profit streams. This business model identified by Jianye is an effective way of inheriting the central China culture. It is self-sustainable, generates enough revenue to support its operations, and it serves as a platform to export culture, standards, and lifestyle.

Hu Baosen believes every enterprise shall have its “base camp”, or as some experts put it, to have a “city moat” to protect its business. Without a solid base camp, exploring the outside world will not bode well.

In 2017, the model area of “Shenhui Heaven and Earth Project” in Xuchang was opened. This project is developed to preserve and promote the local porcelain making culture, and properties are designed to imitate the ancient architectural style and reflect the thousand years of history of Shenhui town. September 2017, Jianye’s Daji Ancient town in Puyang was officially open for visitation. Also, with thousands of years of history, Puyang Daji is specially known as the hometown of Dongbeizhuang acrobatics. This town is revitalized thanks to the restoration and development work by Jianye. October 2017, Jianye joined hands with famous director Wang Chaoge and launched “Only in Henan: A Whimsical Drama Town” in Zhengzhou, with an expected investment of 5 billion RMB. On September 28th 2018, Jianye Football Town was officially opened and during the following October holiday, it welcomed over 200,000 guests. During the Chinese New Year holidays in 2019, its attendance exceeded 500,000.

Besides developing and presenting central China towns with local cultural elements, Jianye is also preserving and communicating culture through local cuisine. Leveraging the development of modern agricultural pastoral complex, the Jianye Dining Hall is dedicated to create “the living room of Henan people, the place to get a taste of Henan”—a marketplace of local food and snacks. In 2015, the very first Jianye Dining Hall project was launched in Yanling green camp. Under the guideline of “discover, inherit and promote central China culture”, by driving growth throughout the food industry, Jianye Dining Hall promoted industrial upgrading and created wealth for the rural area, preserved traditional cuisine as intangible cultural heritage, and achieved great economic returns and created many jobs.

According to Hu Baosen, Jianye sought after time-honored shops across over 100 counties, and invited these food retailers with decades or even hundreds of years of history to operate at the Jianye Dining Hall, which is now home to over 800 different types of delicacies. And to support these shops, Jianye waived their rent and provided them with accommodation. Operating here also gives these time-honored brands a chance to pass the heritage onto the next generation. Young apprentices are hired from school to learn the trade. As an example, one shop that specializes in making baked wheat cake has opened five stores on Jianye’s different properties. As Jianye helped them to preserve the trade and the legacy, their business is also expanding. In the future, they can expand with Jianye to other provinces like Hubei, Shaanxi, Shanxi, Shandong, etc. Besides food brands, other Henan cultural heritage, like acrobatics, martial arts, opera, will all “go national” as Jianye expands. Through the platform created by Jianye, central China’s culture will be presented and enjoyed by a much broader audience.

He said: “Since Jianye established its provincial and regional development strategy in 2001, I spent the past 18 years building our ‘base camp’. The goal is to expand our business to cover all the 120 county-level and above cities in Henan by the end of 2019. That was the time we spent building the base camp and moat. Now our capacity has grown, and so did our reach. Henan is adjacent to seven provinces. Our current market borders on these neighboring provinces. In the next three, five, or even ten years, our goal will be expanding our base camp to cover those provinces. From 2019 onwards, we will bring our central China cultural towns to more places as our market expands. Maybe five years later, you will see towns showcasing central China cultural elements outside of Henan. Jianye has assumed the social responsibility of passing on the cultural legacy of central China, and our social responsibility expands as our business broadens.”
When the name Jianye is mentioned in Henan, people will immediately associate that with football. Jianye’s investment in Henan Football Club started 25 years ago, and with nearly 3.8 billion RMB of investment, Henan Jianye Football Club became the “one and only” in three aspects: 1) It is the one and only professional football club in Henan Province, China’s most populated province; 2) It is the one and only professional football club in China that has never changed its naming sponsor; 3) And it is the one and only Chinese professional football club under the football league that owns a football court to host games. The rise of central China represents the overall rise of its political, economic and cultural importance, and the sports industry is just one of the important drivers to strengthen the cultural industries. Jianye football is an important cultural symbol of Henan and has won honor and respect for Henan.

Hu Baosen believes football is more than just a game. Besides teamwork, hard work, positivity and happiness, it is also a reminder of Jianye’s 27-year dedication. It represents the kind-heartedness and unyielding spirit of Henan people, and how Jianye pursues excellence with patience and perseverance.

In 2018, Jianye Group launched the “Jianye Cup: Fight for Love” five-on-five football championship in Henan. The championship is a combination of sports and charity. Together with Henan Provincial Charity Foundation, Jianye donated nearly 10 million RMB. While bringing exciting football games to the people in Henan, they leveraged the opportunity to donate football fields to 26 schools in poor areas, making football more accessible even in poorer areas in Henan.

President Xi Jinping has expressed his three wishes: China gets to play in the World Cup finals, China hosts a World Cup tournament, and China wins the World Cup. Hu Baosen believes that the realization of these wishes will take 50 years, or 30 years at the quickest. To make these happen, efforts should be made at the basic, grass-roots level, to cultivate the culture among younger generations. Therefore, Jianye Group donated football fields to 26 schools in poverty-stricken areas in the first round of donation. By doing so, Jianye not only helped with the poverty alleviation, but also made the sport and the happiness it brings more accessible in rural and poor areas.

Contributions to Henan over the 27 Years

Diversification

Since its establishment in 1992, Jianye has been upholding the corporate culture of “truthful and trustworthy, responsible, doing business the right way” and the business strategy of provincial and regional development. With 27 years of cultivation, Jianye group formed the structure with four major companies: Jianye Residential Property, Jianye Capital and Investment, Jianye New Lifestyle Services, and Jianye Development Holdings, with their business scope covering 12 segments: real estate, property management, education, hotel, football, commercial, culture and tourism, finance, science and technology, travel, Junlin Club and modern agriculture. By the end of 2018, Jianye’s business has covered 18 prefecture-level cities and 77 county-level cities. It has found a path of new urbanization development, and has been promoting low-carbon, eco-friendly, high efficiency in urban management, business operation, production and way of living.

Tax contribution

In 2018, Jianye Group reached a total sales revenue of 81.2 billion RMB, a 97% increase compared with 2017, ranking first among the top 10 regional real estate companies for 10 consecutive years. In 2018, Jianye’s tax contribution reached 5.4 billion RMB, ranking among the top taxpayers in Henan’s property development industry. Its accumulated tax contribution now stands at 24.1 billion RMB.

Realize corporate gains and personal gains

Jianye Group hires nearly 20,000 employees. The average age of Jianye employees is 33, and females account for 40% of the workforce. As one of the biggest employer in Henan, Jianye was awarded with the “Best Employer in Central China” “Outstanding Employer” “Excellence Award for Human Resources Management”, etc. Talent is the foundation for innovation and development. Jianye Group established a system of business diversification and talent nurturing, integrating face-to-face coaching, online lecturing, mentoring and on-the-job training. Every year, we provide tens of thousands training sessions, and 75% of our management are internally promoted.
A Long Way to Go to Become a Great Company

Forward-looking companies are more interested in becoming long-living enterprises, rather than superstar companies. In the past 20 years, the list of China’s top 100 housing companies has been reshuffled again and again, and 80% of the names that was on that list 20 years ago are no longer there. Jianye Group has been on that list for 10 consecutive years. Hu Baosen knows that being top 100 is not a guarantee of strong overall capability. Only by operating steadily, assuming social responsibilities and working closely as one team can Jianye achieve sustainable development.

Hu Baosen believes that to be called a great company, a company needs to possess the following traits: create both economic and social benefits, pursue both material and spiritual values, harmony between corporate interests and employee interests, and an alignment between strategic objectives and executions.

“When I rate Jianye, the score I give never exceeds 70,” says Hu Baosen, “employees of Jianye are still working too hard. They have to work 10 hours or even 12 hours a day. If Jianye wants to become a great company, it needs to make its employees see work as something pleasant and enjoyable. Long hours would not be unbearable, and employees will be happy about achieving business goals. Being a great company is still something way ahead of us. Corporate values represent what we believe in and stay true to. History and experiences gives our brand greater value.”

This year, Hu Baosen has set a “100 billion strategic goal” for Jianye. He says the most precious quality about entrepreneurs is how they never settle for temporary achievement. “I am learning from the greatest entrepreneurs, both home and abroad. And it’s really not the time for me to feel good about myself, because I know I’m not where they are yet. I’m still very far away. How can I rest?”

First Respond®: Sparking Universal Mutual Aid in Emergencies

Qian Wenying, Case Center, CEIBS

First Respond®, founded in 2012 by Lu Le, is a social enterprise dedicated to delivering first aid training and life support solutions. A runner who died of sudden cardiac arrest during the Gobi Challenge was a former schoolmate of Lu Le at CEIBS. This sad incident has directly contributed to the creation of First Respond®. The tragedy was a big shock to CEIBS alumni, and everyone was thinking: if someone who had received the first aid training was on site, could the man’s life have been saved? First Respond® is one of the first certified social enterprises in China. A social enterprise is an organization that applies commercial strategies to resolve specific social problems in a sustainable way. First Respond® hopes to address the shortage of public emergency resources through business innovation and attain self-sufficiency and sustainability without relying on donations. Since its inception six years ago, First Respond®, thought being short of hands and capital, has been committed to improving social awareness towards emergency rescue and popularizing first aid training by empowering more partners and mobilizing more and bigger social resources from volunteers, governments, companies, NGOs and media. As of the end of 2018, First Respond® had successfully provided its services to 306 marathon events at home and abroad with the joint efforts of nearly 30,000 volunteers, with 15 cases of cardiac arrest rescued and a world leading rehabilitation of 95% achieved. In the meantime, it had trained over 2,000 instructors in more than 20 cities across the country, who, in turn, had delivered safety education classes to nearly 200,000 children.
It was four o'clock in the morning. The entire city of Shanghai was still bathed in the moonlight and a profound silence prevailed all over. Under the dim street lights was an empty ground, which, however, soon got crowded with people wearing orange-colored uniforms. They were registered volunteers of First Respond® coming together from every walk of life and every corner of the city for the annual Shanghai International Marathon to be held during the daytime. They would respectively act as medical officers, patrol responders, first aid “rabbits”, commanders on the commander vehicle, risk officers, photographers to keep medical records, as well as personnel for media and logistics support. For the sixth consecutive year, the First Respond® volunteers had played an active part in protecting the safety of marathon runners. In these six years, First Respond® had successfully provided its services to 1,340,000 runners in more than 300 marathon events in over 40 cities at home and abroad, with 15 cases of cardiac arrest rescued.

First Respond® CEO Lu Le, a bald headed man, was Commander in Chief of this life-guarding activity. He arrived early and waited for the volunteers to meet at 4:15. Seeing more and more volunteers with orange vests show up, lighting up the surrounding darkness around them, Lu Le recalled the initial purpose of starting a social enterprise like First Respond® with his partners in 2012—increasing the penetration rate of first aid and the survival rate of cardiac arrest victims in China.

With these beliefs, Lu Le founded First Respond® together with eleven partners. Seven of the founding members are MBA and EMBA alumni from CEIBS. Ms. Sisi Chen, CEIBS alumna (MBA 2010) and Chair of CEIBS Alumni Enterprises Corporate Social Responsibility Forum/Club was one of the earliest investors; another founding member Mr. Lu Jun won CEIBS’ full scholarship for MBA students and previously worked for two Fortune 500 companies. Like Lu Le, they all started as active volunteers of emergency rescue activities. Besides, Lu Le also enriched his team by involving some specialists in medicine, psychology and pedagogy, such as the Doctor in Educational Psychology from East China Normal University and the Chief Physician from Ruijin Hospital.

To increase their professionalism, Lu Le brought his team to Japan, the U.S. and Europe, where the practice of first aid is more developed, to learn from the local rescue service providers, research institutions, and rescue standard developers. With persistent efforts, First Respond® became the only first aid training agency holding both ISO 9001 and ISO 20121 certifications in China and the only gold-standard training center authorized by AHA in Mainland China. While delivering AHA certified Heartsaver® courses, First Respond® has independently developed core courses for first responders, which can help them acquire high-quality CPR skills and the correct method to use an AED through 6-8 hours of training sessions in total.

Different from the CSR practiced by other enterprises of CEIBS Alumni, First Respond® was born for fulfilling social responsibilities, despite the fact that it is a small business with limited resources.

By the end of 2018, the six-year-old First Respond® had only about 50 full-time staff members. How can such a small team tackle such a big social problem and make such a big dream come true?

The answer can be very simple. In the eyes of Lu Le, First Respond® is open to any individual, enterprise or organization that voluntarily contributes to the public emergency rescue services. By sparking universal mutual aid in emergencies, the survival rate of cardiac arrest can be increased from less than 1% to 90%.....
Marathon: Small Step, Big Impact

Where and how to start the first step is very critical. Due to limited resources available, how should First Respond® take advantage of external conditions to build up its brand awareness and have more people realize the importance of first aid in a short time?

In the early days, First Respond® found it difficult to promote first aid among the general public due to lack of awareness for the importance of first aid. But at the same time, marathon events started to gain popularity in China, attracting more and more people’s attention. First Respond® then decided to focus on providing safety solutions to marathon events so that it could take advantage of the latter’s spotlight effect to increase its own brand awareness among the general public.

Marathon is one of the sporting events with the highest mortality of cardiac arrest. One out of every 50,000 to 88,000 runners of a whole marathon race would die of cardiac arrest during the event. The capacity to offer safety solutions to a marathon race is an indicator of emergency rescue capability.

In 2013, First Respond® and its volunteer team, wearing orange vests, were invited for the first time by the Organizing Committee of Shanghai International Marathon to participate in the emergency rescue step: Unlike the common practice of 1 station at every 1–2km in most domestic marathon races, First Respond® set up a station every 100–500m. Once a first responder reports the location of an emergency scene where he or she is present, the emergency response system will be instantly initiated, informing two nearest team members to rush to the scene with AEDs and other first aid devices. A three-person rescue team is thereby automatically formed to offer first aid at the earliest possible time, with almost no need for coordination at the back office.

With experience drawn from these events, steady progress has been made to upgrade this emergency rescue process. For example, First Respond® developed the First Responder App with the function of GPS positioning. This app enables the commanders, while at the back office, to have a clear picture of the deployment and locations of onsite first responders. As more and more data are collected, First Respond® developed a comprehensive risk management system integrating visualized pre-race risk management, timely in-race operation optimization and post-race big data analysis.

By leveraging advanced technologies, First Respond® has managed to increase its working efficiency to a great extent despite of a shortage of full-time employees. Its capacity has already evolved from assisting in 3 events a day to 6 or 7 events a day nationwide. The number of registered volunteers has increased from 50 to nearly 30,000. As of the end of 2018, First Respond® had successfully provided its services to 306 marathon events at home and abroad, with 15 cases of cardiac arrest rescued and a world leading rehabilitation of 93% achieved.

First Aid Training: Tailored Courses for Children

Children’s safety has also been a big concern for the whole society. As incidents threatening campus safety happening from time to time in recent years, school-wide safety education has drawn increasing attention from the Chinese government. Due to a low penetration rate of first aid knowledge, few teachers, parents and children have any experience in first aid.

First Respond® regards school students as an effective bridge to enhance first aid awareness. Here is how its plan works: Every first aid instructor trained by First Respond® is responsible for passing on first aid skills and knowledge to 100 school students; every student is expected to share what he/she has learnt in the first aid class with his/her parents and grandparents; and these adults are expected to further share first aid knowledge with their acquaintances in the neighborhood and workplace. In this way, First Respond® takes children’s safety education as a starting point to communicate first aid skills, knowledge and actions in a rippling fashion.

In the beginning, First Respond® found it extremely difficult to persuade school leaders to organize first aid training courses on campus. Most of them admitted the importance of first aid training but often declined it with all kinds of excuses while perfunctorily saying that “we’ll do it when we have time.” It was until an unexpected death of a student happened on campus that many school leaders came to realize the importance and urgency of campus safety education. If teachers and students had learned first aid skills, such tragic events could have been avoided.

Later on, First Respond® sent a group of first aid instructors to that school concerned and provided its teachers and students with a full-day training session on basic first aid skills.

After this sad incident, First Respond® became more determined to make the first aid training an integral part of campus safety education, and influence a whole generation and generate exponential impact by giving safety classes to students. However, it is impossible for First Respond® alone to promote first aid training in all schools across the country. To this end, it has managed to attract the sponsorship and partnership of foundations and enterprises including Adream Foundation, China Soong Ching Ling Foundation, Shanghai Charity Foundation, Tencent Charity and Bosch China Charity Center. First Respond® has managed to give first aid courses to hundreds of beneficiary primary schools of Adream Foundation in dozens of cities across China, as well as nearly a hundred kindergartens, primary schools and middle schools in Shanghai with the help of China Soong Ching Ling Foundation. By the end of 2018, First Respond® has reached over 20 cities, trained more than 2,000 instructors and delivered safety education to nearly 200,000 children nationwide.

First Respond® believes these figures represent just a starting point. A one-time training course is far from sufficient for the popularization of safety education. So far, First Respond® has been actively cooperating with an international school to develop mandatory safety education courses tailored for students of different grade, so that they can learn more safety knowledge and master first aid skills on a regular basis. If this pilot project can work well, it may be used as a demonstration case to draw attention and support of more schools.
Support for and by Government

Before the establishment of First Respond®, the pre-hospital first aid4 in China used to be mainly the responsibility of emergency medical centers, which are managed by the government agencies of public health and funded by the government. In most cities across the country, less than 1% of the population was equipped with first aid skills and knowledge. First aid training was mainly provided by hospitals, emergency medical centers and Red Cross associations. There were almost no organizations specializing in emergency rescue of cardiac arrest victims. Only less than 1,000 registered AEDs are available in public places.

Witnessing the increasing demand of the government to involve more social forces in social governance and livelihood service provision, First Respond® has developed a win-win cooperation model for the prevalence of first aid. On the one hand, it seeks policy and resource supports from local governments and government departments. On the other hand, it also helps local governments and government departments solve their pain points based on specific local conditions.

Government departments in charge of civil affairs regard the provision of livelihood services as a major source of government work in constructing the social first aid network. The efforts of First Respond® in these years were officially recognized by the promulgation of the Regulations on Emergency Medical Services in Shanghai in 2016, which attaches high importance to the participation of social forces in emergency rescue and waives the liabilities of those citizens who offer the first aid in the hope of promoting mutual aid in the society. As urged by First Respond® and other relevant organizations and experts, the availability of AEDs in public places has also been improved.

In the past three years, First Respond® has actively offered advice and suggestions to the NPC and CPPCC experts, assisted in proposal preparation and facilitated government work in constructing the social first aid network. The efforts of First Respond® in these years were officially recognized by the promulgation of the Regulations on Emergency Medical Services in Shanghai in 2016, which attaches high importance to the participation of social forces in emergency rescue and waives the liabilities of those citizens who offer the first aid in the hope of promoting mutual aid in the society. As urged by First Respond® and other relevant organizations and experts, the availability of AEDs in public places has also been improved. Local governments in Shanghai, Shenzhen and other first-tier developed areas play a pioneering and exemplary role in increasing the procurement and deployment of AEDs in public areas. As a result, more and more second- and third-tier cities follow suit and actively seek cooperation with First Respond®.

For China’s National Health Commission, first aid in the society makes up only a small part of its scope of administration, which is difficult to be covered by general administrative resources and therefore requires the participation of social forces. Under the guidance of Shenzhen Health Commission, First Respond® took the lead to mobilize all possible social forces to innovatively set up Shenzhen Social Emergency Rescue Association, develop a first aid network among Shenzhen citizens and promote mutual aid before the arrival of ambulances. In the meantime, with the strong support of local health commissions, First Respond® has been able to offer effective safety solutions to various sports events and realize seamless connections to local emergency rescue resources including ambulance fleet and emergency physicians. In this way, more lives can be saved with limited social emergency rescue resources.

