CORPORATE SOCIAL RESPONSIBILITY
WHITE PAPER 2021
中国深度 全球广度
CHINA DEPTH  GLOBAL BREADTH
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2020 has been a year of rare uncertainty and instability brought on by a once-in-a-century pandemic coupled with momentous changes unseen in the last one hundred years. As a result, companies have been faced with a need to redefine their role as a business and their corporate social responsibility, whilst also trying to achieve sustainable development, and inject certainty into this world of turbulence.

As Covid-19 has ravaged the world, CEIBS alumni companies displayed entrepreneurial spirit with compassion and empathy, leveraged cutting-edge management methods to enhance organizational efficiency, applied business logic to address institutional problems besetting charity donations, and optimized the fulfillment of social responsibility through supply-side reform. With wits and guts, CEIBS alumni companies delivered a stellar performance in the combat against Covid-19.

Adversity reveals the strength of genuine friendship, and success is a sum of small effort made every single day. The alumni’s responses to Covid-19 offered a glimpse of their socially responsible practices in business operations. Even when confronted with the ravages of Covid-19, CEIBS alumni were relentless in fulfilling their daily social responsibility...

CEIBS alumni entrepreneurs have been actively involved in poverty alleviation. In 2020, China attained an all-round victory against extreme poverty as the remaining poor households in all severely impoverished areas were lifted out of poverty. Two CEIBS alumni were awarded the “2020 National Poverty Alleviation Dedication Award”. The statistics from the CEIBS Center for Wealth Management revealed that the average score of CEIBS alumni companies was higher than the average of A-share listed companies on all CSR indicators. This indicates that CEIBS alumni companies have been at the forefront of fulfilling future-oriented social responsibility.

CEIBS has been an inexhaustible source of motivation and intellectual support for its students and alumni. Since its inception more than 26 years ago, the School evaluates business success not only on wealth accumulated, but also through social value created. It delivers CSR education based on the positioning statement of “China Depth, Global Breadth”. In 2020, the School tapped into the research area of “CSR/Sustainability” that focuses on how companies meet the expectations of people from all walks of life and reduce their own adverse impact on society and environment. CEIBS has set a goal of becoming a leading creator and messenger of up-to-date knowledge about CSR and sustainability in China and Asia at large.

The year 2021 marks the beginning of CEIBS’ new Five-Year Strategic Plan (2021-2025), which makes “exemplifying CSR education, and advocating and implementing the CSR and sustainable development concepts in teaching, research work and operations” one of its eight priorities. CEIBS will continue to cultivate business leaders with entrepreneurial spirit who proactively fulfill their social responsibility from a strategic perspective.

We should take it upon ourselves to rise up to the challenge in trying times. CEIBS alumni’s involvement in CSR practices has proven and is proving that CSR drives a company’s steady and sustained progress, and helps it navigate choppy waters, setting a benchmark for the business community. As business is reshaping the world, CSR is steering companies forward. Entrepreneurial spirit will drive us forward.

Dr. Wang Hong  
CEIBS President

Dr. Ding Yuan  
CEIBS Vice President and Dean
EXECUTIVE SUMMARY

Against a background of upheavals, including SARS, the global financial crisis, the Fukushima nuclear disaster, and the growing urgency of climate change, the new Covid-19 pandemic has reminded us that we are living in a “society constantly faced with global risks”. This context shows that companies must be ready not only to take a ‘long-term’ approach to corporate social responsibility, but also to ‘go on the offensive’, so that they can brace themselves for unexpected emergencies. In this climate of global risk, volatility and uncertainty are the new normal. This White Paper focuses on both approaches to CSR, highlighting the interdependence between them.

The opening statement to this White Paper provides insights into CSR trends and outlook, and then examines the CSR practices adopted by five CEIBS alumni companies in their fight against the Covid-19 pandemic. While proactively following CSR trends, they also developed their own competences to better fulfill their social responsibility. The White Paper then presents three CSR papers written by CEIBS professors, which identify the theoretical underpinnings of some exploratory and cutting-edge CSR practices. Finally, this White paper ends with a report entitled, ‘Research on CSR Reports of A-Share Listed Companies’, which highlights the examples of sound CSR governance, in contrast with cases which fell short of a number of CSR indicators.

Below is an overview highlighting the salient points of this White Paper, in the order they are presented in the paper:

In part one, Prof. Lydia J. Price once again leads the way by identifying a term which captures the nature of CSR trends in 2020: that word is “resilience”. She then provides insights into her idea of a common “resilience toolkit”. The first component of this kit is a tool to gain realistic insights into current situations, making it possible to identify the early signs of systemic distress. The premises for this tool to work include collection of high-quality data, effective monitoring of the environment and careful analysis. Price continues by saying that two CSR challenges that also need to appear on this information dashboard for 2021 are “safety and society” and “climate change”. The second tool serves to identify a company’s shared values and ultimate business goal amid the pandemic, in order to facilitate commitment to them. The third tool helps reinforce agility, including the ways to ensure effective adaptability of production in the light of new realities.