In the past three years, First Respond® has actively offered advice and suggestions to the NPC and CPPCC experts, assisted in proposal preparation and facilitated government work in constructing the social first aid network. The efforts of First Respond® in these years were officially recognized by the promulgation of the Regulations on Emergency Medical Services in Shanghai in 2016, which attaches high importance to the participation of social forces in emergency rescue and waives the liabilities of those citizens who offer the first aid in the hope of promoting mutual aid in the society. As urged by First Respond® and other relevant organizations and experts, the availability of AEDs in public places has also been improved. Local governments in Shanghai, Shenzhen and other first-tier developed areas play a pioneering and exemplary role in increasing the procurement and deployment of AEDs in public areas. As a result, more and more second- and third-tier cities follow suit and actively seek cooperation with First Respond®.

Media Collaboration: How to Put This Serious Business on Everyone’s Lips

As far as First Respond® is concerned, media partners have been playing an important role in spreading the knowledge and importance of first aid. Since its inception, First Respond® has received generous media support. Through cooperation with various media across the country, First Respond® keeps disseminating first aid knowledge to the general public, educating people about what to do in case of an emergency.

With increasing awareness of their value and responsibility in promoting social welfare programs, more and more media, driven by their professional ethics and social responsibility, become passionate advocates of charity causes and give more coverage to non-governmental public welfare organizations and institutions. As one of the largest non-governmental forces in providing first aid solutions, First Respond® has attracted much media attention and is often invited to the designing of public welfare programs. But since first aid is a serious business, how would they motivate more people to watch, learn and spread first aid related media programs on their own initiative? Both media and First Respond® are striving hard to find out the proper way.

Another important thing is to communicate the importance and correct practices of first aid in diversified ways through more media platforms. For example, with the support of First Respond®, SMG produced a 12-episode documentary about pre-hospital emergency medical services—“120 On Call”. This documentary with serious themes attracted more than 40 million views. In July 2018, First Respond® worked with Yitiao, a we-media platform in producing a five-minute video named “Get Five Essential Survival Skills in Five Minutes!” The video was forwarded more than 5 million times in a few days, and was even forwarded on the official websites of Shenzhen Health Commission, Jianguo Health Commission, Ministry of Emergency Management and many local public security bureaus. A string of programs of CCTV and Xinhua News Agency have also joined hands with First Respond® in developing first aid videos. For example, CCTV News launched a micro video named “First Aid, You Can Do It”, and has broadcasted this segment several times. Videos describing lifesaving skills become the certain types of videos that people are most unwilling to delete on their mobile phones. These videos are shared amongst family members as a means to convey care.

4 First aid is the first and immediate assistance given to any person suffering a serious illness or injury outside hospital. In a broad sense, it is the emergency rescue by medical staff or witnesses on the scene.

062 CEIBS CSR Report 2018 · CSR Practices of CEIBS Alumni Companies
First Respond®, as a social enterprise, has caught notice of more and more entrepreneurs for its ability of value creation. Its business model was initially designed to maximize the benefits of all parties, including shareholders, customers and the society. Many entrepreneurs begin to ask themselves: Is there only a win-lose relationship between companies? Is it possible to build a relationship of mutual benefit and growth?

The corporate customers of First Respond® cover all aspects of everyday life from entertainment, work and study to travel, transportation, household and sports. By offering workplace safety solutions, First Respond® has managed to enlarge its cooperation with businesses of various sectors and apply its mutual aid expertise to all kinds of social scenarios.

Business Partnership: Enhancing Workplace Safety

Different from non-governmental organizations (NGOs) which mainly rely on grants to support its daily operations, social enterprises take advantage of business means to fulfill their social missions. As one of the first certified social enterprises in China, First Respond® must find sustainable sources of revenue to fund its ambitious dream of promoting the prevalence of first aid. It is impossible for First Respond® to become self-sufficient only by providing safety solutions to sports events and first aid trainings. With its experience accumulated in marathon events and first aid trainings, First Respond® can develop one-stop first aid solutions for companies, including providing first aid training to their employees and deploying first aid equipment in their workplaces. In this way, First Respond® can not only help companies build up their safety management, but generate positive social influence.

The first aid solution designed by First Respond® has become a highlighted example placed in many companies’ CSR reports.

Setting up Examples

China Overseas Office Capital (COOC) has been among the earliest business partners of First Respond®. As one of the largest state-owned enterprises directly under the central government, COOC has always hoped to be a CSR leader in the industry. The company started its cooperation with First Respond® as early as in 2015. With the full assistance and support of COOC, First Respond® developed a comprehensive emergency response system covering all commercial official buildings, employees and merchants of COOC across the country in more than two years. While installing necessary AEDs in the office buildings of COOC, First Respond® worked out an “e-button mutual aid system”, which connects the emergency call system with the central control system of buildings on the “cloud”. First Respond® is also making efforts on developing a small one-button SOS App. If someone falls down, as soon as an SOS button nearby is pressed, the central control system will give off warning signals to security guards, who will then fetch the nearest AEDs to the scene to offer help.

This first aid system developed by First Respond® helps to “warm up” the relationships between property owners and merchants, employees and customers, and involves all stakeholders into a mutual protection and aid network. It enables COOC to stand out in a crowd of competitors and involves all stakeholders into a mutual protection and aid network. It enables COOC to stand out in a crowd of competitors and strengthens the company’s competitiveness in a unique way.

For example, First Respond® joined hands with Meituan Dianping’s “Urban New Youth” initiative to provide first aid training to food delivery couriers. With the help of professional instructors from First Respond®, the couriers learn and practice skills of dealing with emergencies such as cardiac arrest, choking, hyperthermia, stroke, burns and drowning. The Meituan couriers will be equipped with more first aid knowledge and even have the chance to become certified first aids through more training courses to be offered by First Respond® later. And they are expected to become the “first aid supermen” on the road.

China Social Assistant Foundation, Hive Box Technology and First Respond® have jointly launched the “Community-wide AED Sharing Program”. They will take advantage of Hive Box’s national network of self-service package drop-off and pick-up stations to place 90,000 AEDs in 80 cities. And a first aid training program for citizens has been kicked off at the same time to protect the lives of 200 million Chinese people. The whole program is planned to be completed in three years. First Respond® has also integrated its independently developed “AED map” into multiple platforms such as Tencent Maps, Baidu Map and Alipay to enable citizens to check the locations and number of AEDs nearby in a real-time manner, and then quickly reach the AED locations through navigation Apps.
People of First Respond®: Making a Difference Collectively and Individually

As a social enterprise with only a short history of six years, First Respond® conquered the big challenge of popularizing first aid among the general public with limited resources available. A driving force behind the company is a group of people who are extremely strong-willed, mission-driven and with shared values.

These people include not only its partners and employees, but also volunteers from all over the country. The prevalence of first aid cannot be achieved overnight. In fact, it took 50 years for developed countries such as the US, Japan and Germany to gradually establish a sound social emergency response mechanism after continuously perfecting their systems of law, insurance, universal education, industry self-discipline and government procurement. But Lu Le and his partners have cherished the conviction from the very start that they can “make a difference collectively and individually” by taking the popularization of first aid as a daily routine.

Backed on this group of people who are full of passion, enthusiasm and devotion, while pursuing neither fame nor wealth, First Respond® has convinced more and more people from all walks of life that as tough as it is being a small organization, it can make a difference by cooperating with government departments to improve first aid deployment, and by seeking unified efforts from various sectors to promote the prevalence of first aid. Lu Le believes that as more and more people come to see the importance of universal mutual aid and are equipped with first aid knowledge and skills, a social first aid market can take shape soon and show exponential growth just like the instant popularity of the video “Get Five Essential Survival Skills in Five Minutes!”

Since the beginning of 2019, First Respond® has received many cooperation offers from local governments, enterprises, as well as non-governmental clubs and organizations. In the seventh year since its establishment, this single “orange spark” is to start “a prairie fire”.

Essilor: Helping Needy Children with Poor Vision in China’s Mountain Areas See the World Clearly

Yue Dingjun, Marketing and Communication, CEIBS

Since its inception 170 years ago, Essilor Group was dedicated to the mission of “improving lives by improving sight”, providing users with customized lens to help them see the world clearly and live a better life. The Group attached great importance to corporate social responsibility (CSR), becoming the first among 40 companies listed on France’s CAC40 index to put the CSR committee on the board of directors. The CSR committee was chaired by an independent director, with the Group’s Chairman serving as one of the members. The committee was responsible for assessing the economic and social impact of the Group’s business to ensure that the Group moved forward along a path to sustainable development.

From its outset, Shanghai Essilor Vision Foundation (SEVF), the charitable arm of Essilor Group in China, was committed to building an open public welfare platform for vision health through cooperation with all parties concerned so that the underprivileged in China could live a better life with better eyesight. As of 2018, SEVF had provided free vision screening for more than 1 million impoverished students across China, and donated spectacles to over 100,000 of them, fulfilling its mission of “improving lives by improving sight”. A businessman was bent on making money, while an entrepreneur also took CSR into account. The level of commitment to CSR was an important indicator that separated a businessman from an entrepreneur.
The eyes were the human’s most vital navigation system, through which over 80% of external information was received. If not addressed in time, vision problems would produce a series of adverse effects. In Singapore, the annual economic loss incurred by nearsighted adults aged over 40 hit USD 755 million. In the US, the annual economic loss caused by refractive errors (including myopia, hyperopia and astigmatism) exceeded USD 16.1 billion. Globally, the annual economic loss resulting from employees’ uncorrected refractive errors was estimated to be as high as USD 272 billion.

According to the Vision Impact Institute (VII), around 4.6 billion people worldwide suffered from vision problems of varying degrees. Among them, 2.5 billion, who lived in poor areas with limited health and economic conditions, could not have their vision corrected promptly and effectively. Essilor Group made it one of its missions to help those people improve their lives by improving their sight through non-commercial means. To this end, the Group has established Essilor Vision Foundation in the US, India, Singapore and Canada since 2008.

The problem was worse in China; one in every three people over five was nearsighted. If left unchecked, myopia would afflict 700 million Chinese people by 2020. In this sense, myopia became China’s “national disease”.

Presently, nearly 40 million children in China were nearsighted; among them, 30 million lived in rural areas, without an opportunity for vision correction. How to improve the sight of children in China’s poor areas became one of Essilor’s focuses. Back then, the Chinese government’s policy did not sit well with foreign-funded foundations. Therefore, Essilor Vision Foundation chose to team up with Shanghai Soong Ching Ling Foundation, a well-established charity organization in China, to create a corporate fund titled “Shanghai Soong Ching Ling Foundation—Essilor Charity Fund”. In September 2014, the Fund was officially established. “As one of the world’s largest optometric companies, Essilor is committed to performing its social responsibility through charity work,” said He Yi, CEIBS CEO alumnus and Chairman of Essilor (China) Investment Co., Ltd., “There is still a long way to go to improve Chinese people’s sight. The disadvantaged groups, in particular, need long-term attention and care... I hope more and more people will see a clear and beautiful new world.”

After its establishment, Shanghai Soong Ching Ling Foundation-Essilor Charity Fund started organizing charity events for vision health in China. In September 2016, with the seal of approval of Shanghai Civil Affairs Bureau, SEVF was founded.

Gedashang Township Central Primary School was one of the last two schools covered by SEVF’s Xing County Kids’ Vision Health Program. Since this Program was launched in March 2017, SEVF has provided vision screening for 23,000 students from 41 primary and secondary schools across Xing County and donated prescription glasses to 6,500 of them in the course of 14 months. The Program was also the first of its kind in Shanxi Province to cover all county teenagers. Through vision health education, vision screening, a refraction test, and the donation of prescription glasses to teenagers in such an impoverished area as Xing County, SEVF helped them see the world clearly, thus performing its mission of “improving lives by improving eyesight”.

In early 2018, the principal of Gedashang Township Central Primary School at Xing County, Shanxi Province learnt that the SEVF staff and a team of ophthalmologists from Xing County People’s Hospital would come to the school to perform a refraction test on children and prescribe them glasses for free.

In the beginning, he took the news with a grain of salt. After all, the school, which had only 53 students, was located in a secluded area, a nearly three-hour drive down the mountains from the county. Who would climb over the mountains to care for these kids? Even so, he harbored high expectations because they badly needed to be treated with care and love in the township of poverty and insularity. In a multi-grade class, 13 students were all left-behind children, one parent of whom had passed away or run away from home, while the other had migrated for work, or got remarried and never returned. As a result, they were left in the care of their elderly grandparents. Under such circumstances, they were not well cared for and long bedeviled by vision problems, among others, which were often neglected... On May 24, 2018, as soon as the SEVF staff and a team of ophthalmologists from the county hospital arrived at the school as scheduled, cramped and spartan classroom suddenly livened up. Children lined up for a refraction test, chatting happily with the staff. The results showed eight children would need to wear glasses to have their vision corrected. SEVF donated prescription glasses to them. And for children with strabismus or amblyopia, ophthalmologists also advised their teacher to contact parents so that they could undergo further examination at the county hospital.

Students across Xing County were undergoing a eyesight check.

Mission of SEVF: Alleviating the Eye Problems Afflicting Chinese People

He Yi
CEIBS CEO 2009 Alumnus
Chairman of Essilor (China) Investment Co., Ltd.

Students wore new eyeglasses.
Building an Open Public Welfare Platform Through the Efforts of People from All Walks of Life

Shortly after SEVF was established, Essilor positioned it as an open public welfare platform for vision health. With the support of people from all walks of life, SEVF was devoted to improving poor people’s lives by tackling their vision problems.

In early 2015, based on the same vision, SEVF and the charity organization “Education In Sight” launched “Education In Sight” Program in Yunnan Province. In April 2015, the project team held a vision health promotion for 50 primary and secondary schools in Shangri-La, Yunnan. The team members guided the vision ambassadors on how to deliver a lecture on both vision health and conduct preliminary vision screening for students, and invited optometrists to schools to perform a refraction test on children from the Tibetan region and prescribe them glasses. From September 2015 to December 2018, the project team provided a free eye examination and corrective glasses for students from grade 1 to 9 at 253 schools across Longling County and Yingjiang County in the city of Baoshan in Yunnan, and gave them a lecture on eye care. By the end of 2018, the project team had performed visual screening for more than 130,000 students from more than 300 primary and secondary schools in Yunnan, and donated prescription glasses to more than 18,000 of them for vision correction.

In April 2015, SEVF and Hunan Eye Care Foundation launched “Eye Do” Program for teenagers’ vision health. “Eye Do”, homophonic with “I Do”, meant that each participant could do his bit for this project to improve teenagers’ sight. The Program has been conducted nationwide for four consecutive years since its initiation. In 2015, the Program was set in motion in Shanghai, and Xiangxi and Xiangtan, Hunan Province. In 2016, it pushed into Taiyuan, Shanxi Province and Nanning, Guangxi Autonomous Region. With the establishment of SEVF, the coverage of the Program was expanded. In 2017, it covered six cities across five provinces, namely, Datong of Shanxi, Harbin of Heilongjiang, Yantai of Shandong, Yongzhou and Yiyang of Hunan, and Yichang of Hubei. In 2018, more regions were covered, including Honghe, Yunnan Province, Fushun, Liaoning Province, Guigang, Guangxi Autonomous Region, Xi’an, Shaanxi Province, and Changchun, Jilin Province. As of 2018, the project team had performed visual screening for more than 800,000 students in 11 regions, and prescribed nearly 40,000 of them glasses for free.

In June 2016, SEVF, together with OPO Optical and Jilin Mobile News, initiated “Eye Love” Program for teenagers’ vision health. The first stop was Lameng Township at Longling County, a national-level poverty-stricken county in Yunnan. SEVF performed visual screening and prescribed glasses to students from a local central primary school and teachers from four neighboring schools; the second stop was Jingyu County, Jilin Province in June 2017; the third stop was Nong’an County, Jilin in December 2017. By the end of 2017, the project team had held three charitable activities with one return visit, screening 4,100 students in total and equipping 1,000 of them with a pair of spectacles for free.

In addition to the above programs, SEVF, together with Nova Vision (Baodao Optical), initiated “Seeing the Future” Program for teenagers’ vision health; together with the Chinese People’s Association for Friendship with Foreign Countries and Xing County People’s Government, SEVF launched the Xing County Kids’ Vision Health Program; together with Baofeng County People’s Government in the City of Pingdingshan, Henan Province and Henan Baoshida Vision Health Technology Co., Ltd., SEVF launched Pingdingshan Children’s Vision Health Program.

According to Zhu Jiacong, Secretary-General of SEVF, by the end of 2018, SEVF had provided a free vision examination for over one million poor students across China and donated glasses to over 100,000 of them. Zhu said, “Facing such a considerable challenge for vision health in China, any company or NGO can do just a little bit, producing a limited impact. Only with the support of like-minded partners and people from all walks of life can we quicken our pace toward improving the vision of children in poor areas.”
SEVF started exploring the sustainability of public welfare. Under a traditional public welfare model, optometrists usually carried optometers to an area to perform a refraction test and write an eyeglass prescription, a model that could help local people promptly identify and address vision problems, but could not keep the project going locally. Convinced that teaching one to fish was more important than giving him fish, SEVF hoped to get local people involved so as to make its projects sustainable.

For instance, with the support of SEVF, a hospital at Longling County in the City of Baoshan, Yunnan Province set up an optometric center that gave county residents a refraction test and prescribed them glasses at below-market prices. Thanks to this new model, the optometric center was well-placed to finance its sustainable operations and offer long-term public welfare services to rural students, including the sale of glasses at no more than RMB 100 a pair and donation of glasses to children from some poor families.

Internal subsidies and auxiliary income became important sources of income for the center. While offering paid service, the center could also carry out long-term welfare activities. After a year, SEVF recognized that it had strived hard to improve the operations of the center.

Xing County Kids’ Vision Health Program was also based on the optometric center model. SEVF donated prescription glasses to students who needed vision correction. Meanwhile, SEVF funded the establishment of an optometric center in a county hospital, donating equipment and delivering training. As per the agreement signed by SEVF and the hospital, the optometric center could offer paid services to all county residents, but it must put aside a portion of profit every year to screen the sight of children in poverty-stricken areas for free and donate a number of glasses to some of them in need, because the prescriptions of spectacles changed every six months or every year. The optometric center model ensured children accessed professional vision health services in the long run.

In order to localize its operations, SEVF brought in corporate and public welfare partners. In terms of refraction tests and eyeglass prescriptions, optometrists and ophthalmologists abroad were self-employed, with a clinic of their own. Inspired by the culture of giving, they usually took the initiative to engage in public welfare events. But in China, optometrists or ophthalmologists worked at an optical store or hospital. In this case, an eye care foundation needed to cooperate with optical stores or eye hospitals to access human resources. Some optical stores and hospitals sent out optometrists or ophthalmologists and leased equipment to the foundation in the form of donations. The foundation was responsible for project management and training on lens and vision health. Therefore, complementary advantages could be leveraged to more effectively carry out public welfare programs. Presently, Aier Eye Hospital Group, Bright Eye Hospital Group, BaoDao Optical, and OPO Optical were all a part of SEVF’s corporate partners.

Apart from the aforesaid companies, SEVF also partnered with other public welfare organizations, including Shang-hai Soong Ching Ling Foundation, Hunan Eye Care Foundation, and Education In Sight. “It’s rare abroad to bring in many partners so as to run public welfare programs in parallel across regions,” said Zhu Jiacong.
Presently, all public welfare programs initiated by SEVF centered on vision health. As the refraction test for children involved professionally measuring the height of the pupil and distance between pupils, and polishing lenses to ensure each pair of glasses was customized, only a few public welfare institutions could continuously perform a refraction test on children and prescribe them glasses on a large scale. This was what Essilor excelled at.

“Professional work should be done by professionals. Correcting refractive errors is Essilor’s specialty. We are duty-bound to focus on this field,” said Zhu Jiacong.

Essilor used a metaphor for corporate philanthropy: bees gathered honey only for survival, but they also spread pollen in this process, making the whole ecosystem healthy. Likewise, SEVF cared about children in poor areas, who were expected to pass on their love to others in the future. To promote social progress and improve people’s well-being, SEVF encouraged business partners to actively participate in public welfare programs, which aimed to create a sound social environment and address major social problems.

When working on programs, SEVF’s staff often interacted with students by asking them to write down their dreams on a card. Zhu found that 70% to 80% of them had a dream of becoming a teacher or doctor.

“Showered with care and love, they owe a debt of gratitude. They feel it is their duty to help others in the future. They have realized the importance of sending a message of love, which goes far beyond vision correction,” Zhu said.

Gathering honey was a long hard slog for bees, as were public welfare programs for SEVF. “We are still grappling our way forward. Despite some headway, there is still much work to be done in exploring models”, said He Yi when reviewing SEVF’s progress in the past few years.

SEVF explored several public welfare models: first, a traditional charitable donation, which involved performing a refraction test and prescribing glasses, was increasingly mature; Second, a sustainable optometric center (SEVF had made some explorations in this regard); third, public welfare partnerships (SEVF would seek more partners); last, the social enterprise model (SEVF would step up efforts at this point). It remained to be seen whether SEVF would focus on one or more of these models, or strike a balance among them.

“Around 500 million Chinese people are grappling with vision problems, but they have not yet to wear glasses. This market holds an immense potential. Chinese President Xi Jinping has called for concerted efforts to protect children’s eyes so that they can have a bright future. We will accelerate our exploration of public welfare models. We are convinced that with the support of people from all walks of life, we will be able to pool more human, financial and material resources to improve people’s vision and lives on a larger scale,” said He Yi.

Making the Company as Committed as Bees to Bring Benefits to Society

A lecture on eye care was delivered to students.
Establishment of CEDAR Charity

After Wenchuan County, Sichuan Province was hit by a massive earthquake in 2008, CEIBS alumni raised funds for relief and reconstruction in the disaster area. Following the completion of charitable donations, the CEIBS Alumni Charity Union was officially established, in the hope that little acts of kindness would make a great difference to others. Inspired by the Charity Union, Fan Huiyuan and Wang Xiaohui, alumni from CEIBS EMBA 2002 Shanghai Class 1, also established a class charity association. After striking acquaintance with Mr. Zhang Junda from Zhejiang Xinhua Education Foundation, they started funding senior high school students in poverty-stricken areas, particularly those who were “especially excellent, extremely poor, and grateful to others”. Chen Yao, Ric Liu and Shi Li, Co-founders of the Charity Union, began shifting their focus onto education, which was in keeping with the identity of CEIBS. Since 2010, the Charity Union has started publicizing the financial aid project for senior high school students on CEIBS Shanghai campus, calling on alumni, faculty and staff to make a donation. This project soon captured much attention from the CEIBS alumni and as of today, CEIBS Prof. Wu Jinglian, Prof. Ding Yuan, Prof. Xu Xiaonian and Prof. Katherine Xin are all donors and goodwill ambassadors of the Charity Union.

In April 2012, the Charity Union chaired a meeting with the recipients of financial aid in Shanghai. A total of 54 college freshmen, who had been subsidized at senior high school, attended the meeting. Surprisingly, when asked about how they felt studying in the city, most of them stared down and burst into tears. Though far away from their poor hometown, they were still facing formidable challenges in the city. When Shi Li was recalling the scene of the meeting, her tone implied she was deeply stirred by the plight of needy students. She had just rounded off her college career and was well aware that student aid alone could not heal the feeling of inferiority about personal background and family circumstances, they are unable to communicate well with others; third, the current education system in poor areas is in no position to provide students with access to essential-qualities-oriented education that aims to spark students’ curiosity and creativity.

Three co-founders conceived the CEDAR Highrise as a charity project that aimed to prepare needy students well for society. Then, they clarified its purpose: awakening college students’ passion for dreams, improving their competence, vocational skills, and ability to deliver services, and sharpening their sense of self-reliance, self-confidence and self-improvement so as to cultivate them into top talent who owe a debt of gratitude to the community. The project derived its name from a frequent-ly-quoted Chinese saying, which explains that “it takes ten years to grow trees, but a hundred years to rear people”. Just like the cedars shooting upward, the name implies metaphorically that with the support of people from all walks of life, teenagers will grow into pillars of society after going through trials and tribulations to give back to family and community.

CEDAR Charity: Inspiring Beneficiaries to Help Others in Need

Shanghai CEDAR Charity Foundation carries out three public welfare projects: financial aid for senior high school students, college student training, and systematic volunteer teaching. In addition, the Foundation has more than 1,500 volunteers. Among them, some social elites offer guidance to team members, who will grow into qualified mentors or coaches. This is what CEDAR refers to as a sustainable educational charity ecosystem, where beneficiaries are ready to help others.

Financial Aid Project for Senior High School Students—As You Study Hard, I Promise to Fund You Until You Graduate from Senior High School

In partnership with senior high schools in poverty-stricken areas, CEDAR subsidizes three-year tuition fees and accommodation fees for poor students, and raises funds externally to cover their living expenses so that they can get through school. While providing necessary financial support, CEDAR requires school leaders and head teachers to sign up for its courses on “coach-type teachers” to pick up coaching skills required to understand themselves better, communicate with students more efficiently, and improve educational quality so as to drive the development of the school. From 2016 to 2018, this project subsidized a total of 4,345 students from 91 classes at 30 schools in 11 provinces, most of which are located in China’s western regions, including Yunnan, Guizhou and Ningxia.1

Born into a poor family in a remote area, I study hard in relentless pursuit of my dreams.

Your aid will make a great difference to my family and my life.

1 Data as of October 2016.
College Student Training—
Thinking, Learning and Sharing to Co-Create a Win-Win Result

In 2012, CEDAR launched a college student training project to help freshmen adapt to college life. This project aims to awaken college students’ passion for dreams, improve their competence, vocational skills, and ability to deliver services, and sharpen their sense of self-reliance, self-confidence and self-improvement so as to cultivate them into top talent who owe a debit of gratitude to community. On April 30, 2015, Shanghai CEDAR Charity Foundation was registered at Shanghai Civil Affairs Bureau to facilitate fundraising and recruitment of full-time staff. Since then, the college student training project has been gathering momentum. By the end of 2018, project team members spread across 30 provinces, municipalities and autonomous regions delivering training to more than 10,000 college students.

The college student training project consists of six modules: mentoring program, coaching program, public welfare events, lectures, company visit, and a company internship. Following the “316” training rules and “127” learning rules, all courses are underpinned by the core idea of “leading by example” and “thinking, learning and sharing to co-create a win-win result”. Students need to learn not only on their own, but also through collaboration and practice to gain hands-on experience.

To promote career development;
To deliver innovative services to others;
To cultivate children into top talent required for excellent companies.

Mr. Chen Haigang is an alumnus of CEIBS EMBA 2000 and Director of CEDAR’s college student training project. In 2012, he learned about the financial aid project for senior high school students from his classmate who had graduated many years before. For the first time, he raised funds for a senior high school class in the city of Baoshan, Yunnan Province. Meanwhile, he engaged in CEDAR’s mentoring program to coach college freshmen. “For me, public welfare means giving others an opportunity to alter their destiny. As volunteers need to devote time and effort to public welfare, it is critical to arouse their sense of participation,” said Mr. Chen, “Therefore, public welfare needs to be inclusive and flexible enough to keep pace with the times.”

To spare time
to tune in to needy students’ concerns;
To share experience
as a volunteer of CEDAR Charity;
To sharpen children’s volunteering spirit and
make them more independent

Systematic Volunteer Teaching—
CEDAR’s Exploration of New Volunteer Teaching Models

Liangshan Yi Autonomous Prefecture is home to China’s largest community of Yi people. Owing to geographical restrictions, Liangshan is cut off from the outside world. Before the liberation, local people had to persevere through the lifestyle of a slave-type of environment: suffering from poverty, ignorance, grave illnesses, and drugs. In light of the local education system, teacher shortage is the knottiest problem. According to statistics, 6,000 teaching posts need to be filled for primary and secondary schools in Liangshan. Due to local tough conditions, teachers’ limited capabilities, heavy workload, and high turnover, none of the children from villages of Yi nationality have entered college, with few of them finishing senior high school or technical school.

Presently, volunteer teaching is usually organized in the summer vacation or on a short-term basis in China. Based on her own observation, Shi Li notes that due to the simple folk custom in poor areas, local children grow deeply attached to well-meaning volunteer teachers. As a result, they may feel heartbroken when their teachers bid farewell to them in a very short time. Besides, some people went into volunteer teaching when they had a failed relationship, lost a job, or wanted to experience life. These mixed motives produced a negative impact on local education.

CEDAR comes to grips with structural problems in volunteer teaching in a systematic way. It has funded a number of senior high school students from poor areas. Familiar with local conditions, they are very caring and compassionate. CEDAR has encouraged the first group of funded students, who graduated from college in 2014, to engage in volunteer teaching, a move that can also alleviate their pressure to enter the workplace. In order to achieve a win-win result, CEDAR provides them with training on collaborative learning in line with management trainee standards to make them not only qualified for one or two years of volunteer teaching, but also competitive in the future workplace. It has been the third year since the volunteer teaching project was launched in September 2016. Up to 108 volunteer teachers have taught at 10 schools, exerting a positive influence on 8,000 students of Yi nationality.

Volunteer teachers are selected through a rigorous process. In 2018, CEDAR received 1,390 applications for volunteer teaching, and picked out 56 applicants. Thereafter, they attended the national leadership training camp, followed by a three-week pre-service training, to improve their teaching ability.

Despite its short history, CEDAR has become a dark horse in China’s volunteer teaching community. In 2017 and 2018, it was the only public welfare organization to win the gold award at the CSTD National Corporate Learning Design Contest, in which many large commercial institutions competed. Presently, there are more than 200 volunteer teaching groups in Liangshan. The Liangshan Prefecture Government and the local education authorities awarded a license for volunteer teaching to CEDAR, among others, thinking highly of its project as “a radical departure from China’s traditional volunteer teaching model”. With a complete organizational system and an optimal talent training system, CEDAR is well-placed to elevate China’s volunteer teaching to a new level.

Ms. Gao Leping, a special advisor to CEDAR’s volunteer teaching project, set an example. Ms. Yang Xiaodan, a member of the project team, was responsible for teaching management in her second year at CEDAR. To her surprise, CEDAR laid down tougher working standards than many large companies did. After a debriefing session, she was so stressed-out that she cried bitterly in the restroom. In fact, CEDAR never relaxes its stringent demand on team members. Therefore, each of them works hard in the hopes of elevating the project to a brand reputation. Finally, as expected, Mr. Yang and her project team won the gold award at the CSTD Contest again. When facing the painful choice between applying for a postgraduate entrance examination and engaging in public welfare, she firmly stepped out of her comfort zone to devote herself to volunteer teaching. She said, “I did feel confused. But as an adult, I must take responsibility for my choices. What’s more, I have no regrets as volunteer teaching has brought me gains and pleasure.”
As CEDAR perseveres in conducting public welfare in a systematic manner to tackle social problems, training matters a great deal to each project. When developing the college student training project, CEDAR found college students were poor at communication and project management. Under the leadership of Dr. Zeng Enming, Director of CEDAR and Chief Designer of Talent Development System, CEDAR began exploring its unique talent cultivation system. The leadership training camp was initiated by CEDAR in 2016, with technical support from Shanghai 100 Charity Association. The training camp follows Principle “316”, namely, 30% online learning, 10% offline training, and 60% practice relating to public welfare.

At the 2017 CSTD Contest, Dr. Zeng elaborated on the significance of the leadership training camp. “We often feel aggrieved that we have no chance at all. In fact, even if an opportunity arises, we are in no position to grasp it. We need to nourish our minds to seize a golden opportunity when it occurs. In order to help CEDAR marshal resources from all sides, the training camp sets a high bar for trainees, providing them with opportunities. At the camp, each of us needs to forge ahead because we shoulder a great mission. I hope CEDAR’s training camp will work out a new way for Chinese college students to improve themselves.”

Based on the national training camp, CEDAR has set up regional and urban training camps for its team members. Meanwhile, it has tried grooming funded college graduates as mentors for college training camps, organized senior high school training camps to improve students’ capabilities, and assisted regional education authorities in launching rural training camps for rural teachers. To expand the positive social impact of education charity, CEDAR has not only subsidized children in poor areas, but also given them training.

CEDAR’s Leadership Training Camps

CEDAR is an acronym for “Creative” “Efficient” “Disciplined” “Ambitious” and “Responsible”. The CEDAR Highrise provides not only poverty relief, but also nurturance. Take CEDAR’s volunteer teaching as an example. Children funded by CEDAR have committed themselves to volunteer teaching after college graduation. While doing good, they have managed to rekindle the passion of teachers in poor areas for work. In addition, CEDAR provides volunteer teachers with coach-type mentoring so that they can bring out their best in the future workplace.

Mr. Fan Huishen, Vice Chairman of CEDAR and an alumnus of CEIBS EMBA 2002, summarized, “The CEDAR spirit spurs beneficiaries on to lend a helping hand to others. We have two core competencies: linking and empowering others. The former means providing public welfare by linking senior high schools, colleges, graduates, volunteers, local secretariats, and CEIBS alumni; the latter means organizing activities, including leadership training camps, mentoring programs, coaching programs, and professional competence development."

Ms. Chen Yao, Director of CEDAR and an alumnus of CEIBS EMBA 2002, often says, “People’s pain points give us a starting point from which to conduct public welfare.” In order to achieve sustainable development, public welfare organizations need to perform a balancing act among all stakeholders, including the government, donors, recipients, volunteers and the public. While clarifying the mission and purpose, they need to build a product and service system that can meet social needs.

Making Public Welfare Sustainable: Passing on the Virtue of Philanthropy and Leading by Example

Embody of CEIBS Spirit—Alumnus’s Engagement in Public Welfare

Fundraising is the biggest challenge for sustainable operations of public welfare institutions, especially non-government organizations. The network of CEIBS alumni gives CEDAR a unique advantage. Director Shi said without the generosity of CEIBS alumni, CEDAR Highrise would not get off the ground. She said, “CEDAR was initiated by CEIBS alumni. When marshalling social resources for public welfare projects, we contacted alumni from all over the country. Since its inception, 700 or 800 alumni, including their businesses, have been directly or indirectly involved in the CEDAR Highrise.”

Since 2008, in response to the call of the CEIBS Alumni Charity Union, alumni and alumni companies have raised more than RMB 50 million to subsidize over 6,000 senior high school and primary school students. Since the establishment of Shanghai CEDAR Charity Foundation in 2015, CEIBS alumni have donated more than RMB 22 million to fund over 1,880 senior high school and primary school students, and 35 volunteer teachers from CEDAR. Donations from CEIBS alumni accounted for 45%, 34% and 33% of all charitable funds CEDAR received from 2016 to 2018. Besides, 400 CEIBS alumni have served as a mentor for CEDAR’s college student training program, coaching over 10,000 students from more than 100 colleges. For CEIBS alumni, the integration of public welfare and business through innovation is the order of the day. CEDAR’s practice provides CEIBS faculty and students with deep insights into how to develop public welfare projects for underdeveloped areas.
Most founders of non-government public welfare organizations have a sharp sense of social responsibility, but charity needs financial support. Despite the backing of CEIBS alumni, CEDAR was in financial straits. Ms. Shi Lianqun, Secretary-General of CEDAR, points to a gap in support from people from all walks of life across China for non-government public welfare organizations. For one thing, few channels are available for the public to know about non-government public welfare projects; for another, under tremendous pressure, companies do not have energy or capital to invest in public welfare. In 2018, CEDAR began trying to expand the influence of projects through more channels. For example, within three months after its launch, the charity sale on Taobao.com raised RMB 1.968 million for CEDAR’s (one-year) financial aid project for senior high school students, nearly double the original target of RMB 1 million.

Secretary-General Shi admits that it is more tough for CEDAR to raise funds for its college student training project. As the financial aid project for senior high school students involves the donation of funds, donors can know clearly the flow of funds and the background of beneficiaries. As the college student training project aims to help strengthen college students’ personality, most volunteering services are invisible. Besides, some public welfare institutions that deliver intangible services find themselves at a disadvantage because few people are willing to contribute administrative fees. Ms. Shi says that addressing these problems, which are not unique to CEDAR, requires the efforts of multiple stakeholders and people’s heightened awareness of public welfare.

In addition, the establishment of CEDAR’s training system will open up new possibilities for organizational development. When it comes to CEDAR’s advantages, Ms. Shi says, “Compared with other volunteer teaching teams, CEDAR is well-placed to deliver volunteer teaching services in an innovative, systematic and methodical manner. At a senior high school, our team provided teaching services for more than 1,000 students and faculty members, exerting a more profound influence than any other mentoring product.” Given the necessary costs of the training project, including the site fees and transport fares incurred by coaches, CEDAR is discussing the possibility of incubating it into a social enterprise. This new model will enable CEDAR to feed profits, if any, back to the foundation or other public welfare programs, while ensuring the operations of entrepreneurial projects.

Since its inception, CEDAR has been committed to extending love to more individuals in more regions. Over the past two years, it has kick-started the transformation of the organization to iron out the problems plaguing public welfare organizations across China. CEDAR’s well-proven model serves as the template for sound management of charity organizations. It will continue to push forward organizational innovation so as to offer new perspectives on the operations of public welfare projects.
The importance of work engagement for both employees’ well-being and organizational productivity is well established. Defined as a “positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption”, work engagement has been shown to be enhanced when job characteristics that are challenging and meaningful are provided to individuals with qualities known to thrive in such environments. Recent advances within the corporate social responsibility (CSR) literature have uncovered sources of meaningfulness for employees that extend beyond their daily, required job tasks. That is, employees’ perceptions of their employers’ CSR relate positively with their work engagement.

CSR refers to “actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law”. Common CSR initiatives include corporate philanthropy; “green” initiatives; employee assistance plans; community-based corporate volunteerism programs; the setting of voluntarily high standards/codes of conduct around working conditions (across the supply chain); and product quality/safety initiatives, among others.

Studies have begun to explore the psychology of CSR from the perspective of employees, and initial empirical research on this topic has been promising. Other research has evidenced relationships between CSR perceptions and work engagement more broadly. Together, these findings compliment even broader research showing CSR perceptions positively predict applicants’ job pursuit intentions and perceptions of organizational attractiveness, as well as employees’ identification and commitment.

We focus on employees’ perceptions of their organization’s CSR activities rather than objective organizational CSR actions. Also we define CSR perceptions as employees’ perceptions of the extent to which their employer engages in various CSR activities. Although direct and indirect evidence of the CSR perceptions-work engagement relationship is mounting, we question whether these effects are universal and whether there might be both person and situation (and person × situation) variables that act as boundary conditions on this relationship. In the present research, we consider whether the link between employees’ CSR perceptions and their work engagement occurs as a function of employees’ contextualized motivation for complying with, advocating for, and/or participating in CSR activities. We also consider whether this moderating effect is further bounded by employee-level differences in individualism. Figure 1 presents our theoretical model.
THEORY AND HYPOTHESES

Employee CSR motivation

The more internalized an individual’s motives for specific behavior, the more autonomous the person is expected to be in enacting the behavior. As such, according to this perspective, motivation is often couched in terms of relative autonomy. In organizations, relative autonomy is associated with heightened performance and more positive attitudinal outcomes as compared with more controlled or extrinsic forms of motivation. In the present paper, we are specifically interested in how employees’ perceived CSR-specific relative autonomy moderates (amplifies) the association between employee CSR perceptions and their engagement.