In part two, the report, ‘CSR Practices of CEIBS Alumni Companies’, recounts the experiences of JD Logistics, CEIBS Alumni Association, Fosun International, Sanquan Food, and We Serve Hospital. These cases explain how each entity managed to exploit their expertise and resources to contribute to preventing the spread of and fighting the epidemic, whilst maintaining operations...
and production. Sanquan Food leveraged its warehousing capacity to ensure basic food supplies made it to the pandemic frontlines. Fosun International used its global network to procure essential medical supplies, while JD Logistics’ expertise in transport and delivery helped meet critical demand by ensuring transportation routes were kept open. We Serve Hospital supported healthcare workers by providing efficient and specialized logistics services for hospitals, which lay at the center of the theatre of the war against Covid-19. Finally, the CEIBS Alumni Association, offered a platform to all its members and drew on its network of influence to ensure optimal use of available resources. Each case also examines and explains how each of these companies, which successfully navigated the Covid-19 pandemic, also met social responsibility requirements by conducting routine operations, improving the internal management system, fostering enterprise culture, and supplying products and services.

Part three introduces ‘CEIBS CSR Research’, which covers three papers written by CEIBS professors on trending business topics and the current concerns of business leaders. Prof. Zhang Shuang expounds on how policymakers should strike a balance between economic growth and environmental protection, and emphasizes that both the green recovery plan and climate justice should be at the top of national policymakers’ agendas in the post-Covid-19 era. Prof. Wang Qi looks at how emerging markets have rewarded CSR practices and reveals that being listed on Socially Responsible Investment (SRI) indices can indeed bring companies economic benefits. Prof. Byron Y. Lee and Pro. Tae-Yeol Kim probe into the relationship between employee stability and HR and supervisory practices.

The White Paper ends with ‘Research on CSR Reports of A-Share Listed Companies’ conducted by Prof. Rui Meng and the CEIBS Center for Wealth Management that he chairs. This report looks at the Environmental, Social and Governance (ESG) information disclosed by A-share listed companies from seven different perspectives, and demonstrates and analyzes the differences among them in terms of industry, region, type of organization, and board. This report also offers a statistical analysis of CSR performance and disclosure of CEIBS alumni companies among A-share listed companies.

The pandemic has shown us how Chinese companies are able to go on the offensive in the times of difficulty, in order to fulfill their corporate social responsibility, whilst also highlighting the importance of taking a long-term approach to CSR. It is this ‘dual’ approach that constitutes the foundation underpinning “resilience”: the ability to go on the offensive ensures companies can weather a crisis, whilst a ‘long-term’ approach is essential to maintaining a competitive edge in more ordinary market conditions.
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2020 CSR Trends
Reach Out to Bolster Shared Interests

When asked how she responded as Covid-19 struck China in the early days of the pandemic, Jane Sun — CEO of Asia's largest travel agency Trip.com — emphasized her immediate moves to protect customers, employees and partners (Aspen Institute, 2020). When the company's call center was suddenly swamped with 20 times its normal volume, employees were overwhelmed with requests for service-provider refunds. Sun quickly approved refunds for worldwide medical staff and Covid-victims, and then established huge relief funds for hard-hit customers and ecosystem partners who lacked cash flow. Realizing that bottom-up solutions were not sufficient to address the challenge, she reached out to global partner hotels and airlines whose leaders were not yet aware of the spreading crisis, eventually securing top-down coordinated action that reassured consumers of refunds, alleviated stress on front-line employees, and kept technical systems of all partner firms from crashing.

As the pandemic wears on and new more contagious variants of Covid emerge, McKinsey reminds leaders to reach out to workers across the organization, who may be suffering from unacknowledged “Covid fatigue” (DeSmet et al., 2020). Among the suggestions:

• Express bounded optimism: share meaning about current realities and views of what the new future might eventually bring
• Listen attentively and compassionately: get beyond the immediate “I’m fine” to hear signs of distress and acknowledge that such feelings are acceptable
• Emphasize human connections and caring: go beyond words and briefings to actually bring people together in meaningful ways

Clarify Company Purpose

The wedge that channels shared values into action is an over-arching sense of shared purpose, and business consultants are working hard to transform this buzzword into usable frameworks and guidelines. Research gives impetus to their efforts, with evidence that purpose-driven companies grow faster (3x) than competitors, gain more market share, win higher workforce and employee satisfaction, and even show more innovativeness (Deloitte, 2020). Others show that employees with a “strong connection” to the company’s purpose are twice as likely (millennials are 5 times as likely) to stay with that employer (PWC, 2016). McKinsey & Co. has found that employees who feel the company’s purpose is activated and aligned with theirs, are not only more loyal and engaged but also willing to advocate on the company’s behalf (Gast et al., 2020).

Despite all the interest in purpose, operational definitions and playbooks for effective practice remain elusive. One resource to note is the Enacting Purpose Initiative (EPI: https://enactingpurpose.org/) developed by researchers at Oxford University and the Berkeley Law School at University of California along with a number of companies and professional service providers (Eccles, 2020). EPI’s first report offers advice for boards, senior executives and investors, including a framework aptly named SCORE which encourages purpose statements that are Simple, Connected to strategy and capital, Owned by the board and other senior executives, Rewarded and Exemplified in both quantitative and qualitative terms. The work reflects views and opinions of major UK and continental European businesses. A new report reflecting the views of United States executives and institutions is expected in 2021. In another attempt to put purpose to practice, McKinsey compiled a list of tough questions to ask business units, along with corresponding proof points to assess the gap between your company’s intentions and the experienced reality (Gast et al., 2020).

In the wake of Covid-19, expect more insights from purpose-advisories, plus more pressure from society to clarify your company’s purpose and demonstrate with hard evidence how it drives partner relationships in ways that are both meaningful for society and material for investors.

2020 CSR Trends

A Time to Bolster Resilience

By Lydia J. Price and Laurie Underwood

Lydia J. Price
Professor Emeritus, CEIBS

Now more than ever, companies need to build resilience competencies —— to guard against failures in this time of social and environmental disruption, but even more importantly, to increase the chances of moving forward with the times.
Abstract

For decades, experts have called for improved resilience in business leaders and organizations, but never have their voices been more relevant than during 2020 when human and economic crises spawned by Covid-19 piled atop the environmental crisis that was centerstage in CSR discussions one year ago (Lydia J. Price & Laurie Underwood, 2020) subjecting markets and companies worldwide to the most severe test of shock absorption since the 2008 global financial crisis. Resilience is the ability to quickly recover from adversity to a state of prior or renewed strength. In this year’s trends review, we look at how Covid-19 has accelerated the movement to bolster corporate resilience, and what this means for responsible leadership. We offer a glimpse of the post-Covid CSR new-normal as well as a glance at some developing best practices.

A RESILIENCE TOOLKIT

Three capabilities appear repeatedly in emerging lists of resilience competencies (e.g., Coutu, 2021; Deloitte, 2020; Hamel & Valikangas, 2021; King, 2020). Mastering these three abilities this year will boost your company’s successes in foreseeing the next disruption, as well as the speed and quality of your recovery.

1. Realism
   - A realistic perspective which recognizes that change is imminent and essential

2. Commitment to Shared Values and Purpose
   - Commitment to shared values and purpose that transcend immediate crisis needs

3. Adaptation and Action
   - Capacity to change, including productive adaption to new realities and a propensity for action

REALISM

Denial, wishful thinking, and vested interests too often prevent managers and executives from seriously evaluating the risks to their business from the mounting environmental and social problems that have filled news headlines in recent decades. Informed advisers including Bill Gates warned global leaders of pandemic risk, but few believed it would strike so soon and with such catastrophic effect. A key lesson of Covid-19 is that leaders across the spectrum must assess trends and early signs of systemic distress with an objective eye, without lingering glances to an eroding past that might never return. Covid hammered home the reality that globally interconnected economic, social and natural systems can collide with such force that existing stabilizing systems are inadequate to blunt the resulting chaos (Henig, 2020; Levine, 2020). Without honest appraisal of the changes underway, and coordinated action from business, government and social institutions, the threat to our life systems is very real. A health crisis ricocheted around the world, prompting an economic crisis that has exacerbated already-rumbling protests over social inequity. Months after the existential earthquake of the initial crises, we are seeing new aftershocks. As one example, Covid-19 hospitalizations and home quarantines have created a mountain of medical and home-delivery waste. As another, the pandemic has triggered social and mental health issues including disrupted children’s education, strained family relations, and increased isolation, stress and depression among those forced to stop working or to work from home.

In the face of such complex and interrelated challenges, business leaders have been dragged from their comfort zones to work across organizational, sectoral and geographic boundaries to craft systemic and unified responses. To avoid the conflict and bureaucracy that typically characterizes such work, reliable and informative data must lay a foundation. When interviewed by Aspen Institute about his early response to the Covid crisis that was emerging in China, Shanghai-based Shane Tedjarati — President of Global High Growth Regions for Honeywell - emphasized the need for reliable information to assure employee safety, empower front line response teams and coordinate a unified response from headquarters (Aspen Institute, 2020). Our first advice for CSR leaders this year: make high quality data collection and environmental scanning and analysis a key part of your job. Emerging signs of systemic change must be collected and converted to insights that drive executive decision-making, and breaking news of crisis events must be delivered along with well-researched resources that can help plan a response. CSR teams that routinely monitor the environment with a realistic perspective must stay with that employer (PWC, 2016). McKinsey & Co. has found that employees who feel the company’s purpose is meaningful and personal are twice as likely (millennials are 5 times as likely) to stay with that employer. To avoid the conflict and bureaucracy that typically characterizes such work, reliable and informative data must lay a foundation. When interviewed by Aspen Institute about his early response to the Covid crisis that was emerging in China, Shanghai-based Shane Tedjarati — President of Global High Growth Regions for Honeywell - emphasized the need for reliable information to assure employee safety, empower front line response teams and coordinate a unified response from headquarters (Aspen Institute, 2020). Our first advice for CSR leaders this year: make high quality data collection and environmental scanning and analysis a key part of your job. Emerging signs of systemic change must be collected and converted to insights that drive executive decision-making, and breaking news of crisis events must be delivered along
with well-researched resources that can help plan a response. CSR teams that routinely monitor the environment with a balanced view of both business and societal needs can play a unique role in maintaining calm and order in the face of disruption, but only when their work is a professional part of corporate strategy and decision-making.