We build on the SDT/OIT framework to consider employees’ perceived relative autonomy within the CSR context. This construct, labeled hereafter as CSR-RA, is illustrated in Figure 2. As shown, CSR-RA can range from being externally regulated to intrinsically motivated. External regulation is illustrated by an employee “volunteerism” program where an employee perceives a risk to his or her performance review by not participating. Introjected regulation is illustrated by the use of a “leaderboard” within the context of an CSR initiative where participation is tracked and reported publicly, creating a great deal of peer pressure and competitiveness around CSR participation. Identified regulation is exemplified by what is referred to in the literature as “internal CSR” initiatives, which include such offerings as professional development and leadership opportunities for employees, which can be viewed by employees as personally valuable. Finally, intrinsic motivation is illustrated by situations where employees’ involvement in CSR is inherently rewarding in and of itself, such as an environmentalist working toward slowing climate change through involvement in his/her employer’s zero-carbon emissions program.

In contrast, those who see the CSR context as a mechanism to create positive social change through their own agency are more likely to derive energy, mental resilience, a sense of significance, enthusiasm, and inspiration from. When employees take part in CSR activities of their own volition (i.e., bottom-up CSR management), they are more likely to find meaning in their work, which contributes to their work engagement. In summary, we expect the relationship between employees’ CSR perceptions and work engagement to be stronger among employees who perceive higher CSR-RA.

The role of employee individualism

Data collected from over 1,000 employees working in 17 countries revealed that the relationship between employees’ CSR perceptions and their affective commitment was stronger in cultures with higher humane orientation, institutional collectivism, ingroup collectivism, and future orientation, as well as those with lower power distance. This research suggests the importance and relevance of considering culture when examining the effects of employees’ perceived CSR on workplace attitudes and behaviors. To extend this line of inquiry, in the present research, we also consider the role of culture (specifically, individualism) in the effects of employees’ perceived CSR. We focused on individualism in particular because it has a strong theoretical connection with the degree to which individuals value autonomy, which as discussed above, is key to CSR-specific motivation.

Individualism refers to the extent to which individuals’ identities are formed through individual accomplishments versus group affiliation. Numerous studies show that individualists emphasize attention to oneself versus others and appreciate and strive for their own uniqueness from others. Individualists highly value their own rights, tend to be independent, self-autonomous, and self-contained, and hold the belief that they have a unique combination of personal attributes. Furthermore, the behaviors of individualists are argued to be, to a large degree, determined by these unique personal attributes. As a result, individualists have a strong preference for autonomy and are less likely to feel satisfied when their actions are dictated by social norms.

As discussed above, when an organization’s CSR context is perceived as providing employees with CSR-RA, employees have more motivation to enmesh themselves in CSR activities, which serves as source of work engagement. We expect this to be true more so among those higher in individualism, in that such individuals prefer and strive for autonomy and independence. Thus, we expect the amplifying effect of CSR-RA on the CSR perceptions–work engagement relationship to be more pronounced among employees higher (versus lower) in individualism.

In contrast, employees lower in individualism demonstrate less concern for agency and autonomy. They instead tend to value deference (admiring and following an authority), similitude (imitating and emulating others), affiliation (forming associations), and blame avoidance. It follows that for employees with lower individualism, their perceptions of being deprived of autonomy within the CSR domain may not hinder them from reaping CSR’s psychological benefits (e.g., work engagement) because conforming to (imposed) CSR regulations might instead be a way to satisfy these preferences. That is, those lower in individualism may indeed be more positively responsive to CSR (in the form of work engagement) when their CSR motivation is externally regulated rather than self-determined because they value deference and blame avoidance, and thus, conforming to external regulations can be perceived as the necessary and right thing to do. Therefore, among employees lower in individualism, we would not expect CSR-RA to amplify the effects of CSR perceptions on work engagement.

Hypothesis 2:

A three-way interaction among employees’ CSR perceptions, CSR-RA, and individualism predicts work engagement, such that the amplification effect of employees’ CSR-RA on the CSR perceptions–work engagement relationship is stronger for those higher (as opposed to lower) in individualism.
METHOD

Participants and procedure

Participants were full-time employees (N=673) enrolled in part-time MBA programs in Canada, Mainland China, France, Hong Kong, China, and Singapore. The pooled sample was 57% male and participants were on average 36 years of age. Average tenure with current employer was 7.31 years, and the average participant had between a bachelor’s and masters-level college education. Data were collected via an employee survey, all surveys were administered on paper. All participants were assured of confidentiality, that their participation was voluntary, and that the data would be used for research purposes only.

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>n</th>
<th>Average age (SD)</th>
<th>Gender (percentage)</th>
<th>Average tenure (SD)</th>
<th>Education background (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>181</td>
<td>33.98 (SD=4.22)</td>
<td>125 Male (69%)</td>
<td>6.52 years (SD=3.10)</td>
<td>2.14 (SD=56)</td>
</tr>
<tr>
<td>Mainland China</td>
<td>109</td>
<td>33.26 (SD=3.42)</td>
<td>57 Male (52%)</td>
<td>5.30 years (SD=3.09)</td>
<td>2.03 (SD=60)</td>
</tr>
<tr>
<td>France</td>
<td>132</td>
<td>42.16 (SD=7.53)</td>
<td>76 Male (58%)</td>
<td>10.94 years (SD=7.51)</td>
<td>2.91 (SD=50)</td>
</tr>
<tr>
<td>Hong Kong China</td>
<td>106</td>
<td>30.03 (SD=4.58)</td>
<td>52 Male (49%)</td>
<td>4.58 years (SD=2.28)</td>
<td>2.22 (SD=59)</td>
</tr>
<tr>
<td>Singapore</td>
<td>145</td>
<td>39.12 (SD=13.07)</td>
<td>75 Male (52%)</td>
<td>8.48 years (SD=8.46)</td>
<td>3.12 (SD=11.7)</td>
</tr>
<tr>
<td>Pooled sample</td>
<td>673</td>
<td>35.95 (SD=8.67)</td>
<td>385 Male (57%)</td>
<td>7.31 years (SD=6.01)</td>
<td>2.50 (SD=86)</td>
</tr>
</tbody>
</table>

Note. Education was coded as 1 = college diploma; 2 = undergraduate degree; 3 = master’s degree; 4 = PhD.

Measures

CSR perceptions

We adopted the definition of CSR by Waldman et al., namely, “actions on the part of the firm that appear to advance, or acquire in spite of some social good, beyond the immediate interests of the firm and its shareholders and beyond which is required by law.” It is the discretionary citizenship measure that has been broadly adopted within contemporary CSR research as most fitting for measuring CSR perceptions consistent with contemporary definitions. The measure contains five items averaged to form an index of CSR perceptions. Issues covered within the items include outside educational programs for employees, corporate philanthropy, green initiatives, community partnerships, and staff work-life balance programs—all of which are consistent with the definition of CSR adopted herein.

CSR-specific relative autonomy

We adapted the SRQ developed by Ryan and Connell (1989) to assess participants’ perceived CSR-RA. SRQs are the means by which contextualized relative autonomy is measured. This is traditionally done using items inquiring about the behavioral domain of interest and whether actions are regulated via external, introjected, identified, and/or intrinsic forces.

Individualism

We used Triandis and Gelfand’s (1998) four-item horizontal individualism scale to assess participants’ individualism. Participants were asked to indicate the extent to which they agreed with four statements. Sample items included “I’d rather depend on myself than others” and “My personal identity, independent of others, is very important to me.” The response options ranged from 1 (never or definitely no) to 9 (always or definitely yes).

Work engagement

Work engagement was measured using the 17-item Utrecht Work Engagement Scale, assessing the three subscales of work engagement, namely, vigor, absorption, and dedication. Items were averaged to form an overall index of work engagement such that higher scores indicate more work engagement.

Organizational justice

Colquitt’s (2001) measure was used to assess the extent to which participants felt (personally) fairly treated. Following recent recommendations that justice measures explicitly reference a source, 10 items pertaining to distributive and procedural justice referenced the organization, and responses to them were combined to create organization-focused justice scores; and eight items pertaining to informational and interpersonal justice referenced the supervisor, and responses to them were combined to create supervisor-focused justice scores. Response options ranged from 1 (strongly disagree) to 7 (strongly agree).

Moral identity

We employed the internalization dimension of moral identity. Compared with the symbolization dimension, internalization is a stronger and more consistent predictor of behavior and has been used more often in prior micro-CSR research. This five-item measure asks a participant to imagine a person who has nine moral traits (i.e., caring, compassionate, fair, friendly, generous, helpful, hardworking, honest, and kind) and then to choose the extent to which possessing these traits is significant to the participant’s self-construal.

Employee demographics

At the end of the survey, we asked participants to report their birth year, gender, tenure with the current employer (in years and months), and their educational background.

Employer characteristics

We also asked participants at the end of the survey to report their employer type (coded as for-profit vs. non-profit). In addition, we created a variable in our dataset indicating whether the organization employing each participant was operating in a country considered by national indices to be relatively high or low on individualism.

RESULTS

Consistent with our expectations, CSR perceptions positively correlated with employees’ work engagement. We also found a significant negative correlation between employees’ individualism and their CSR perceptions.

To test our hypotheses, we conducted hierarchical moderated regression. Following Aguinis (2004) and Aiken and West (1991), we centered all continuous predictor variables before entering them into the regression equation and before creating the interaction terms. We found that the two-way interaction between employees’ CSR perceptions and CSR-RA on work engagement was not significant but was qualified by a significant three-way interaction among employees’ CSR perceptions, CSR-RA, and individualism.

The results pertaining to participants lower on individualism were somewhat counter to our expectations, in that rather than our expected amplification effect of CSR-RA on the relationship between CSR perceptions and work engagement to simply be weakened for those lower in individualism (relative to those higher in individualism), we actually see a positive CSR effect on work engagement when CSR-RA was lower. Said differently, the effect of CSR perceptions on work engagement was positive and significant for those lower in CSR-RA. This effect is consistent with our theorizing, but surpassed our expectations, in that it suggests that employees lower in individualism actually derive the most meaning from the CSR they perceive, when they view their compliance with, advocacy for, and participation in CSR as being externally (as opposed to autonomously) regulated.

What was completely unexpected were the high levels of engagement reported for those lower in individualism and higher in CSR-RA. These employees’ work engagement remained at a relatively high level regardless of their CSR perceptions.
DISCUSSION

Summary

Few would dispute the mutual benefits of work engagement for employees and employers alike. When employees derive meaning from their work, they are healthier, happier, and more productive. Whereas much of the work engagement research focuses squarely on the meaningful characteristics of employees’ day-to-day job tasks, research has more recently argued for CSR as a unique source of meaningfulness for employees; and empirical support has been offered evidencing a connection between CSR perceptions and work engagement.

Through our application of motivation and cross-cultural theories, we propose that the extent to which employee CSR perceptions influence work engagement will depend on the extent to which employees see their compliance with, participation in, and advocacy for CSR is autonomously regulated.

Practical implications

From a practical perspective, our research shows that employees’ perceptions of organizations’ socially responsible actions can pay off in terms of increased work engagement, and that such an effect can be expected across a wide range of cultural regions and among employees with varied cultural values. This finding not only suggests a positive impact of perceived CSR that goes beyond the central goals of specific CSR initiatives (e.g., having a positive carbon footprint and providing aid to the local community), but it also highlights the importance of making employees aware of CSR initiatives that exist within the organization. Research has shown considerable variance in what employees do and do not know about the objective CSR actions taken by their employers. Not only does this suggest a lost opportunity to strengthen the workforce through work engagement, it also suggests that in cases where CSR awareness is low, so too would be CSR-RA, in that employees are unlikely to perceive autonomy in participating in CSR if they have no awareness of what opportunities for participation even exist. This suggests that organizations should take efforts to publicize CSR programs (both formally and informally) among employees and actively create a context where employees can have a voice in the initiatives’ development, deployment, and evaluation. Formal communication mechanisms might include staff meetings, memos, and email announcements; and might help employees perceive more CSR activities and subsequently be more engaged.

That being said, our findings suggest that the creation of autonomous contexts will be more potent in strengthening the CSR perceptions-engagement link among employees who value individualism. This suggests that organizations and managers should consider employees’ cultural values when introducing CSR initiatives to internal employees. For employees with higher individualism, managers can emphasize self-discretion in employees’ participation and involvement in CSR initiatives. Here, a bottom-up approach to CSR might be most effective.

For those lower in individualism, who may prefer more external forms of regulation, managers might emphasize explicit expectations surrounding employees’ compliance with and participation in CSR activities. Here, a top-down approach to CSR management might be more effective in strengthening the CSR perceptions-work engagement link. In sum, when implementing CSR initiatives, managers should not only consider approaches to enhance employees’ awareness of CSR activities but also consider the cultural diversity of the workforce in developing strategy around the CSR context. Such efforts are likely to result in an engaged workforce through enhanced CSR perceptions and the culturally bound management of CSR initiatives.

Research Projects in Progress

CSR Research Projects Funded by CEIBS in 2018

<table>
<thead>
<tr>
<th>CEIBS Professor</th>
<th>Research Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wang, Qi</td>
<td>Does corporate engagement in public welfare lead to better business performance in emerging markets?—Analysis on Socially Responsible Investment Index Announcement with event study methodology</td>
</tr>
<tr>
<td>Wang, Taiyuan Lu, Wenzhen</td>
<td>How does entrepreneurial orientation affect companies’ choice on assuming social responsibilities</td>
</tr>
<tr>
<td>Chng, Han Ming Daniel</td>
<td>How to implement CSR: category, business model and social impact</td>
</tr>
<tr>
<td>Zhao, Xiande</td>
<td>Research on suppliers’ decision-making mechanism of environmental protection innovation</td>
</tr>
<tr>
<td>Carney, Richard Wayne</td>
<td>The fluctuation of CSR index and its impact on corporate value</td>
</tr>
<tr>
<td>Price, Lydia Jean</td>
<td>How do CSR reports promote the green development of Chinese companies?</td>
</tr>
<tr>
<td>Rui, Meng</td>
<td>White paper on CSR of listed companies in China</td>
</tr>
<tr>
<td>Moran, Peter Francis Lee, Byron Yee Sing</td>
<td>A micro-survey on the relationship between CSR and profits</td>
</tr>
<tr>
<td>Kim, Tae-Yeol</td>
<td>The curvilinear relationship between individuals’ perception of CSR and job performance</td>
</tr>
</tbody>
</table>

Research on CSR
Reports of A-Share Listed Companies
INTRODUCTION

Subjects

2017 Annual CSR Reports published by A-share listed companies between January and June in 2018.

Methods

The 2018 Research on CSR Reports of A-Share Listed Companies was compiled by referring to methods of designing CSR indicators adopted at home and abroad and authoritative guides on compiling CSR reports, looking into Chinese social concerns, and leveraging big data technologies, in order to build a distinctive CSR indicator system.

Data Sources

Most data in the research came from digital CSR reports and annual reports of listed companies published on http://www.cninfo.com.cn. Other sources include the “CSR Database” “Violation and Punishment Database” and “Litigation and Arbitration Database” on the Chinese Research Data Services Platform, the “Company Violation” and “Company Litigation” sections in the WIND database, and relevant news in Baidu and Genius Financial Database.

Data Processing

The research adopted the approach of combining big data technologies with manual correction.

1) Data collection: Distributed crawling was used to collect a large amount of raw data from websites of companies and regulatory authorities, and mainstream search engines.

2) Data cleaning: The data were deeply cleansed by correcting erroneous values, eliminating duplicates and outliers, and ensuring consistency according to predefined rules.

3) Data matching: The required information was accurately identified from a large number of social responsibility reports, news reports and announcements.

4) Data mining and visualization: Manual processing and machine learning were integrated to extract and mine needed data from mass data (such as text information) and visualize relevant findings.
Social responsibility management: A low proportion of companies performed social responsibility management practices that have higher execution costs. Due to the lack of mandatory requirements, only a few companies engaged third parties for CSR report assurance.

Company operations and management: A growing number of companies have attached more importance to strategic cooperation and sharing as the Belt and Road Initiative rolls out. The regulatory authority has been tightening the grip on companies in terms of anti-corruption and compliance, especially in the financial industry which is susceptible to compliance risks.

Product quality and innovation: The number of patents and R&D expenditures rose slightly. Companies in Central and East China were top performers in R&D and innovation.

Responsibility to employees: Companies are placing more focus on employees’ rights and benefits. Over 70% of the companies disclosed compensation incentives, among which private businesses were the most active and state-owned enterprises were more eager to disclose their supplementary benefits to employees.

Disclosure of the corporate social responsibility report (hereinafter as CSR report) can help the company maintain good relations with stakeholders, keep a favorable corporate image, maintain its reasonable valuation, and make public its annual fulfillment of social responsibility. The research is carried out by looking into the definition, reporting entities and indicators of the CSR report and its impact on stock prices in the secondary market.

As an important piece of non-financial information released by a listed company, the CSR report can help us analyze and track the company’s performance and understand how it maintains the corporate image. The CSR report can also improve the company’s information environment, thereby providing investors with suggestions when they make investment decisions. Since CSR guidelines were issued in succession in 2006 by the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, an increasing number of companies have disclosed CSR reports, which have grown longer and richer in content year by year. Companies that release CSR reports vary considerably in industry, region, organization type and listed segment. This research collects and evaluates the financial and non-financial information released by listed companies to predict their development prospects, thus helping investors make decisions based on the information in CSR reports.

The research classified the indicators in the CSR report into seven groups and had the following findings:

(1) Social responsibility management: A low proportion of companies performed social responsibility management practices that have higher execution costs. Due to the lack of mandatory requirements, only a few companies engaged third parties for CSR report assurance;

(2) Company operations and management: A growing number of companies have attached more importance to strategic cooperation and sharing as the Belt and Road Initiative rolls out. The regulatory authority has been tightening the grip on companies in terms of anti-corruption and compliance, especially in the financial industry which is susceptible to compliance risks;

(3) Product quality and innovation: The number of patents and R&D expenditures rose slightly. Companies in Central and East China were top performers in R&D and innovation;

(4) Responsibility to employees: Companies are placing more focus on employees’ rights and benefits. Over 70% of the companies disclosed compensation incentives, among which private businesses were the most active and state-owned enterprises were more eager to disclose their supplementary benefits to employees;

According to Article 86 of the General Provisions of the Civil Law of the People’s Republic of China promulgated in March 2017, “A for-profit legal person who engages in business activities shall abide by business ethics, maintain transaction security, accept government and social supervision, and assume social responsibility”. In October 2017, General Secretary Xi Jinping highlighted at the 19th CPC National Congress that socialism with Chinese characteristics has entered a new era and the principal contradiction facing Chinese society is that between the people’s ever-growing needs for a better life and unbalanced and inadequate development. His remarks on a series of important issues clarified the direction of practicing social responsibility for companies.

Disclosure of the corporate social responsibility report (hereinafter as CSR report) can help the company maintain good relations with stakeholders, keep a favorable corporate image, maintain its reasonable valuation, and make public its annual fulfillment of social responsibility. The research is carried out by looking into the definition, reporting entities and indicators of the CSR report and its impact on stock prices in the secondary market.

As an important piece of non-financial information released by a listed company, the CSR report can help us analyze and track the company’s performance and understand how it maintains the corporate image. The CSR report can also improve the company’s information environment, thereby providing investors with suggestions when they make investment decisions. Since CSR guidelines were issued in succession in 2006 by the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, an increasing number of companies have disclosed CSR reports, which have grown longer and richer in content year by year. Companies that release CSR reports vary considerably in industry, region, organization type and listed segment. This research collects and evaluates the financial and non-financial information released by listed companies to predict their development prospects, thus helping investors make decisions based on the information in CSR reports.

The research classified the indicators in the CSR report into seven groups and had the following findings:

(1) Social responsibility management: A low proportion of companies performed social responsibility management practices that have higher execution costs. Due to the lack of mandatory requirements, only a few companies engaged third parties for CSR report assurance;

(2) Company operations and management: A growing number of companies have attached more importance to strategic cooperation and sharing as the Belt and Road Initiative rolls out. The regulatory authority has been tightening the grip on companies in terms of anti-corruption and compliance, especially in the financial industry which is susceptible to compliance risks;

(3) Product quality and innovation: The number of patents and R&D expenditures rose slightly. Companies in Central and East China were top performers in R&D and innovation;

(4) Responsibility to employees: Companies are placing more focus on employees’ rights and benefits. Over 70% of the companies disclosed compensation incentives, among which private businesses were the most active and state-owned enterprises were more eager to disclose their supplementary benefits to employees;
Between 2007 and 2018, a total of 1,016 A-share companies disclosed annual CSR reports. The reporting quality varied greatly and there was a pronounced gap in companies' awareness of disclosure. To be specific: 1) A few companies made insufficient effort at CSR reporting. Except for the 78 companies that disclosed CSR reports for the first time in 2018, 65 companies disclosed only once between 2007 and 2018; 2) Nevertheless, a fair number of companies were active in CSR disclosure. Nearly a half of the companies published reports at least 8 times in the same period; 3) A small number of companies took the lead in CSR disclosure. 21 companies published CSR report 11 times, and 7 companies even made such effort on an annual basis for 12 years in a row.

Number of Disclosed Reports:
CSR disclosure as a part of information disclosure by listed companies has received increasing concern from the management. As a result, the number of disclosed CSR reports increased year by year. Except for 2008 and 2009, when the market was influenced by the Shanghai Stock Exchange’s new policy of making CSR disclosure mandatory for three types of companies, the number of companies that published CSR reports for the first time remained stable in other years. In 2018, 856 companies listed on Shanghai and Shenzhen Stock Exchanges disclosed 2017 annual CSR reports (including sustainability reports), 64 more companies than the previous year (8.08% of YoY growth). Among them, 78 companies published CSR reports for the first time, an increase from last year’s 63. But it is noteworthy that only one fourth of A-share companies released CSR reports and the rate of disclosure was still low.

OVERVIEW OF CSR REPORT DISCLOSURE OF A-SHARE LISTED COMPANIES

Number of Disclosed CSR Reports
The number grew steadily, but the proportion of disclosure remained low. CSR reports are less reliable than information in financial statements because they feature the combination of mandatory disclosure and voluntary disclosure and a low proportion of third-party assurance. But as a kind of non-financial information, the CSR report is an effective supplement to financial information and has a significant bearing on investors’ decisions. To examine the economic value of the CSR report, the researchers constructed an investment portfolio according to the report information and checked its profitability. The research found that after buying the companies with the highest CSR scores and selling the ones with the lowest scores according to their 2017 CSR reports, the portfolio earned an accumulative excess return of 3.46% in the following three months, i.e. an annualized rate of 13.84%. Moreover, among the factors that constitute social responsibility, four elements—social responsibility management, product quality and innovation, environmental responsibility, social contribution and charity—played essential roles in boosting the profitability of investment strategies.

This research has described and studied CSR reports in a systematic way, which can help regulatory authorities have a better understanding of CSR disclosure in the capital market and enable investors, intermediaries and securities analysts to improve their investment decisions by making full use of CSR reports. This research aims to stimulate the efficiency of the overall economy by making resource allocation more efficient in the capital market and provide references for decisions on critical issues such as pollution control and economic transition.

Number of Times of Disclosure:
Nearly a half disclosed at least 8 times; a few companies did so only once. Between 2007 and 2018, a total of 1,016 A-share companies disclosed annual CSR reports. The reporting quality varied greatly and there was a pronounced gap in companies’ awareness of disclosure. To be specific: 1) A few companies made insufficient effort at CSR reporting. Except for the 78 companies that disclosed CSR reports for the first time in 2018, 65 companies disclosed only once between 2007 and 2018; 2) Nevertheless, a fair number of companies were active in CSR disclosure. Nearly a half of the companies published reports at least 8 times in the same period; 3) A small number of companies took the lead in CSR disclosure. 21 companies published CSR report 11 times, and 7 companies even made such effort on an annual basis for 12 years in a row.

1 In December 2008, the Shanghai Stock Exchange issued the Notice Concerning Listed Companies’ Preparation for 2008 Annual Reports, which mandated CSR report disclosure for three types of companies (firms included in the SHSE Corporate Governance Index, firms with overseas listed shares and financial firms).
Of all the 856 CSR reports published in 2018, there were huge differences in the number of reports between different industries. The largest amount of reports came from the manufacturing industry, whose 428 reports accounted for 50% of the total. But of all the A-share manufacturing companies, only 19% disclosed CSR reports, signifying a low level of disclosure. The financial industry showed the highest level of disclosure as 69 financial firms published CSR reports, making up 80% of A-share financial companies. This is mainly because financial firms are required by the Shanghai Stock Exchange to disclose CSR reports.

Moreover, the length of a CSR report can reflect the amount of disclosed information to some extent. We have found that compared with reports with fewer pages, reports with more pages cover more diversified forms of social responsibility and more specific ways of fulfillment. The average number of report pages increased annually from 2012 to 2017. It reached 29 pages in 2017, rising slightly from 28 pages in 2016.

According to statistics about the pages of CSR reports in 2012–2017: 1) The proportion of reports within 10 pages remained the largest for the first few years, but it decreased annually until it was overtaken in 2016 by the proportion of reports with 11–20 pages. 2) Despite the upward trend in the proportion of reports over 20 pages, reports below 20 pages still made up more than 50%, and the report length in general was less than satisfactory. 3) The report length varied significantly from company to company. The longest report had 202 pages while the shortest only 2 pages.
Of all the 856 CSR reports published in 2018, there were huge differences in the number of reports between different regions.

(1) Companies in East China produced the largest number of reports (594) and those in Northeast China the smallest number (41). About 24% of listed companies in each region disclosed reports, with small regional differences.

(2) Looking into the distribution by province, we can see that A-share companies in Beijing published the most reports (119), followed by Guangdong and Shanghai. As for the disclosure rate, Yunnan Province topped the ranking as its 17 reporting entities accounted for 52% of local listed companies, followed by Fujian (47%) and Tianjin (42%).

Distribution of Reporting Entities by Region:
The majority came from East China; Yunnan had the highest rate of disclosure

Distribution of Reporting Entities by Organization Type:
SOEs as the majority; proportions of private and foreign-funded enterprises on the rise

Of all the 856 CSR reports published in 2018, SOEs published 494 reports, accounting for 57.71%, a slight decrease from the previous year. Private enterprises published 320 reports and Sino-foreign joint ventures 38 reports, taking up 37.38% and 4.44% respectively, both of which showed the upward trend.
Distribution of Reporting Entities by Board:
60% came from the SSE; a few from the ChiNext but the proportion was on the rise

Of all the 856 CSR reports published in 2018, 517 reports came from the companies listed on the Shanghai Stock Exchange, 60% of the total; 339 reports or 40% came from the companies on the Shenzhen Stock Exchange, among which 139 were from the SZSE Main Board, 114 from the SME Board, and 56 from the ChiNext. In general, 36.08% of A-share companies listed on the SSE and 16.09% of those on the SZSE disclosed CSR reports. Among the three boards of the SZSE, the Main Board had the highest proportion of disclosure at 29.96%, followed by the SME Board at 15.77% and the ChiNext at 7.67%.

According to 2013–2017 statistics, A-share companies listed on the SSE contributed an increasing proportion of annual CSR reports over the years while the SZSE saw a slight decline in its share of reports, except for the ChiNext, where the proportion of companies disclosing CSR reports increased from 4.32% in 2013 to 6.54% in 2017.

### CSR INDICATOR SYSTEM

#### Indicators in 2017 CSR Reports fall into 7 categories:
(1) social responsibility management, (2) company operations and management, (3) product quality and innovation, (4) responsibility to employees, (5) diversity and equal opportunities, (6) environmental responsibility, and (7) social contribution and charity. This research will evaluate the CSR awareness and performance of reporting entities by analyzing each indicator in the above categories.

It is worth noting that different from CSR indicators released by other institutions, these indicators are based on various big data research methods and data processing procedures including data collection, cleansing, and mining. For instance, we adopted distributed crawling to acquire CSR reports of listed companies, their annual reports, penalty information and company news from their websites, websites of regulatory authorities, and mainstream search engines. We cleansed these data according to predefined rules and identified needed information from vast CSR report texts and news reports. Big data technologies were also used for data mining and visualization. In conclusion, the big data thinking and methods have been adopted throughout the research and applied specifically in the following areas: (1) accounting irregularities, (2) product quality and safety disputes, (3) patents, (4) R&D expenditure, (5) share of R&D personnel, (6) disputes concerning staff health and safety, (7) female executives, (8) female directors, (9) all-male directors, supervisors and executives, (10) environmental penalty, (11) donations, and (12) layoffs.

### Analysis of Indicators

#### CSR INDICATOR SYSTEM

<table>
<thead>
<tr>
<th>Social responsibility management</th>
<th>(1) dedicated column on website</th>
<th>(5) leading team</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) education and training</td>
<td>(4) report assurance</td>
<td>(6) report inclusiveness</td>
</tr>
<tr>
<td>Company operations and management</td>
<td>(2) anti-bribery and anti-corruption</td>
<td>(4) governance commendation</td>
</tr>
<tr>
<td>(3) after-sales service</td>
<td>(6) financing disputes</td>
<td></td>
</tr>
<tr>
<td>Product quality and innovation</td>
<td>(1) quality management</td>
<td>(4) customer satisfaction</td>
</tr>
<tr>
<td>(2) quality commandation</td>
<td>(3) after-sales service</td>
<td>(5) product quality and safety disputes</td>
</tr>
<tr>
<td>(4) communication with employees</td>
<td>(5) product quality and safety complaints</td>
<td></td>
</tr>
<tr>
<td>Responsibility to employees</td>
<td>(6) product quality complaints</td>
<td></td>
</tr>
<tr>
<td>(1) compensation incentives</td>
<td>(7) R&amp;D expenditure</td>
<td></td>
</tr>
<tr>
<td>(2) supplementary benefits</td>
<td>(8) share of R&amp;D personnel</td>
<td></td>
</tr>
<tr>
<td>(3) on-the-job training</td>
<td>(9) share of technical personnel</td>
<td></td>
</tr>
<tr>
<td>Diversity and equal opportunities</td>
<td>(1) female executives</td>
<td>(4) vulnerable groups</td>
</tr>
<tr>
<td>(2) female directors</td>
<td>(3) all-male directors, supervisors and executives</td>
<td>(5) equal opportunities</td>
</tr>
<tr>
<td>Environmental responsibility</td>
<td>(1) environmental benefit</td>
<td>(4) circular economy</td>
</tr>
<tr>
<td>(2) energy saving</td>
<td>(5) green office</td>
<td>(7) environmental certification</td>
</tr>
<tr>
<td>(3) reduction of the three wastes</td>
<td>(6) environmental protection and public welfare</td>
<td>(8) environmental commen</td>
</tr>
<tr>
<td>Social contribution and charity</td>
<td>(1) donations</td>
<td>(4) contribution to education</td>
</tr>
<tr>
<td>(2) social contribution value per share</td>
<td>(5) volunteering</td>
<td></td>
</tr>
<tr>
<td>(3) charitable activities</td>
<td>(6) international aid</td>
<td>(7) contribution to employment</td>
</tr>
<tr>
<td>(8) contribution to economic growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(9) contributions to social public welfare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(10) layoffs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Social Responsibility Management

This part includes (1) dedicated column on website, (2) education and training, (3) leading team, (4) report assurance, and (5) report inclusiveness. These 5 indicators are used to evaluate the reporting entity’s awareness and performance of social responsibility management.

Among the 856 companies that disclosed 2017 CSR reports:

1. **Dedicated column on website:** 392 companies set up a CSR column on the official website to display their fulfillment of social responsibility, accounting for 45.79% of all the companies that disclosed CSR that year, up by 4.12% year-on-year. Broken down by industry, 69.23% of companies in the construction industry set up a dedicated column on website, representing the highest proportion. By organization type, 49.39% of SOEs disclosed such effort, which was the highest proportion and 10% higher than private enterprises. By region, a higher proportion of companies in East and West China had a CSR column than in Northeast and Central China.

2. **Education and training:** 241 companies offered CSR training in areas such as anti-corruption, compliance and awareness of social responsibility, accounting for 28.15% of the total, up by 5.04% year-on-year. By industry, the financial industry had the highest proportion of companies offering CSR training at 40.58%, due to its emphasis on anti-corruption and compliance. By organization type, 30.77% of SOEs had such training, which was the highest proportion and 6.71% higher than private enterprises. By region, a higher proportion of companies in Central and West China offered CSR training than in East and Northeast China.

3. **Leading team:** 152 companies set up a leading team dedicated to CSR management, accounting for 17.76% of the total, a mild increase from the previous year. 42.31% of construction companies set up a CSR leading team, the highest rate among all industries. 23.68% of SOEs disclosed such arrangement, the highest among all types of organization and 15% higher than private enterprises. East China had the highest rate among all regions at 19.36% and Northeast China the lowest at 4.88%.

4. **Report assurance:** 29 companies had their 2017 CSR reports assured by the third party, accounting for only 3.39% of the total. Due to the lack of mandatory requirements, only a few companies had third-party assurance. Of the 29 companies, 14 were from the financial industry, taking up nearly a half of the companies with assured reports; 22 were SOEs, accounting for 75.86%. All the CSR reports that received third-party assurance were from the companies in East China.

5. **Report inclusiveness:** 84.70% of 2017 CSR reports covered a full range of information about social responsibility, thanks to the Guidelines for the Preparation of the “Report on Performance of Corporate Social Responsibility” promulgated by the Shanghai Stock Exchange. More foreign-funded companies passed muster in terms report inclusiveness than SOEs. The proportion of the companies with inclusive reports was similar in East, Central, and West China, which was higher than that of Northeast China.
Conclusion and Analysis of “Social Responsibility Management”

The above “social responsibility management” indicators can reveal how much a company values social responsibility. Sound social responsibility management is not only the prerequisite for a high-quality CSR report, but also the guarantee for the company’s active role in addressing social concerns and its fulfillment of responsibility.

Three of these indicators, ranked by the execution cost from low to high, are “dedicated column on website” “education and training” and “leading team”. The share of companies fulfilling the indicator decreases as the execution cost rises. That shows companies tend to take cost into consideration and choose practices of lower cost to perform social responsibility.

It is noteworthy that SOEs deliver the best performance on these three indicators. CSR is inseparable from business ownership and control. Therefore, companies of different types and with different stakeholders vary greatly from each other in the idea and management of social responsibility. Since SOEs are held to higher expectations in terms of social responsibility by the government and the general public, they choose to take on social responsibility voluntarily as a part of the strategic vision. The strong performance of SOEs, pioneers of social responsibility management, reflects their deep commitment in this area. In contrast, private enterprises show the weakest awareness of social responsibility management as they rank at the bottom on these three indicators.

Indicator “report assurance” has the lowest proportion of fulfillment in this part. Due to the lack of compulsory requirement and the high execution cost, only a few companies (mostly SOEs) engaged a third party to audit their CSR reports while over 90% of reports were published without third-party assurance, whose credibility was dubious. External audit, as a special way of economic control, serves as the effective supervisory and safeguard mechanism in corporate governance. As the auditing culture grows more sophisticated, non-financial information is incorporated into the audit scope. Given that the quality of the CSR report, an important piece of non-financial information, has received growing attention from the public, it will be an inevitable trend for listed companies to have their CSR report audited.

Indicator “report inclusiveness” has the highest proportion of fulfillment, thanks mainly to official guidance on CSR. The Shenzhen Stock Exchange released the Guidelines for Social Responsibility of Listed Companies; the Shanghai Stock Exchange issued the Notice on Strengthening Listed Companies’ Assumption of Social Responsibility and on Issuing the “Guidelines on Listed Companies’ Environmental Information Disclosure”, and the Guidelines for the Preparation of the “Report on Performance of Corporate Social Responsibility”. According to these documents, listed companies are encouraged to build a sound social responsibility system and check its implementation on a routine basis. The authorities have also improved CSR regulations through these guidelines to provide better references for listed companies and help them cover a wider range of information when preparing the CSR report.

Listed companies still have a long way to go in social responsibility management and SOEs have played an exemplary role so far. Future progress is dependent on the general awareness of social responsibility as well as the guidance and regulation by supervisory authorities.

Company Operations and Management

This part includes the following six indicators that reveal the reporting entities’ positive performance and negative attention they received in terms of company operations and management: (1) strategic cooperation and sharing, (2) anti-bribery and anti-corruption, (3) business integrity, (4) governance commendation, (5) accounting irregularities, and (6) financing disputes.

(1) Strategic cooperation and sharing: 34.46% of companies disclosed in their 2017 CSR reports that they had worked with business partners to set up the strategic sharing mechanism and platform, such as the long-term strategic cooperation agreement, joint experiment base and shared database, up by 4.79% from the previous year. In terms of industry, driven by the Road and Belt Initiative, more listed transport companies have cast their eyes on the international market and begun to go global for in-depth strategic collaboration. 57.78% of transport companies disclosed their strategic cooperation with partners, representing the highest rate of disclosure. By organization type, there were small differences in the disclosure rate between different types of companies and private enterprises had a slightly higher rate. By region, the disclosure rate was higher in East China than in the West.

(2) Anti-bribery and anti-corruption: 48.71% of companies revealed in 2017 CSR reports their measures against commercial bribery and corruption and precaution against non-compliance. By industry, 59.42% of financial companies disclosed anti-corruption measures, representing the highest proportion of disclosure, which was largely attributed to the strict requirements for compliance in the financial industry. By organization type, 54.66% of SOEs disclosed such measures, higher than that of private enterprises, reflecting the strong execution of SOEs in the national campaign against corruption. By region, Northeast China had a lower disclosure rate while other regions shared similar figures.

(3) Business integrity: 83.41% of companies disclosed their adherence to business integrity and fair competition both in business philosophy and practice, similar to that of the previous year. Construction companies showed strong performance on this indicator, with 96.15% of them stressing the importance of business integrity. There were only mild differences between companies of different types and in different regions.
Company operations and management is the foundation for a company to assume social responsibility and better corporate governance can ensure better fulfillment of social responsibility. According to Article 86 in the General Rules of the Civil Law of the People’s Republic of China promulgated in 2017, “A for-profit legal person who engages in business activities shall abide by business ethics, maintain transaction security, accept government and social supervision, and assume social responsibility.” Listed companies, as the backbone of for-profit legal persons, are closely watched by the general public in terms of operations, management, and performance of social responsibility. The indicators in this part have offered valuable references concerning company operations and management:

Indicator “strategic cooperation and sharing” saw better performance than last year, thanks to the strong contribution from certain industries. As the Belt and Road Initiative (BRI) is rolled out, Chinese listed companies are confronted both opportunities and challenges. General Secretary Xi pointed out at a symposium marking the fifth anniversary of the Belt and Road Initiative that the world is undergoing major development, changes and adjustments. We should have strategic and global vision and stay alert to risks while keeping an eye on historic opportunities so as to navigate through this profound transformation unprecedented in a century. China keeps abreast with the times by proposing the Belt and Road Initiative, in the hope of linking Chinese dream with the global dream and blazing a trail of peaceful development and win-win cooperation. In this context, a growing number of listed companies have jumped at the opportunity to work with business partners and share fruitful results. The transport industry, in particular, is blessed with new opportunities introduced by BRI-related policies. Several transport companies have entered into strategic cooperation with upstream and downstream companies to strengthen their business chain and they are eager to go global for international collaboration.