Realism Box 1

Thinktank Forum for the Future (https://www.thefuturescentre.org/fof/) issued a report illustrating four possible trajectories emerging from the Covid-19 discontinuity of business-as-usual. Each draws on a mindset and group of assumptions that drive individual and institutional decisions:

- **Compete & Retreat** — There is not enough to share
- **Discipline** — Greater control is required
- **Transform** — Planetary health and human wellbeing come first, and are interconnected
- **Unsettled** — There might not ever be a ‘new normal’

The report helps readers to recognize the trajectory their business currently follows, understand its dominant thinking, and make active choices leading toward a preferred *Transform* path of deep system resets.

| What to Watch in 2021 |

Two key CSR challenges to include in your information dashboard in 2021 are: 1) Safety and Society and 2) Climate Change. As politicians debate post-Covid stimulus plans, citizens, non-profits, corporate executives and scientists are pushing for improved healthcare and a green recovery that allocates significant funding to climate action, green job creation and protections for the vulnerable.

Safety and Society

We highlight safety and society because the virus revealed gaps in our public support structures that business has stepped in to fill. Whether the task was to manufacture emergency response equipment at unprecedented scale, reorder logistics and supply chains to deliver food and health supplies where needed, construct infrastructure, or simply calm fears and anxieties, Covid-19 led business leaders worldwide to assume new public roles and responsibilities in 2020. As uncertainties continue to loom for the coming year, it seems likely that business leaders will play an expanded role in protecting the welfare of employees and communities where they operate.

When the virus first struck there was an urgent need to assure employee security. This evolved from maintaining payroll during quarantines to protecting frontline workers with personal protective equipment (PPE) and migrating office work to unfamiliar digital platforms. The strains and inequities of these new working modes are now clear. Frontline essential workers are at risk of virus exposure, especially in regions where PPE supply is still scarce. In hospitals where care is delivered and in factories where PPE and other emergency equipment is produced, workers often forego holidays and weekends to keep up with surging demand. Meanwhile workers at home struggle to fill the gaps of suspended services including children’s education, routine health care and even haircuts, while maintaining an active presence in online meetings, and completing normal job duties. **Uncertainty, exhaustion and monotony are taking a huge toll on workers’ mental health over time.** This holds true even in China and other Asian nations, where strict virus controls have allowed national economies to reopen, but travel restrictions continue to separate families and limit rejuvenating leisure travel. As Chinese New Year approaches in 2021 there are new reports that local governments in Zhejiang and Guangdong provinces are once again offering gift vouchers to encourage local citizens to stay home and patronize local commerce (Du, 2020).

Even more stressed and challenged are workers who have temporarily or permanently lost income and benefits due to illness, business closures, or slowdowns. Emerging statistics reveal that society’s most disadvantaged groups bear a disproportionate burden of this type since they deliver low-wage frontline work, with limited access in some countries to spacious and ventilated housing, paid medical leave and health services that could help them avoid illness or adequately treat it. Early in the pandemic, the UN’s International Labor Organization (ILO) predicted that an unprecedented 1.6 billion workers worldwide — half the global workforce — employed in the ‘informal economy’ would be impacted by temporary or permanent layoffs triggered by the pandemic (UN News, 2020). The UN warned that those employed in this sector (including full and part-time workers in manufacturing, wholesale & retail, and accommodation) are among the world’s most vulnerable — typically lacking the financial savings, insurance, or access to credit necessary to withstand salary reduction or job loss.

By late 2020, it was clear that the U.S. was hard hit; one-fourth of adults and half of lower-income adults reporting pandemic-triggered financial difficulties as of year-end (Parker et al., 2020). Workers in Europe were generally better

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① ¥ = CNY = Chinese yuan renminbi; ¥1 = approximately US$0.15326 on December 31, 2020.
supported by government-supplied social assistance (World Bank, 2020) and those in China faced less serious financial impact.

Still, workers in the informal economy worldwide — those lacking job security, insurance, and unemployment benefits — continue to suffer the most. Women in particular, have suffered economic losses and increased stress due to the pandemic; ILO reports that females have not only disproportionately shoudered work reduction and job loss due to Covid, but they have also taken on the bulk of increased unpaid care work caused by pandemic-driven school closures and service cessations (International Labor Organization, 2020).