“Anti-bribery and anti-corruption” is both a hot topic in the society and a major concern of the government. Since the 18th National Congress of the Communist Party of China, especially after the Second and Third Plenary Sessions of the 18th Party Congress, the CPC Central Committee has strengthened the initiatives to improve Party conduct and ensure clean government and the campaign against corruption. For the sake of Party conduct, the authority has introduced the “eight-point decision” and over ten prohibitions to address the practice of formalities for formalities’ sake, bureaucratism, and privilege seeking and to stamp out extravagance with public funds. Corruption is also a huge obstacle to company development. Anti-corruption and clean governance is the foundation for a company’s competitiveness. SOEs have cracked down on corruption with growing intensity in recent years. The investigation of several senior executives for serious violations of laws and regulations caused quite a stir in the society. We can tell from the indicator “anti-corruption and anti-bribery” that the proportion of SOEs disclosing anti-corruption measures was significantly higher than that of foreign-funded and private enterprises, reflecting the importance that state-owned enterprises attached to this issue.

## Conclusion and Analysis of “Company Operations and Management”

By referring to violation and penalty information in open databases, we find that 78 companies disclosed accounting irregularities in 2017, accounting for 9.11% of the total, down by 1.24% year-on-year. 14.49% of financial companies committed accounting irregularities, the highest rate of all industries. By region type, private enterprises had the highest rate at 11.56% and SOEs the lowest at 7.29%.

By referring to litigation and penalty information in open databases, we find that 86 companies had financing disputes in 2017, accounting for 10.05% of the total and increasing by 0.83% from the previous year. 23.19% of companies in West China had financing disputes in 2017, accounting for 10.05% of the total and increasing by 0.83% from the previous year.
In conclusion, company operations and management is not only a key factor affecting business development, but also a solid bedrock for the fulfillment of CSR. Companies should keep up with the times and improve corporate governance so as to better perform CSR.

The financial industry topped all industries in terms of the rate of disclosing anti-corruption measures as well as the proportion of companies with accounting irregularities and financing disputes, which should be attributed to huge compliance risks and increasingly stringent regulation in the industry. According to the 2017 data released by the China Banking Regulatory Commission, the banking regulatory departments at all levels issued a total of 3,452 tickets to punish 1,877 institutions and 1,547 responsible persons and fined them for nearly RMB 3 billion in all. The number of institutions subject to penalty nearly tripled and the amount of fines increased over tenfold compared with that of 2016. Such heavy-handed regulation made 2017 the “year of regulatory tempest”. The securities sector and the insurance sector adopted the same tough approach. Throughout 2017, China Securities Regulatory Commission made 224 decisions about administrative punishment, imposed RMB 7.479 billion of fines (up by 74.74% YoY) and banned 44 people the entry into the securities market (up by 18.91% YoY). The number of administrative punishment decisions, the amount of fines, and the number of people banned from the market all hit a record high. China Insurance Regulatory Commission issued 37 regulatory letters in 2017, doubling the number in 2016 (16 letters). China Insurance Regulatory Commission also issued 47 tickets and local insurance regulatory bureaus issued 878 tickets; these 925 tickets in total imposed over RMB 100 million of fines. The stringent regulation across the financial industry has prompted financial companies to put more emphasis on compliance operations as part of business strategies, make full use of the corporate governance structure, raise employee compliance awareness, and improve the compliance system.

In 2017, 469 companies disclosed in their CSR reports the measures they had taken to improve product/service quality, such as establishing quality management systems, accounting for 54.79% of the total, basically the same as that in the previous year. Given the high standards and strict requirement on construction quality, the construction industry showed the highest level of disclosure as 69.23% of the construction companies described their quality management systems or measures in the reports; the mining industry came second, at 65.63%.

(2) Quality commendation: In 2017, 567 or 66.24% of the companies disclosed in their CSR reports that they were commended or accredited for product/service quality. Decided by the industry features, the construction industry showed the highest level of disclosure as 92.31% of the companies listed their quality certificates or honors; the manufacturing industry came second, at 70.33%.

Product Quality and Innovation

This part includes 9 indicators to reflect the reporting entity’s awareness and performance in the following aspects: (1) quality management, (2) quality commendation, (3) after-sales service, (4) customer satisfaction, (5) product quality and safety disputes, (6) patents, (7) R&D expenditure, (8) share of R&D personnel and (9) share of technical personnel.

(1) Quality management: In 2017, 469 companies disclosed in their CSR reports the measures they had taken to improve product/service quality, such as establishing quality management systems, accounting for 54.79% of the total, basically the same as that in the previous year. Given the high standards and strict requirement on construction quality, the construction industry showed the highest level of disclosure as 69.23% of the construction companies described their quality management systems or measures in the reports; the mining industry came second, at 65.63%.

(2) Quality commendation: In 2017, 567 or 66.24% of the companies disclosed in their CSR reports that they were commended or accredited for product/service quality. Decided by the industry features, the construction industry showed the highest level of disclosure as 92.31% of the companies listed their quality certificates or honors; the manufacturing industry came second, at 70.33%.

(3) After-sales service: In 2017, 361 companies disclosed in their CSR reports the measures they had taken to improve after-sales service, such as perfecting after-sales feedback systems, representing the highest proportion of disclosure by industry, and reflecting the importance they attached to customer experience. By organization type, foreign-funded enterprises had the highest proportion of disclosure at 57.89%, and SOEs the lowest at 41.09%.

(4) Customer satisfaction: In 2017, 300 or 35.05% of the companies disclosed in their CSR reports the customer satisfaction investigation they had organized. By industry, the financial industry had the highest proportion of disclosure at 59.42%; by organization type, foreign-funded enterprises had the highest proportion of disclosure at 44.74%, and private enterprises the lowest at 27.50%.
(5) Product quality and safety disputes: By sorting the litigation and punishment information from public databases and news reports from mainstream financial media, we have collected and summarized the incidents related to product disputes. Of the companies with CSR reports disclosed, a total of 40 companies were involved in product disputes between 2015 and 2017, most of which came from the manufacturing industry; in 2017 alone, 15 companies were involved in product disputes.

(6) Patents: Compared with the previous year, the average number of patents increased to 124 in 2017; East China topped all regions with 154 patents on average, of which, Guangdong province came first with 350 patents.

(7) R&D expenditure: The R&D expenditures averaged RMB 530.44 million in 2017, which was RMB 51.39 million higher than the previous year. East China reported the highest R&D expenditures of RMB 631.96 million, of which, Beijing topped with RMB 1350.00 million on average.

(8) Share of R&D personnel: In 2017, the average share of R&D personnel reached 13.37%, basically unchanged from the previous year. East China had the highest share of R&D personnel at 14.14%, of which, Anhui province topped at 19.96%.

(9) Share of technical personnel: In 2017, the average share of technical personnel was 18.44%. East China had the highest share of technical personnel at 19.71%, of which, Beijing topped at 22.60%.

In terms of the four indicators above, the construction industry reported 436 patents on average and RMB 2478.94 million of R&D expenditure on average, topping all industries in these two indicators. The industry of information transmission, software and IT services had the highest shares of R&D personnel and technical personnel, at 39.62% and 49.13% respectively, far above the average. The shares of R&D personnel and technical personnel of SOEs were roughly the same as those of foreign-funded enterprises; the R&D expenditures of SOEs averaged RMB 720.50 million, topped all types of organizations and was strikingly higher than that of the foreign-funded enterprises (RMB 566.91 million); but the average number of patents of SOEs was lower than that of the foreign-funded enterprises. Private enterprises had relatively high shares of R&D personnel and technical personnel, but their average R&D expenditure and the number of patents were the lowest.

<table>
<thead>
<tr>
<th>By industry–2017</th>
<th>After-sales service</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>59.43%</td>
<td>59.42%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>49.07%</td>
<td>35.75%</td>
</tr>
<tr>
<td>Wholesale and retail trades</td>
<td>41.03%</td>
<td>33.61%</td>
</tr>
<tr>
<td>Transport, storage and post</td>
<td>40.02%</td>
<td>31.11%</td>
</tr>
<tr>
<td>Information transmission, software and IT services</td>
<td>36.73%</td>
<td>34.69%</td>
</tr>
<tr>
<td>Mining</td>
<td>51.25%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Production and supply of electricity, heat, gas and water</td>
<td>31.11%</td>
<td>26.67%</td>
</tr>
<tr>
<td>Real estate</td>
<td>28.57%</td>
<td>32.65%</td>
</tr>
<tr>
<td>Construction</td>
<td>19.23%</td>
<td>23.06%</td>
</tr>
<tr>
<td>Leasing and business services</td>
<td>18.18%</td>
<td>9.09%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By organization type–2017</th>
<th>After-sales service</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sino-foreign joint ventures</td>
<td>57.89%</td>
<td>44.74%</td>
</tr>
<tr>
<td>Private enterprises</td>
<td>42.50%</td>
<td>27.50%</td>
</tr>
<tr>
<td>SOEs</td>
<td>41.03%</td>
<td>39.47%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By region–2017</th>
<th>Average number of patents</th>
<th>Average R&amp;D expenditure</th>
<th>Average share of R&amp;D personnel</th>
<th>Average share of technical personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>East</td>
<td>153.85</td>
<td>63,195.96</td>
<td>14.14%</td>
<td>19.71%</td>
</tr>
<tr>
<td>Central</td>
<td>60.99</td>
<td>35,185.60</td>
<td>13.72%</td>
<td>17.04%</td>
</tr>
<tr>
<td>West</td>
<td>51.38</td>
<td>28,075.28</td>
<td>8.95%</td>
<td>14.20%</td>
</tr>
<tr>
<td>Northeast</td>
<td>33.83</td>
<td>16,095.80</td>
<td>11.46%</td>
<td>15.10%</td>
</tr>
<tr>
<td>Total</td>
<td>124.09</td>
<td>53,043.87</td>
<td>13.37%</td>
<td>18.44%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By industry–2017</th>
<th>Average number of patents</th>
<th>Average R&amp;D expenditure</th>
<th>Average share of R&amp;D personnel</th>
<th>Average share of technical personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>436.31</td>
<td>247,893.66</td>
<td>15.85%</td>
<td>29.20%</td>
</tr>
<tr>
<td>Mining</td>
<td>277.75</td>
<td>98,036.20</td>
<td>6.09%</td>
<td>12.33%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>181.70</td>
<td>53,992.82</td>
<td>13.79%</td>
<td>18.71%</td>
</tr>
<tr>
<td>Information transmission, software and IT services</td>
<td>53.53</td>
<td>54,685.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>30.82</td>
<td>5,375.75</td>
<td>5.22%</td>
<td>16.87%</td>
</tr>
<tr>
<td>Transport, storage and post</td>
<td>22.00</td>
<td>11,288.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture, sports and entertainment</td>
<td>17.43</td>
<td>11,982.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale and retail trades</td>
<td>13.52</td>
<td>26,852.51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>8.82</td>
<td>14,838.55</td>
<td>1.37%</td>
<td>4.36%</td>
</tr>
<tr>
<td>Real estate</td>
<td>4.86</td>
<td>2,464.19</td>
<td>0.48%</td>
<td>22.04%</td>
</tr>
<tr>
<td>Leasing and business services</td>
<td>3.00</td>
<td>6,762.91</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By organization type–2017</th>
<th>Average number of patents</th>
<th>Average R&amp;D expenditure</th>
<th>Average share of R&amp;D personnel</th>
<th>Average share of technical personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sino-foreign joint ventures</td>
<td>149.41</td>
<td>56,691.36</td>
<td>10.68%</td>
<td>17.14%</td>
</tr>
<tr>
<td>Private enterprises</td>
<td>134.25</td>
<td>72,052.11</td>
<td>10.88%</td>
<td>17.28%</td>
</tr>
<tr>
<td>SOEs</td>
<td>106.09</td>
<td>29,931.94</td>
<td>11.76%</td>
<td>20.48%</td>
</tr>
</tbody>
</table>
With rapid economic and social development, continuous advancement of modern technology and upgrading of people's consumption philosophy, product quality and innovation have increasingly become the lifeblood of corporate development and a major indication of companies' core competitiveness. Responsibility for product quality is a fundamental part of CSR, and responsibility for product innovation is a key guarantee of CSR.

As an integral part of CSR, product and service quality has drawn increasing attention of the general public. Companies, as the most common organizational form in society, provide people with various products and services to satisfy their clothing, food, housing and transportation needs. Excellent products will be granted honorable title and exempted from inspection once they win the recognition and trust of society; companies with product quality problems will be condemned and opposed by society, thus suffering huge economic and reputation losses. It is a basic requirement of CSR for companies to attach high importance to their product/service quality.

In this part, the indicators related to product/service quality are ranked from the highest disclosure proportion to the lowest as follows: “quality commendation” “quality management” “after-sales service” and “customer satisfaction”. The listed companies were more inclined to disclose external reviews rather than internal measures, and gave lower attention to the after-sales feedback of products and services. More specifically, the construction industry topped all industries with the highest disclosure of “quality commendation” and “quality management”. Construction quality is not only decisive to the normal operation of a project and its return on investment, but also critical to the safety of people’s life and property. Any quality problem can directly impair the interests and safety of people. Good performance on these indicators reflects the great importance the construction industry has attached to quality and safety. The financial industry showed the highest disclosure of “after-sales service” and “customer satisfaction”. As service providers, financial companies are frequently engaged in direct communication and interaction with customers. The experience and feedback of customers are a major source of information for financial companies to improve their service quality. Continuous improvement in after-sales feedback and customer satisfaction investigation enables financial companies to listen to and understand the voices of customers and improve service quality accordingly. In 2017, the number of companies involved in product quality and safety disputes was basically the same as that of the previous year. Comparatively speaking, companies publicly disclosing these disputes accounted for a minority percentage and few such events were covered by mainstream media.

In August 2016, the State Council issued the 13th Five-year Plan on National Scientific and Technological Innovation, explicitly putting forward the general requirement, development objectives, strategic tasks and reform measures for China’s scientific and technological innovation for the next five years. Product and service innovation, as an integral part of CSR, is closely related to the healthy development of companies. For companies in the modern times, technological innovation is a major source of core competitiveness for survival in increasingly fiercer market competition. By performing their responsibility of technological innovation, companies can build up their core competitiveness and become better prepared to take more CSR practices.

Conclusion and Analysis of “Product Quality and Innovation”

We observed the indicators related to R&D input, such as “R&D expenditure” “share of R&D personnel” and “share of technical personnel”, as well as the indicator related to R&D output such as “the number of patents” so as to gain a clear picture about the listed companies' performance on R&D innovation. All the four indicators in 2017 have been improved to varying degrees compared with the previous year. East China with relatively developed economy outperformed other regions in terms of “R&D expenditure” “share of R&D personnel” and “share of technical personnel”, and also had the highest average number of patents. By province, Beijing disclosed the largest amount of R&D expenditure but its average number of patents was lower than that of Guangdong. By industry, the information transmission, software and IT services industry boasted the highest share of talented personnel, while the construction industry topped in terms of R&D expenditure and the average number of patents. By organization type, SOEs had the highest amount of R&D expenditure, followed by foreign-funded enterprises, but foreign-funded enterprises had a greater average number of patents than SOEs, indicating their difference in efficiency of R&D input and output.

Product and service quality and innovation are an important part of CSR with large room for improvement as indicated by the data above. Companies should give more attention to this aspect so as to enhance their core competitiveness and sense of social responsibility.
Responsibility to Employees

This part includes (1) compensation incentives, (2) supplementary benefits, (3) on-the-job training, (4) communication with employees, (5) staff caring, (6) safety management system, (7) training on safe production, (8) occupational health and safety certification and (9) disputes concerning staff health and safety. These 9 indicators are used to evaluate the reporting entity’s awareness and performance regarding staff compensation and benefits, improvement and caring, safety and occupational health, and disputes concerning staff health and safety, etc.

(1) Compensation incentives: In 2017, 76.75% of companies disclosed in their CSR report that they established compensation incentive mechanism or launched equity incentive plan, aiming to encourage employees to take an active part in the company’s business operation; 83.44% of private enterprises had taken incentive measures for employees, representing the highest proportion of disclosure, while SOEs had the lowest proportion at 72.67%.

(2) Supplementary benefits: In 2017, 46.73% of companies disclosed in their CSR report that they offered employees supplementary benefits, like supplementary pension funds and supplementary medical insurance; 56.88% of SOEs offered employees supplementary benefits, representing the highest proportion of disclosure, while private enterprises had the lowest proportion at 32.19%.

(3) On-the-job training: In 2017, 96.56% of companies disclosed in their CSR report that they provided on-the-job training for employees, up by 1.75% year-on-year, indicating that companies continued to value the improvement of employees’ vocational skills. Broken down by organizational type, the proportion of disclosure between different types of companies differed slightly. More specifically, SOEs had the highest proportion of disclosure, followed by private enterprises and foreign-funded companies.

(4) Communication with employees: In 2017, 50.12% of companies disclosed in their CSR report that they created channels for communication between the management and employees, e.g. regular conversation mechanism and general manager mailbox; Compared with the previous year, the proportion of disclosure in this regard was increased, implying the companies’ constant attention on staff opinions. Broken down by organizational type, SOEs had the highest proportion of disclosure at 53.85%, while private enterprises had the lowest proportion.

(5) Staff caring: In 2017, 92.64% of companies disclosed in their CSR report that they had staff caring schemes. For instance, they organized physical checkup for employees and also cared about employees’ mental health. Compared with the previous year, this indicator was on a steady increase, showcasing that the companies placed more focus on humanistic care for employees. Broken down by organizational type, the proportion of disclosure between different types of companies differed slightly. Foreign-funded companies had relatively higher proportion of disclosure.

(6) Safety management system: In 2017, 66.24% of companies disclosed in their CSR report that they adopted safety management system. Compared with the previous year, the proportion of disclosure in this regard was increased; Companies in the mining industry had the highest proportion of disclosure at 93.75%.

(7) Training on safe production: In 2017, 68.57% of companies disclosed in their CSR report that they conducted training on safe production. Compared with the previous year, the proportion of disclosure in this regard was increased; Companies in the mining industry had the highest proportion of disclosure at 90.63%.

(8) Occupational health and safety certification: In 2017, 21.96% of companies disclosed in their CSR report that they passed the certification with regards to occupational health, up by 5.67% year-on-year. Companies in the manufacturing industry had the highest proportion of disclosure at 32.71%.

(9) Disputes concerning staff health and safety: We collected and summarized disputes concerning staff health and safety by means of searching litigation and penalty information in public database and reporting of mainstream finance and business media. Among the companies disclosed their CSR report, 10 had disputes with employees between 2015 and 2017 and most of them were in the industries of manufacturing and mining. For 2017 alone, three companies had disputes concerning staff health and safety.
Conclusion and Analysis of “Responsibility to Employees”

Employees are an integral part of a company and a major force that supports business development. For the fulfilment of CSR, one of the priorities for the companies is to safeguard employees’ rights and benefits, because employees could directly impact sustainable development of the company, and even exert influence on the development and stability of our society. During the course of taking on responsibilities to employees, companies became more people-oriented and placed more focus on employees’ rights, benefits and development.

According to Opinions of the CPC Central Committee and the State Council on Building Harmonious Labor Relationship released in 2015, employers shall safeguard basic rights of employees in accordance with the laws, including the rights to get paid, take rest, take leave, be protected for safety and hygiene, enjoy social insurance and accept on-the-job training. In this part, indicators such as “compensation incentives” “supplementary benefits” “safety management system” “training on safe production” “occupational health and safety certification” “disputes concerning staff health and safety” and “on-the-job training” reflect how the companies value and safeguard the rights and benefits of employees. With regards to compensation and welfare, private enterprises put more emphasis on “compensation incentives”, while SOEs, on “supplementary benefits”. This indicates that different types of companies have different overriding focuses. And the findings are in line with our common understanding of SOEs and private enterprises. As for employee safety, known for high risks at the workplace, companies in the mining industry had the highest proportion of disclosure in terms of “safety management system” and “training on safe production”; statistics show that in 2017, 219 mining accidents occurred in China, resulting in 375 deaths, down by 12% and 28.7% respectively year-on-year. In 2016, however, there were additional 30 mining accidents and 151 deaths. Though the situation is getting better, it’s undeniable that mining remains the industry where employees’ safety risks are the highest. Speaking of occupational health, not many listed companies disclosed in their CSR report that they passed occupational health certification. Companies in the manufacturing industry had the highest proportion of disclosure in this regard. Nevertheless, in 2017, most disputes concerning staff health and safety stemmed from the industries of manufacturing and highly risky mining. When it comes to employees’ improvement, “on-the-job training” was the indicator most frequently mentioned by the companies disclosed their CSR report, demonstrating those listed companies valued employees’ skills. Employees constitute the core competitiveness of the company, and on-the-job training could contribute to increased competitiveness of the company, thus driving efficient business development.

It was also stressed in Opinions of the CPC Central Committee and the State Council on Building Harmonious Labor Relationship that employers shall improve democratic management system, as well as the mechanism regarding the mediation of labor disputes, thereby creating a pleasant work environment featuring harmonious labor relationship. Moreover, employers shall enhance communication with employees and place more focus on humanistic care for employees. In this part, the indicator “communication with employee” embodied the communication mechanism between the management and employees. On the whole, nearly half of all the companies disclosed their communication channels, however, the proportion was still no that large. Broken down by organizational type, SOEs had the highest proportion of disclosure, reflecting that SOEs paid great attention to communication with employees. “Staff caring” ranked second only to “on-the-job training” in terms of the proportion of disclosure. A steadily increasing number of companies fulfilled staff caring with each passing year, indicating the greater importance that companies attached to humanistic care for employees.

Besides, taking on responsibilities to employees and emphasizing the happiness and improvement of employees could help a company cultivate a good corporate image. A good corporate image is the company’s intangible huge fortune and could help boost the company’s competitiveness; Meanwhile, proactively taking on responsibilities to employees is quite meaningful to our society as it could also help address social issues, improve life satisfaction of people from across the country, and maintain social stability.

All in all, safeguarding the rights and benefits of employees and fulfilling the responsibilities to employees can have a positive impact on the company itself and the society. The companies and the government need to work together to drive the development of both employees and the companies in the context of a harmonious society, thereby making sure the companies’ fulfillment of CSR concerning employees.
Diversity and Equal Opportunities

This part includes (1) female executives, (2) female directors, (3) all-male directors, supervisors and executives, (4) vulnerable groups, and (5) equal opportunities. These 5 indicators are used to evaluate the reporting entity’s awareness and performance regarding diversity and equal employment opportunities.

(1) Female executives: In 2017, 58.46% of companies had female members on their executive team, i.e. 347 companies didn’t have any female member on their executive team; Average number of female executives per company was merely 0.95, less than 1, and there were only 17 companies had over three female executives; Broken down by industry, only 37.5% of companies in the mining industry had female executives and average number of female executives per mining company was 0.53, representing the lowest proportion of any industry; by organizational type, 56.68% of SOEs had female executives and average number of female executives per SOE was 0.89, representing the lowest proportion of any organizational type.

(2) Female directors: In 2017, 70.44% of companies had female members on the board of directors, i.e., 253 companies didn’t have any female director, while the average proportion of female directors was merely 13.55%, and only for five companies, more than half of all the directors were female; Broken down by industry, 7.10% of companies in the mining industry had female directors, representing the lowest proportion. Companies in the industries of construction and transport ranked second from the bottom; by organizational type, 11.58% of SOEs had female directors, representing the lowest proportion. Foreign-funded companies ranked second with 12.99% had female directors, while 16.67% of private enterprises had female directors, representing the highest proportion.

(3) All-male directors, supervisors and executives: In 2017, 46 companies didn’t have any female directors, supervisors and executives, accounting for 5.37% of all the companies that disclosed CSR reports that year; Broken down by industry, 24 companies in the manufacturing industry didn’t have any female directors, supervisors and executives, representing the highest proportion, followed by companies in the industries of finance, mining and transport; by organizational type, 30 SOEs didn’t have any female directors, supervisors and executives, representing the highest proportion, followed by private enterprises and foreign-funded companies.

(4) Vulnerable groups: In 2017, 90 companies disclosed that they adopted the non-discrimination employment policy concerning vulnerable groups (disabled persons and those who had undergone reformation through labor) in their CSR report, accounting for 21.26% of all the companies that disclosed CSR reports that year, up by 2.18% year-on-year; non-discrimination employment policy was most frequently mentioned by Sino-foreign joint ventures yet least frequently mentioned by private enterprises.

(5) Equal opportunities: In 2017, 182 companies stressed equal opportunities between different nationalities, religions and countries in their CSR report, accounting for 21.26% of all the companies that disclosed CSR reports that year, up by 1.69% year-on-year; Equal opportunities were most frequently mentioned by Sino-foreign joint ventures yet least frequently mentioned by private enterprises.
With the advancement of modern society, diversity and equal opportunities have become one of the much-talked-about topics of our times. Equality is one of the cornerstones for the competition and development of any company. Hence, companies should adopt an inclusive attitude towards talent, allow them to compete equally, and take on CSR regarding equal opportunities. This is commonplace in developed countries and regions, and should not be ignored in China, especially when the country is going through a rapid development process.

Females play a non-negligible part in corporate governance and the fulfillment of CSR. Research shows that a company’s fulfillment of CSR cannot be achieved without the implementation of an array of decisions made by executives and decision-makers. And one important mechanism to facilitate a company’s fulfillment of CSR is to adopt effective corporate governance. The diversity of executives and the board of directors, who lie at the core of corporate governance and decision-making, has been an important topic in relevant research. Gender diversity is undeniably a topic hotspot. Some research shows that compared with males, females usually have higher moral standards, so a diversified board of directors comprising a specific number of female directors could contribute to a more balanced decision-making mechanism that could ultimately facilitate the fulfillment of CSR.

In this part, indicators including “female executives” “female directors” and “all-male directors, supervisors and executives” measure the say females have in the management team of the listed companies that disclosed their CSR report. In 2017, relevant indicators show that the average number and proportion of female executives/directors per company remained small (the average number is around 1), basically no difference when compared with that of the previous year. Females were still in a disadvantage position in the listed companies that disclosed their CSR report, and they didn’t have much say over the company’s decisions. Take female directors for example, indicators show that among the companies that disclosed their 2017 CSR report, nearly 30% didn’t have any female director, and most of them only have one to two female members on the board of directors. As a result, female directors could only play an insignificant role. Some scholars called this “symbolic effect”—female directors in the extreme minority usually would not actively participate in the board of directors’ discussions, because they felt their opinions were not valued, which in turn led to their growing unwillingness to share their ideas. Under the circumstances, the decision-making of the board of directors and corporate governance could be negatively affected. To put it another way, females could not give full play to their potential regarding corporate governance and the company’s fulfillment of CSR.

Non-discrimination and caring toward vulnerable groups is also significant to a company’s fulfillment of CSR. Non-discrimination employment policy pertaining to vulnerable groups is an important way to help those people get accustomed to this society effectively and strive to be stronger and more independent. Providing vulnerable groups including the disabled persons with suitable jobs can not only alleviate the pressures on the government and the society, but also set a good example for the company’s staff to learn from. Therefore, this measure could be crucial to the cultivation of a healthier corporate culture and work atmosphere. Not to mention, the company itself has the obligation and responsibility to adopt a non-discrimination attitude toward vulnerable groups. According to The Law on the Protection of Disabled Persons of People’s Republic of China and The Regulations on the Employment of Disabled Persons, etc., employers have the obligation and responsibility to employ a specific proportion of disabled persons. But the indicator “vulnerable groups” show that only nearly 10% companies disclosed their employment policy pertaining to vulnerable groups including disabled persons in their CSR report. Worse still, the implementation of their employment policy could not be quantified, so we didn’t know whether they met the specific proportion stipulated in the laws and regulations.

Offering equal opportunities is a key indicator of a company’s values of equity and justice, as well as its fulfillment of CSR. According to the Report to the Eighteenth National Congress of the Communist Party of China, we should “establish in due course a system for guaranteeing equality in society featuring, among other things, equal rights, equal opportunities and equal rules for all; and foster an equal social environment and ensure people’s equal right to participation in governance and to development.” Nowadays, social conflicts have become more prominent, “equal rights, equal opportunities and equal rules for all” proposed by the Eighteenth National Congress of the Communist Party of China were in line with public opinions and thus won favor among the general public. In response to “equal rights, equal opportunities and equal rules for all”, companies may offer equal opportunities for different nationalities, religions and countries. The indicator “equal opportunities” shows that around 20% of companies emphasized equal opportunities, with foreign-funded companies accounted for the highest proportion and private enterprises accounted for the lowest proportion. This situation needs to be improved.

The creation of a more inclusive and equal society calls for the support of each and every individual. At present, it is common that the listed companies in China don’t attach great importance to the fulfillment of CSR in this regard. In their CSR report disclosed, most of the content concerning equal opportunities is recapitulative text, lack of substantial information and quantified data. The government, the public and the company itself should pay more attention to it and set higher requirements accordingly.
Environmental Responsibility

This part includes the following nine indicators, reflecting the concerned companies’ performance regarding environmental responsibility: (1) environmental benefit, (2) energy saving, (3) reduction of the three wastes (waste gas, waste water and industrial residue), (4) circular economy, (5) green office, (6) environmental protection and public welfare, (7) environmental certification, (8) environmental commendation, and (9) environmental penalty.

(1) Environmental benefit: In 2017, 46.73% of companies disclosed that they exploited or utilized environmentally beneficial products, services, equipment or technologies. Companies in the construction industry represented the highest proportion of disclosure, with 76.92% claiming that they applied environmentally friendly material and equipment in the process of construction to build new green buildings. Companies in the industry of production and supply of electricity and heat, etc. ranked second, and they usually focused more on clean and renewable energy.

(2) Energy saving: In 2017, 44.63% of companies disclosed their energy-saving performance. Companies in the transport industry represented the highest proportion of disclosure, with 60% disclosing their energy-saving measures and effectiveness in the report. Companies in the industries of production and supply of electricity, heat, gas, and water, as well as mining, ranked second. On the whole, compared with companies in the light industry, companies in the heavy industry attached more importance to this indicator.

(3) Reduction of the three wastes: In 2017, 56.91% of companies disclosed their efforts on reducing the three wastes. 93.75% of companies in the mining industry disclosed their relevant actions, representing the highest proportion of disclosure and great efforts they took to reduce pollution. In general, compared with companies in the light industry, companies in the heavy industry attached more importance to the three wastes.

(4) Circular economy: In 2017, 29.71% of companies disclosed their efforts regarding circular economy. 40.63% of companies in the mining industry disclosed their relevant actions, representing the highest proportion of disclosure and demonstrating their recycling efforts. In general, compared with companies in the light industry, it is more characteristic of companies in the heavy industry to emphasize circular economy.

(5) Green office: In 2017, 36.37% of companies disclosed environmentally friendly measures they took in day-to-day work, like water-saving and power-saving measures and paperless office. 75.36% of companies in the finance industry disclosed their relevant actions, representing the highest proportion of disclosure. Compared with 2015 and 2016, this indicator doesn’t make much difference.

(6) Environmental protection and public welfare: In 2017, 17.06% of companies disclosed that they took part in activities concerning environmental protection and public welfare, like forest planting and garbage clearing. The Proportion raised 1.40% percent, compared with 2016, showcasing companies gave greater importance to environmental protection. 36.36% of companies in the field of leasing and business services disclosed their relevant actions, representing the highest proportion of disclosure.

### By Industry—2017

#### Environmental Benefit

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>76.92%</td>
</tr>
<tr>
<td>Production and Supply of Electricity, Heat, Gas, and Water</td>
<td>68.89%</td>
</tr>
<tr>
<td>Transport, Storage and Post</td>
<td>68.89%</td>
</tr>
<tr>
<td>Finance</td>
<td>68.12%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>63.27%</td>
</tr>
<tr>
<td>Leasing and Business Services</td>
<td>45.45%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>41.12%</td>
</tr>
<tr>
<td>Mining</td>
<td>37.55%</td>
</tr>
<tr>
<td>Wholesale and Retail Trades</td>
<td>32.61%</td>
</tr>
<tr>
<td>Culture, Sports and Entertainment</td>
<td>28.57%</td>
</tr>
<tr>
<td>Information Transmission, Software and IT Services</td>
<td>16.33%</td>
</tr>
</tbody>
</table>

#### Energy Saving

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport, Storage and Post</td>
<td>60.02%</td>
</tr>
<tr>
<td>Production and Supply of Electricity, Heat, Gas, and Water</td>
<td>57.78%</td>
</tr>
<tr>
<td>Mining</td>
<td>56.25%</td>
</tr>
<tr>
<td>Wholesale and Retail Trades</td>
<td>47.83%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>45.79%</td>
</tr>
<tr>
<td>Leasing and Business Services</td>
<td>45.45%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>44.90%</td>
</tr>
<tr>
<td>Finance</td>
<td>42.03%</td>
</tr>
<tr>
<td>Construction</td>
<td>38.40%</td>
</tr>
<tr>
<td>Information Transmission, Software and IT Services</td>
<td>22.45%</td>
</tr>
<tr>
<td>Culture, Sports and Entertainment</td>
<td>14.29%</td>
</tr>
</tbody>
</table>

#### Reduction of the Three Wastes

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>93.75%</td>
</tr>
<tr>
<td>Construction</td>
<td>76.00%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>67.52%</td>
</tr>
<tr>
<td>Production and Supply of Electricity, Heat, Gas, and Water</td>
<td>65.67%</td>
</tr>
<tr>
<td>Transport, Storage and Post</td>
<td>64.44%</td>
</tr>
<tr>
<td>Wholesale and Retail Trades</td>
<td>50.00%</td>
</tr>
<tr>
<td>Leasing and Business Services</td>
<td>45.45%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>28.57%</td>
</tr>
<tr>
<td>Finance</td>
<td>26.47%</td>
</tr>
<tr>
<td>Culture, Sports and Entertainment</td>
<td>19.05%</td>
</tr>
<tr>
<td>Information Transmission, Software and IT Services</td>
<td>18.37%</td>
</tr>
</tbody>
</table>

#### Circular Economy

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>40.63%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>36.45%</td>
</tr>
<tr>
<td>Construction</td>
<td>34.62%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>32.65%</td>
</tr>
<tr>
<td>Production and Supply of Electricity, Heat, Gas, and Water</td>
<td>31.11%</td>
</tr>
<tr>
<td>Transport, Storage and Post</td>
<td>29.55%</td>
</tr>
<tr>
<td>Wholesale and Retail Trades</td>
<td>17.39%</td>
</tr>
<tr>
<td>Finance</td>
<td>11.59%</td>
</tr>
<tr>
<td>Culture, Sports and Entertainment</td>
<td>9.52%</td>
</tr>
<tr>
<td>Leasing and Business Services</td>
<td>9.09%</td>
</tr>
<tr>
<td>Information Transmission, Software and IT Services</td>
<td>6.12%</td>
</tr>
</tbody>
</table>

#### Green Office, Environmental Protection and Public Welfare

<table>
<thead>
<tr>
<th>Year</th>
<th>Green office</th>
<th>Environmental protection and public welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>17.06%</td>
<td>36.37%</td>
</tr>
<tr>
<td>2016</td>
<td>15.06%</td>
<td>38.01%</td>
</tr>
<tr>
<td>2015</td>
<td>12.92%</td>
<td>37.06%</td>
</tr>
</tbody>
</table>
(7) Environmental certification: In 2017, 25.12% of companies disclosed that they got environment management system certification, e.g. ISO14001. 36.92% of companies in the manufacturing industry disclosed their achievements in this regard, representing the highest proportion of disclosure.

(8) Environmental commendation: In 2017, 25.15% of companies disclosed that they were cited for environmental protection efforts and earned the honor of “green enterprise” and “demonstration enterprise in energy saving and emission reduction”, etc. 61.54% of companies in construction industry disclosed their environmental commendation, representing the highest proportion of disclosure.

For the eight above-mentioned indicators, SOEs ranked first by four indicators and got the second place by three indicators, foreign-funded companies ranked first by four indicators and got the second place by two indicators; while private companies ranked the bottom one in terms of five indicators, indicating their relatively weak environmental awareness.

Environmental penalty: We collected and summarized incidents regarding environmental penalty by means of searching litigation and penalty information in public database and reporting of mainstream finance and business media. Among the companies disclosed their CSR report, 10 were involved in environmental penalty between 2015 and 2017 and most of them were in the manufacturing industry. For 2017 alone, four companies were involved in environmental penalty. The number is larger than the previous year.

Environmental certification and commendation is to recognize and encourage companies to address environmental issues and shoulder greater environmental CSR. As some companies changed the format of their 2017 CSR report, the number of companies that got environmental certification was reduced dramatically compared with the previous year. In accordance with article 44 of the notice, The Content and Format for Information Disclosure of Companies that Issue Securities Publicly, released by China Securities Regulatory Commission, companies are encouraged to voluntarily disclose information relating to environmental protection, pollution prevention and control, and environmental responsibility. Third-party organizations that inspect, accredit or evaluate a company’s environmental information, such as environmental information inspection organizations, accreditation agencies, evaluation agencies and index companies, should encourage the company to disclose relevant information. Nonetheless, judging from the annual CSR report, not many companies disclosed such kind of information.

There are few cases about environmental penalty in 2017 can be found in public database. Companies in the industries of manufacturing and mining are more likely to be subjected to environmental penalty. Given current mainstream media exposure of the listed companies’ negative news is still not sufficient, the mainstream media should pay more attention to such information and report the news timely, thereby better supervising and speeding up companies’ implementation of CSR.

Conclusion and Analysis of “Environmental Responsibility”

“Environmental responsibility” has been a topic that draws great public attention. The Communist Party of China expounded on “ecological civilization construction” in the 19th National Congress, stressing that companies should be an integral part of ecological civilization construction. In addition, the Communist Party emphasized that companies should adhere to the principle of “respecting nature, conforming to the iron laws of nature and protecting nature”, pursuing “modernization on the basis of harmonious coexistence of human and nature” as healthy economic development cannot be achieved without ecological civilization improvement, and above all, play a pioneering role in ecological civilization construction.

In recent years, the losses incurred by the ecological environment degeneration resulted from pollution have been huge, and economic losses caused by a destroyed ecosystem have also been on the increase with each passing year. Undeniably, environmental pollution has become a major issue that affects economy and people’s wellness. Reducing pollution and adopting sustainable development has become an imperative for all of us. The development of companies somewhat relies on social environment whilst the business of companies impacts all aspects of our society, particularly our ecological environment. Nowadays, as sustainable development is valued more by our society, companies are expected to shoulder more responsibilities with regards to environmental protection.