Business plays an important role in funding and directly implementing social health and safety programs and infrastructure, creating and maintaining job opportunities, and providing expertise, but questions arise about appropriate limits to civic responsibilities. Executives in Asia and Europe are more accustomed to joint accountability with government officials but those in USA are under strong pressure to keep things separate. Regardless of geography, though, the pandemic has stretched the borders of business accountability. As we move beyond the 50th anniversary of Milton Friedman's impactful article claiming the social responsibility of business to be increasing profits, it is time for fresh thinking.

Financial Times (2020) pointed out at last year’s end that while Covid pushed many companies to the financial make-or-break point at which profit-making necessarily dominates decision-making, the pandemic also revealed the impossibility of making a profit without the vast supporting web of suppliers, investors, employees, customers and social institutions that support market health. Whereas Friedman criticized business leaders who blur the roles of “legislator, executive, and jurist,” the FT authors argue that Covid made clear the necessity for close government-business cooperation.

### Safety & Society Box 1

By April 2020, nearly 50 Chinese cities had introduced consumption vouchers to residents in the hope of revitalizing purchasing and driving the growth of production and investment. Since vouchers were earmarked for specific market sectors, their role in stimulating short-term consumption was more direct than cash handouts. Nanjing distributed ¥318 million in vouchers linked to catering, sports, books, and rural tourism. Guangzhou arranged a financial fund of ¥300 million to promote the recovery of culture and tourism. Alipay data shows that more than 10 million offline businesses — more than 90% micro, small and medium sized - benefited from these vouchers (Xinhua, 2020*).

### Safety & Society Box 2

- In a March 2020 survey of 8000 U.S. essential workers, 56% said they received protective gloves from their employer and only 19% received masks (Harvard Kennedy School, 2020).
- In one 2020 survey of 2000+ healthcare workers worldwide, 50%+ reported missing at least one item of PPE (Tabah et al., 2020). Amnesty International found that 7000+ healthcare workers worldwide had died due to Covid-19 as of September 2020.
- The OECD (Organization for Economic Cooperation and Development) estimated that unemployment across its 37 member nations hit nearly 13% in 2020 (up from 5% at the end of 2019), and reported that Covid-triggered reductions in working hours worldwide last year were 10 times worse than during the 2008 financial crisis (OECD, 2020).
- UN-Habitat reported that, as of late 2020, the world’s homeless numbered 100 million while 1 billion people were living in “inadequate” or “overcrowded” conditions (Ranney & Gold, 2020). World Economic Forum reported that 20,000 Indian citizens had been evacuated from March to August, and that 8000 had been evicted in Nairobi Kenya alone. In addition, the US faced the worst housing crisis in its history last year, with 40 million US citizens “at risk” of eviction in 2020 (Leitzing, 2020).
- United Nations reported slowdowns and negative progress on nearly all of the 17 Sustainable Development Goals in 2020, raising doubts about the viability of the intended 2030 deadline (United Nations, 2020).

### Safety & Society Box 3

The world was astounded when China’s Huoshenshan Hospital was completed in just 10 days in February 2020, offering 1000 beds to treat Covid-19 patients. In addition to infrastructure and medical equipment, the hospital required state-of-the-art communications connectivity. Huawei deployed emergency 5G connectivity in a mere three days, a process that typically requires one month. Huawei donated approximately 80% of network communication equipment to guarantee high-speed data access and acquisition, saving lives by enabling remote consultations and monitoring of patients. (Huawei, 2020).
Looking ahead, businesses are finding a new role to play in collaborating with healthcare providers to step in where over-stressed governments have left off. One of the most urgent ways companies can help is to facilitate the safe, smooth and widespread implementation of Covid vaccines. In January 2021, Bloomberg reported that 17.5 million doses had been administered in 38 countries worldwide, but added that “delivering billions more will be one of the greatest logistical challenges ever undertaken.” Supply is a challenge, and the leaders of less developed countries are starting to protest that their richer peers have locked up the global supply for months and even years into the future. As we look to emerging economies to fuel the next decades of economic growth, we must carefully attend to their basic security and safety needs. Business leaders can seize the opportunity to proactively protect their employees and business partners worldwide by helping to facilitate safe and smooth vaccinations. As we wait for Covid vaccinations to arrive, employers can organize worksite vaccinations against flu and other illnesses to help workers avoid the need for non-Covid hospitalizations (CDC, 2020). Those in the medical sector can support equitable vaccination programs like COVAX — led by The Vaccine Alliance Gavi and World Health Organization — which aims “to immunize the 20% of people most vulnerable to the virus worldwide” by means of coordinated purchasing that sidesteps the current practice of unilateral national negotiations (Nature, 2021).