To cope with environmental issues and take on greater environmental responsibilities, it is necessary for companies to produce environmentally beneficial products, save energy and reduce emissions, promote circular economy and green office, and participate in more activities regarding environmental protection and public welfare. In this part, compared with the disclosure rates for “circular economy” “green office” and “environmental protection and public welfare”, that for “environment benefit” “energy-saving performance” and “reduction of the three wastes” are higher. In terms of industry, for those with severer pollution, the disclosure rate of indicators concerning clean production, energy-saving performance and emission reduction is higher, while for the service industry, the disclosure rate of indicators concerning green office and environmental protection and public welfare is higher. In terms of Organizational type, SOEs demonstrated rather good performance by environmental indicators, followed by foreign-funded companies. However, the performance of private companies was unsatisfactory.

Environmental certification and commendation is to recognize and encourage companies to address environmental issues and shoulder greater environmental CSR. As some companies changed the format of their 2017 CSR report, the number of companies that got environmental certification was reduced dramatically compared with the previous year. In accordance with article 44 of the notice, The Content and Format for Information Disclosure of Companies that Issue Securities Publicly, released by China Securities Regulatory Commission, companies are encouraged to voluntarily disclose information relating to environmental protection, pollution prevention and control, and environmental responsibility. Third-party organizations that inspect, accredit or evaluate a company’s environmental information, such as environmental information inspection organizations, accreditation agencies, evaluation agencies and index companies, should encourage the company to disclose relevant information. Nonetheless, judging from the annual CSR report, not many companies disclosed such kind of information.

There are few cases about environmental penalty in 2017 can be found in public database. Companies in the industries of manufacturing and mining are more likely to be subjected to environmental penalty. Given current mainstream media exposure of the listed companies’ negative news is still not sufficient, the mainstream media should pay more attention to such information and report the news timely, thereby better supervising and speeding up companies’ implementation of CSR.
Social Contribution and Charity

This part includes (1) donations, (2) social contribution value per share, (3) charitable activities, (4) contribution to education, (5) volunteering, (6) international aid, (7) contribution to employment, (8) contribution to economic growth, and (9) layoffs. These 9 indicators are used to evaluate the reporting entity’s awareness and performance of social contribution and corporate charitable activities.

(1) Donations: In 2017, 775 companies disclosed their donations, and the mean and median of donations are RMB 6,706,600 and RMB 658,900 respectively, much higher than the corresponding RMB 5,730,000 and RMB 415,000 in 2016.

In terms of the distribution of donation amount: 1) 94 or 12.13% of the companies made no donations; 2) more than half of the companies donated less than RMB 500,000 each; and 3) 105 companies donated more than RMB 10 million each, 19 of them donated RMB 50 million each and the highest donations annually reached RMB 516.2 million.

On average, donations of SOEs topped all types of organizations with RMB 8,040,300, but their median was merely RMB 1,790,600, indicating a huge gap between companies within the industry; the financial industry had the highest median at RMB 8,448,000 and their average donations amounted to RMB 18,538,300, second only to the mining industry, indicating a smaller intra-industry gap.

On average, donations of the mining industry were ahead of all other industries with RMB 26,387,000, but their median was merely RMB 1,780,600, indicating a huge gap between companies within the industry; the financial industry had the highest median at RMB 8,448,000 and their average donations amounted to RMB 18,538,300, second only to the mining industry, indicating a smaller intra-industry gap.

(2) Social contribution value per share (SCVPS)

1) Number of companies disclosing SCVPS: Social contribution value per share, brought up by the Shanghai Stock Exchange, measures companies’ overall contribution to society with economic benefits. In 2017, the number of companies disclosing their SCVPS reached 130, roughly the same as that in 2015 and 2016, accounting for 15.19% of the total CSR reporting companies.

Of these companies, 124 were listed on the SSE, accounting for 95.38% of the total; only 6 or 4.62% were from the SZSE, including 4 from the Main Board and 2 from the SME Board. The manufacturing industry topped all industries with 58 companies disclosing their SCVPS; the financial industry was the top in terms of the proportion of companies making the disclosure (28.99%).

The SSE SME Board and the SSE A Share are the top 2 in terms of the proportion of companies making the disclosure (21.54% and 13.55% respectively).

By industry–2017

- Mining: 2,638.70
- Finance: 1,854.63
- Health and social work: 1,774.71
- Production and supply of electricity, heat, gas and water: 1,610.31
- Real estate: 1,234.05
- Culture, sports and entertainment: 999.11
- Construction: 804.07
- Agriculture, forestry, animal husbandry and fishery: 797.05
- Wholesale and retail trades: 439.21
- Leasing and business services: 359.78
- Water conservancy, environment and public facilities management: 338.04
- Manufacturing: 264.94
- Information transmission, software and IT services: 188.96
- Transport, storage, and post: 115.22
- Comprehensives: 105.59
- Scientific research and technical services: 75.22

By region–2017

- Central: 856.00
- Northeast: 72.22
- West: 204.94
- East: 359.78
- Southwest: 359.78
- Southeast: 359.78
- Northcentral: 359.78
- Southcentral: 359.78

By organization type–2017

- SOEs: 844.03
- Sino-foreign Joint Ventures: 197.78
- Private enterprises: 72.22
- Other enterprises: 35.34

By industry–2017

- Finance: 28.99%
- Mining: 28.13%
- Leasing and business services: 27.27%
- Transport, storage and post: 20.00%
- Real estate: 18.37%
- Wholesale and retail trades: 17.39%
- Culture, sports and entertainment: 14.29%
- Manufacturing: 13.55%
- Water conservancy, environment and public facilities management: 12.50%
- Construction: 11.54%
- Production and supply of electricity, heat, gas and water: 8.89%
- Information transmission, software and IT services: 6.12%
By industry–2017
Contribution to education
Volunteering
Finance
78.26%
91.30%
78.26%
Leasing and business services
54.55%
63.64%
36.36%
Construction
46.15%
84.62%
65.38%
Real estate
42.86%
57.14%
55.10%
Wholesale and retail trades
36.96%
58.70%
65.22%
Culture, sports and entertainment
33.33%
76.19%
33.33%
Information transmission, software and IT services
28.53%
55.10%
28.57%
Manufacturing
25.70%
56.54%
42.06%
Mining
25.00%
78.13%
65.00%
Transport, storage and post
22.22%
48.67%
55.56%
Production and supply of electricity, heat, gas and water
15.56%
60.00%
57.78%

By organization type–2017
Charitable activities
Contribution to education
Volunteering
SOEs
29.35%
60.93%
57.29%
Private enterprises
36.56%
60.02%
37.50%
Sino-foreign joint ventures
44.74%
60.79%
47.37%

By region–2017
Charitable activities
Contribution to education
Volunteering
East
35.69%
60.44%
52.86%
West
26.85%
68.52%
44.44%
Northeast
17.07%
43.90%
43.80%

(6) International aid: In 2017, 58 companies offered international aid, accounting for 6.78% of the total, up about 1% from the previous year; the construction industry showed the most active participation in international aid as 42.31% of construction companies disclosed their international aid behavior; 13.16% of foreign-funded enterprises participated in international aid, accounting for the highest proportion and private enterprises the lowest at 3.13%.
(7) Contribution to employment: In 2017, 40.54% of the companies disclosed their contribution to employment by creating more jobs. 50.00% of the foreign-funded enterprises disclosed their contribution to employment, accounting for the highest proportion and private enterprises the lowest at 38.74%; 45.37% of the companies in West China disclosed their contribution to employment, accounting for the highest proportion and companies in Central China the lowest at 38.94%.

(8) Contribution to economic growth: In 2017, 25.23% of the companies disclosed that their business operations facilitated local economic development or their corporate policies (e.g. localized procurement policy) stimulated local economy. By organization type, SOEs had the highest proportion of disclosure at 28.74%; by region, companies in West China had the highest proportion of disclosure at 34.26% and companies in Northeast the lowest at 17.07%.

<table>
<thead>
<tr>
<th>By region–2017</th>
<th>Contribution to Employment</th>
<th>Contribution to Economic Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>45.37%</td>
<td>34.26%</td>
</tr>
<tr>
<td>East</td>
<td>39.73%</td>
<td>24.58%</td>
</tr>
<tr>
<td>Central</td>
<td>38.94%</td>
<td>23.01%</td>
</tr>
<tr>
<td>Northeast</td>
<td>43.90%</td>
<td>17.07%</td>
</tr>
</tbody>
</table>

(9) Layoffs: We have collected company news on layoffs from mainstream financial media. Of the companies with CSR reports disclosed, 59 were involved in layoff-related news releases between 2015 and 2017. Among them, 12 companies had related media coverage in 2017, a slight decrease from 2016, and most were from the manufacturing industry.

<table>
<thead>
<tr>
<th>2015–2017 Number of Companies Laying off Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2017</td>
</tr>
</tbody>
</table>

Conclusion and Analysis of “Social Contribution and Charity”

Chinese government has been promoting charitable activities among businesses in recent years. In the Charity Law of China promulgated in 2016, the Article 5 says that “the government encourages and supports natural persons, legal persons and other organizations in legally carrying out charitable activities that represent the core values of socialism and promote the traditional morals of the Chinese nation.” And the Article 76 specifies that “natural persons, legal persons or other organizations that donate property for charitable activities are eligible for tax benefits.” The Opinions of the State Council of the CPC Central Committee on Building a Healthy Growth Environment for Entrepreneurship and Encouraging Entrepreneurs to Play a Better Role (“The Opinions”) was officially launched in September 2017, and it was the first time for the CPC Central Committee to make clear the status and value of entrepreneurship by issuing such an official document. According to The Opinions, it is important to encourage entrepreneurs to take the initiative to fulfill their social responsibilities, to grow a stronger sense of mission and honor regarding CSR, and to play an active part in charitable donations. These laws and regulations play a positive role in promoting the CSR practices of companies.

Companies are the most important participants and leaders of charitable activities nowadays. They can take advantage of their human, material and financial resources to make charitable activities more successful and influential. Charitable activities thus organized can play an inestimably significant role in relieving disadvantaged groups and alleviating the economic burden of the country. While running or participating in charitable activities, companies can not only promote the concept of charity, but build up their image as responsible corporate citizens and further improve their brand value and reputation. As beneficiaries of social development, companies have the responsibility to give back to society.

Looking into the donation amount of listed companies with CSR reports disclosed, we can find that there are still some “penny pinchers” making no donations at all in 2017. Despite a high mean of donations, more than half of the companies donated less than RMB 500,000 each. SOEs performed best in terms of donations, reflecting their substantial contribution and leadership in promoting charity. The SCVPs, which was initially put forward by the SSE in 2008, is not subject to mandatory disclosure and its calculation standards are vague. As a result, only a few companies, more specifically, mainly companies listed on SSE, disclosed their SCVPs. To this end, more detailed description and mandatory requirements should be put in place to ensure the comparability of data. In 2017, the performance of listed companies in various charity and social contribution indicators is ranked from highest to lowest ratio as follows: “contribution to education” “volunteering” “contribution to employment” “charitable activities” “contribution to economic growth” and “international aid”. Financial companies showed the strongest performance and played an exemplary role in fulfilling social responsibilities. In the meantime, according to some negative news from open sources, a few listed companies laid off employees in 2017. But the number of companies doing so was smaller than that in the previous year.

Charity work makes up an important part of CSR. Charity stands for a long-term undertaking which is an integrated embodiment of benevolence and attitude towards wealth. Charitable contributions can bring about “multiple benefits” to companies, though they may be marked as expenditures in the short run. In the longer run, by making charitable contributions, companies can increase their overall competitiveness, gain social recognition, and highlight their corporate culture and values, all of which will in turn build up their “soft strengths” and foster a more favorable social environment for their steady and sustainable development.

To sum up, although some listed companies have played an exemplary and leading role in fulfilling social responsibilities, there is still a long way to go before all Chinese listed companies can be highly dedicated to charity and public welfare. Listed companies must integrate CSR into their corporate culture and values, always bear CSR in mind in their daily operating and production activities, regard charity work as an inseparable part of their social responsibilities.
(1) Overall Indicator Score

In 2017, the average overall CSR indicator score was 43.71 (out of 100), which was 2.19 higher than 2016 and up by 5.27%. The score is not very high, which means the overall level of CSR disclosure needs to improve. By industry, construction companies scored the highest at 53.99 while culture, sports and entertainment companies scored the lowest at 31.83. Compared with 2016, the transport industry had a 12.92% increase in the overall indicator score, the highest of all industries while IT services and manufacturing companies saw an increase of less than 5%, lower than the average. By organization type, foreign-funded enterprises scored the highest at 47 and private enterprises scored the lowest. By region, companies in East China had the highest average score at 45 and those in the Northeast had the lowest. When broken down by organization type and region, all of these companies had a modest increase in the overall score compared with 2016, with small differences in the degree of increase.

(2) Indicator Score by Category

In 2017, the category Responsibility to Employees had the highest score of 64.78%, while Environmental Responsibility, Social Contribution and Charity, and Social Responsibility Management had much lower scores at around 35%, reflecting the differences in the degree of fulfillment of different groups of CSR indicators. Environmental Responsibility even showed negative change, whose score was 3.71% lower than in 2016. The detailed analysis is as follows:

Environmental Responsibility Score

By organization type, foreign-funded enterprises scored the highest at 40.13% while private enterprises scored the lowest at 29.31%. By region, companies in the East scored the highest at 36.95% while those in Central China scored the lowest at 29.31%. SOEs and companies in Central China saw a steeper decline in their score than their respective counterparts. By industry, construction companies scored the highest at 46.63%. The scores of the mining and manufacturing industries dropped more sharply than other industries, down by 5.72% and 4.74% from 2016.

Due to the changes in the form of report disclosure, some environment-related indicators were no longer a must in the 2017 CSR report. Given the lack of disclosure requirements for such indicators, most companies disclosed their performance on environment responsibility in a perfunctory manner, without providing relevant statistics or examples. As a result, the score for this category of indicators was slightly lower than that of the previous year.
(3) Top 50 with the Highest Overall Indicator Scores

Among the Top 50 companies with the highest overall scores in 2017 (see the Appendix), 24 were from the manufacturing industry, four fewer than the previous year, and seven from the finance industry, one fewer than the previous year. There were 36 SOEs, nine private enterprises, and five foreign-funded enterprises; the company distribution by organization type showed small differences from the previous year. 45 companies were from East China, accounting for 90% of the Top 50.

<table>
<thead>
<tr>
<th>By industry</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>24</td>
<td>28</td>
</tr>
<tr>
<td>Finance</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Mining</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Transport, storage, and post</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Real estate</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Construction</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Production and supply of electricity, heat, gas and water</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Information Transmission, Software and IT Services</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture, forestry, animal husbandry and fishery</td>
<td>8</td>
<td>1</td>
</tr>
</tbody>
</table>

On the whole, the average score of Top 50 companies in 2017 was 75.43 (out of 100), which was 3.74 higher than in 2016, growing by 5.22%. Top 50 companies had a much higher average score than that of all companies (43.74), but they shared similar growth rates.

Among the Top 50 companies in 2016, 13 moved up in the ranking while 36 slipped down, 10 of which dropped out of the Top 50 in 2017. Of the companies that dropped in the ranking, 20 came from the manufacturing industry, six from the financial industry and three from the mining industry, which should be largely attributed to the declining scores of these three industries in the category of Environmental Responsibility. Since these three industries had the biggest drop in Environmental Responsibility scores, the increase in their overall scores was lower than the average level, thus contributing to their fall in the ranking.

2016–2017 Overall Indicator Score on Average (Top 50)

Excess Returns from the Arbitrage Portfolio based on Different Indicators between May–July 2018

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Excess Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall CSR Index</td>
<td>13.84%</td>
</tr>
<tr>
<td>(1) Social responsibility</td>
<td>11.95%</td>
</tr>
<tr>
<td>(2) Product quality and innovation</td>
<td>21.27%</td>
</tr>
<tr>
<td>(3) Environmental responsibility</td>
<td>14.74%</td>
</tr>
<tr>
<td>(4) Social contribution and charity</td>
<td>8.43%</td>
</tr>
</tbody>
</table>

First of all, the research examines the economic value according to the overall CSR score, namely the total score of the CSR indicator system. After dividing the companies into three groups based on their overall scores, the researchers buy the group with the highest scores and sell the group with the lowest scores. Given that listed companies had to release their 2017 financial reports before May 2018, the researchers calculate the accumulative excess return in the three months between May and July 2018, which turns out to be 3.46%, i.e. an annualized rate of 13.84% (assuming the cash dividends are reinvested). The research also finds the result remains unchanged when the samples are divided into two, five or ten groups.

Specifically speaking, the overall CSR score is composed of seven groups of indicators, including social responsibility management, company operations and management, product quality and innovation, responsibility to employees, diversity and equal opportunities, environmental responsibility, and social contribution and charity. The research finds that the arbitrage portfolio can invariably earn positive accumulative returns whichever the indicator is adopted. The detailed analysis is as follows.
(1) Classification by Social Responsibility Management

This part measures how much a company values social responsibility by looking into its performance in areas such as education and training, report assurance, and report inclusiveness. Sound social responsibility management is the prerequisite for the good quality of the CSR report. After classifying the companies by this score, the research finds Social Responsibility Management has an obvious positive correlation with the accumulative excess return, which is 2.99% in three months, i.e. an annualized rate of 11.95%.

(2) Classification by Product Quality and Innovation

This part includes quality management, customer satisfaction, patents and R&D expenditure, etc. They have a significant bearing on the company’s economic value because of their critical role in helping the company retain customers and acquire competitive advantages. After classifying the companies by the Product Quality and Innovation score, the research finds the portfolio earns an accumulative excess return of 5.32% in three months, i.e. an annualized rate of 21.27%.

(3) Classification by Environmental Responsibility

This part shows the company’s fulfillment of environmental protection responsibility in areas such as environmental benefit, energy saving and reduction of the three wastes, which is key to sustainable business development. After classifying the companies by the Environmental Responsibility score, the research finds the portfolio earns an accumulative excess return of 3.69% in three months, i.e. an annualized rate of 14.74%.

(4) Classification by Social Contribution and Charity

This part includes donations, charitable activities, and contribution to education, etc. After classifying the companies by the Social Responsibility and Charity score, the research finds the portfolio earns an accumulative excess return of 2.11% in three months, i.e. an annualized rate of 8.43%.

Apart from the above indicators, other indicators such as the social contribution value per share, the total amount of donations, and the number of patents also have a big impact on corporate value. The amount of donation signifies the direct outflow of the company’s economic interest. When adopting this indicator, the portfolio earns an accumulative excess return of 4.26% in three months, i.e. an annualized rate of 17.05%. The number of patents and R&D expenditure show the company’s innovation capacity. When adopting these two indicators, the accumulative excess returns are 2.96% and 2.15% respectively in three months, i.e. 11.85% and 8.61% annualized rates. Moreover, factors such as company operations and management, responsibility to employees, diversity and equal opportunities are all positively correlated with future excess returns.
Since day one, CEIBS has been fully aware that its mission and social responsibilities go beyond imparting commercial knowledge. CEIBS has never locked itself away in an ivory tower, but instead has always been an active participant in China’s social progress.

After six months of preparation, the CEIBS Corporate Social Responsibility Report 2018 is now out. This report provides a roundup of the latest developments with CSR in China and internationally in 2018 as well as its successes and best practices. It is a product of hard work, dedication, creativity and a pursuit of excellence on the part of CEIBS staff and faculty.

Our sincere thanks go to the school’s management and the Alumni Association for their consistent and staunch support and to the Translation Department, Case Center and other departments for their substantive assistance. Special thanks go to our alumni-owned businesses—Poten Enviro, CHERVON, Jianye Group, First Respond®, Essilor and CEDAR Charity—for their active implementation and practices of CSR as well as contributions to this report.

Going forward, we’ll keep current with the times and help address the nation’s most pressing needs. As part of the commitment to our social responsibilities, we will work to facilitate commercial progress in China and the world at large by promoting the CSR notion and examining the best practices and lessons learned.