Safety & Society Box 4

Chinese tech companies rapidly developed software for Covid contact tracing, allowing businesses to reopen quickly, and consumers to feel safe while in public. The red-yellow-green Hangzhou Health Code was first introduced by Alipay on February 11, followed quickly by city specific codes in other Zhejiang cities and prefectures. Within a week, 100 cities across China were using the digital health code system (Xinhua, 2020†).

One piece of good news for executives struggling with tensions of social and fiscal responsibility: Institutional investors now analyze social risk as a determinant of financial value, and increasingly seek to invest in companies that manage social challenges well. Edelman’s 2020 Trust Barometer Special Report — which polled 600 institutional investors in six countries — together managing US$20 trillion+ in assets — shows that “S” (Social) is now considered the most important indicator in ESG metrics — and is a meaningful standard to measure impact. Executives must do more than invest in social programs, however. The public expects them to advocate for change. 92% of respondents in the Edelman study agreed that business leaders “have an obligation to use their power and influence to advocate for positive change in society” (Edelman, 2020).

Climate Change

Though Covid-19 dominated the news headlines in 2020, climate change maintained a steady presence. We highlighted scientific reports of climate risk in last year’s trends chapter; what drives interest this year is growing willingness of the financial sector to fund the transition to a low carbon economy, plus coordinated global government action in response to a five-year review of the 2015 Paris Accord. Post-Covid green recovery plans and climate justice — assuring the wellbeing of communities most vulnerable to climate risk as well as those most vulnerable to economic shocks from the shift to renewable and clean energy — are both high on policymaker agendas. Though poverty and hunger declined dramatically in recent decades, in large part because of China, analysts fear that Covid and climate change will reclaim much of the gain. Going forward, expect to see a rise in coordinated public/private efforts to tackle these challenges, much like China’s tech industry helped over the past decade to achieve China’s 2020 poverty eradication targets.

Climate risk is foremost among investor concerns. Edelman’s (2020) survey respondents indicated an intent to accelerate client engagement on climate risks within the next six months. Research on carbon emissions validates their worry. Though total global emissions fell by 8.8% early in 2020 as lockdowns were imposed to slow the spread of the virus, they quickly rebounded once economic activity resumed. In China, where the shutdown was short, annual carbon emissions are down by only 1.7% for the year (Carbon Brief, 2020). With economists predicting renewed growth globally in the second half of 2021, the pandemic’s carbon reprieve won’t last. Pressure is mounting for global leaders to do more.

In December 2020 the United Nations and several supporting countries hosted a Climate Ambition Summit with the goal of accelerating progress on the 2015 Paris agreement. In the weeks leading up to and following the summit a number of countries announced new commitments for achieving net zero emissions within three to four decades. More than 25 countries and the European Union have formalized commitments in policy and law, including China’s 2060 net-zero deadline announced in September by President Xi Jinping (China Daily, 2020). More than 100 other countries have made less binding commitments, but the summit brought new pledges and ambitions. Countries also revised their national plans for cutting carbon emissions by 2030. Xi raised the 2030 target for carbon intensity cuts to 65% relative to 2005 levels, up from an earlier 55% commitment (Xinhua, 2020†). The European Union raised its target to 55% relative to 1990
levels, up from a 40% target made in 2014 (European Commission, 2020).

Both China and Europe are linking the mitigation of climate change to coordinated green growth strategies enabled by policy and legislation. China’s 14th Five Year Plan and a new law on energy planned for 2021 will determine the likely impact on industry. The European Green Deal aims to make Europe the first climate-neutral continent by 2050. A new Climate Law is expected in 2021 to support the plan. Meanwhile, United States President Joseph Biden put climate change among the top four priorities of his presidential term. Two weeks after taking office he signed an executive order to rejoin the Paris Accord, and advised his administration to begin the work of steering the US economy toward net-zero emissions by 2050. All of these plans face months of political wrangling to reconcile conflicting priorities across regional and national geographies, as well as between green, brown and black industries. Not least is the challenge of developing green tech at the national level, while globally promoting the benefits in a way that does not trigger protectionism and new technology wars (Holzmann & Grunberg, 2021). Nevertheless, the will to craft globally coordinated responses to climate change is real. Look to COP26 negotiations in Glasgow in 2021 to move the bar even higher.

Coordinated finance is viewed as a lynchpin for putting these national plans into action, and 2020 brought renewed momentum for mobilizing the critical resource. In December, the U.S. Federal Reserve System joined the 80+ members of the Network of Central Banks and Supervisors for Greening the Financial System whose group members are responsible for supervising all “global systemically important banks and two thirds of global systemically important insurers”. One of the network’s goals is to mobilize mainstream finance to support the transition to a low carbon economy (NGFS, 2020). Encouraging reports from the financial sector show the trends already happening: Both financial products and investor interest are growing rapidly. Syntao Green Finance and China Social Investment Forum (China SIF) report 22.9% year-on-year growth in the size of China’s sustainable investment market, reaching a 2020 total of ¥13.71 trillion (Syntao Green Finance, 2021). Financial news outlet Pensions & Investments reported in mid-2020 that global ESG-data driven assets had almost doubled over four years to hit US$40.5 trillion, and there was approximately 150% increase in the number of ESG strategies launched in the Morningstar investment universe in 2019, compared to 2016 (Baker, 2020). While many products still follow the strategy of negative/exclusionary screening, growth is strong among those trying to integrate ESG performance with finance. This is matched by executive sentiments. Now that resource efficiency has gone mainstream in company operations, executives are starting to seek competitive differentiation and improved access to capital from their sustainability strategies (McKinsey & Company, 2020, p. 53). More than ever, companies stand to benefit from moving CSR from the sidelines into mainstream value creation.

### Climate Change Box 1

- A new report in *Science* magazine indicates that low carbon investments needed to put the world on track for net-zero emissions by 2050 could be as low as 10% of the currently declared US$12 trillion in worldwide pandemic recovery packages (Andrijevic et al., 2020).
- European states agreed in July 2020 to fund climate change initiatives by allocating 30% of a combined Euro 1.75 billion budget for long-term Green Deal programs and short-term Covid recovery programs (International Institute for Sustainable Development, 2020).
- In December 2019 the U.S. Congress approved US$60 million in dedicated funding for carbon removal technology (WRI). Newly elected President Joseph Biden plans for much more. In campaign speeches he laid out a plan for US$2 trillion in funding to combat climate change by investing in infrastructure and industries of the future (Mulson, 2020).
- China’s National Green Development Fund, launched in mid-July by the Ministry of Ecology and Environment, Ministry of Finance and Shanghai Municipal Government, raised more than ¥88 billion in phase one to invest in national strategic projects like the greening of Yangtze River basin (Reuters, 2020).
- In his 2021 annual letter to CEOs (https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter), Blackrock Chairman Larry Fink called the transition to a climate neutral economy “a historic investment opportunity” and reiterated the need for better data reporting that will enable investors to direct capital in ways that reduce climate risk and promote climate solutions.

### Climate Change Box 2

An important new argument for limiting global warming is to block the potential release and reactivation of previously frozen and dormant “zombie” viruses if the polar ice caps melt. In 2020, Greenpeace reported that scientists revived deep-frozen bacteria and microbes after thawing in a laboratory setting. Although there is no evidence of immediate large scale risk, the initial findings offer a compelling new human health reason to contain global warming (Harvey, 2020).
| Track Trends with ESG Reporting |

Annual reporting helps executives to track the evolution of these and other evolving signals of change. CSR teams can boost the strategic impact of their work if they avoid self-congratulatory CSR summaries each year and instead make formal ESG Reporting the norm. Fortunately, experts have worked diligently for decades to develop and refine the measures and metrics most relevant to keep companies in line with societal and planetary needs, and also to pinpoint the issues most pertinent to the longevity of particular industries. If your CSR team is not learning from multi-stakeholder reporting protocols developed by GRI, ISO and CASS, as well as financial reporting protocols developed by SASB, IIRC and TCFD, now is the time to start. These groups have done the hard work of studying cross-industry data produced over decades to filter out the most material ESG issues that can either create value or destroy it as the world pivots toward new realities. CSR teams must work closely with accounting, finance and operations teams to amass relevant data on the company’s exposure to ESG disruptors as well as company contributions to ESG improvements. To assure that ESG insights are more than window dressing for the benefit of journalists and auditors, CSR leaders can report directly to a board committee dedicated to sustainability — one staffed with Directors who have specific sustainability expertise and experience. 2020 saw a 17% year-on-year increase in the number of sustainability boards among the top 100 companies of the Fortune 2000 list, with much of the increase attributable to Chinese firms (The Sustainability Board Report, 2020). China lags developed economies in the quantity and quality of ESG reporting but the stage is set for the gap to close as global government and governance groups promote the growth of green finance (Syntao Green Finance, 2020). Now is the right time to prepare for the accelerating change in ESG reporting.

An impediment to corporate reporting is the number and variety of reporting initiatives, but the past year brought news of mergers and consolidation. The Value Reporting Foundation — newly formed from a merger of SASB and IIRC — will provide investors and corporates with a consolidated reporting framework closely focused on integrated reporting (i.e., financial, strategic and ESG), value-creation and long-run sustainability (Howell, 2021). There are prospects for additional reporting initiatives to join the foundation over time. Experts foresee a day when we will have globally accepted and unified ESG reporting standards akin to contemporary GAAP accounting principles, though there remains much work to be done. Current discussions and mergers take us steadily in that direction.

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**Reporting Box 1: ESG Reporting Resources**

- GRI: Global Reporting Initiative, [https://www.globalreporting.org/](https://www.globalreporting.org/)
- ISO: International Organization for Standardization, [https://www.iso.org/home.html](https://www.iso.org/home.html)
- Value Reporting Foundation, formed from the recent merger of SASB: (Sustainability Accounting Standards Board, [https://www.sasb.org/](https://www.sasb.org/)) and IIRC: (International Integrated Reporting Council, [https://integratedreporting.org/](https://integratedreporting.org/))
- TCFD: Task Force on Climate-related FinancialDisclosures, [https://www.fsb-tcfd.org/](https://www.fsb-tcfd.org/)

**Reporting Box 2**

World Economic Forum has worked in collaboration with multinational accounting firms Deloitte, EY, KPMG and PwC to develop a set of common Stakeholder Capitalism metrics ([https://www.weforum.org/stakeholdercapitalism](https://www.weforum.org/stakeholdercapitalism)) that will allow the public and investors to hold firms accountable for their overall ESG performance and will also allow firms to demonstrate their progress in comparison to competitors. During the 2021 WEF forum, more than 60 multinational firms publicly committed to support these metrics.
COMMITMENT TO SHARED VALUES AND PURPOSE

The pandemic’s choppy wake has forced business leaders to reflect on their company’s ‘true north’, that is, the shared values and ultimate aims of the business that offer inspiration, hope and tangible support to continue when things get tough. Long-trending downturns like we’ve experienced with Covid-19 can sap energy and motivation from even the most optimistic among us, and starve even the strongest businesses of funds. Meaningful shared challenges and goals, underpinned by unshakeable values and strong company cultures help to maintain forward momentum and temper the sometimes-debilitating stresses of the immediate situation. In PWC’s 2020 global survey of 10,000+ consumers, employees and executives in 6 nations, 71% of consumers and 94% of business leaders agreed that “companies today share a commitment to creating an economy that serves everyone, not only those who profit financially.”

Edward Freeman (1984) advised in the 1980s that the accepted wisdom of shareholder primacy would best be replaced by a more wide-reaching executive consideration of multiple stakeholder interests. Investors increasingly agree. In Edelman’s (2020) survey of 600 global institutional investors, 97% of respondents called multi-stakeholder governance schemes “more conducive to delivering long-term financial returns than other models.” For years, executives adhered to normative guidelines for managing stakeholder relations relative to each one’s power, legitimacy and influence (Mitchell et al., 1997). Yet the systemic nature of intractable challenges like Covid-19 cries for deep coordination among players whose interests are not weighted by status or strength. Rather than dispassionately managing stakeholder relations with self interest in mind, resilient executives reinforce partnerships based on shared interests and values.

Freeman’s Stakeholder Management Theory (1984) is commonly visualized as a series of concentric circles with the firm in the center, surrounded by those who have financial ties, and more distantly by those with less direct interests. One contemporary take on the stakeholder model, developed by thinktank and consultancy Economics of Mutuality, places company purpose at the center of an ecosystem, surrounded by stakeholders — including the target firm — who share interests, demands and resources that jointly determine ecosystem health. This perspective facilitates a search for new business opportunities by coordinating and pooling stakeholder resources to solve ecosystem pain points and growth inhibitors (Economics of Mutuality, 2020).

| Reach Out to Bolster Shared Interests |
When asked how she responded as Covid-19 struck China in the early days of the pandemic, Jane Sun — CEO of Asia’s largest travel agency Trip.com — emphasized her immediate moves to protect customers, employees and partners (Aspen Institute, 2020). When the company’s call center was suddenly swamped with 20 times its normal volume, employees were overwhelmed with requests for service-provider refunds. Sun quickly approved refunds for worldwide medical staff and Covid-victims, and then established huge relief funds for hard-hit customers and ecosystem partners who lacked cash flow. Realizing that bottom-up solutions were not sufficient to address the challenge, she reached out to
global partner hotels and airlines whose leaders were not yet aware of the spreading crisis, eventually securing top-down coordinated action that reassured consumers of refunds, alleviated stress on front-line employees, and kept technical systems of all partner firms from crashing.

As the pandemic wears on and new more contagious variants of Covid emerge, McKinsey reminds leaders to reach out to workers across the organization, who may be suffering from unacknowledged “Covid fatigue” (DeSmet et al., 2020). Among the suggestions:

- Express bounded optimism: share meaning about current realities and views of what the new future might eventually bring
- Listen attentively and compassionately: get beyond the immediate “I’m fine” to hear signs of distress and acknowledge that such feelings are acceptable
- Emphasize human connections and caring: go beyond words and briefings to actually bring people together in meaningful ways

| Clarify Company Purpose |

The wedge that channels shared values into action is an over-arching sense of shared purpose, and business consultants are working hard to transform this buzzword into usable frameworks and guidelines. Research gives impetus to their efforts, with evidence that purpose-driven companies grow faster (3x) than competitors, gain more market share, win higher workforce and employee satisfaction, and even show more innovativeness (Deloitte, 2020). Others show that employees with a “strong connection” to the company’s purpose are twice as likely (millennials are 5 times as likely) to stay with that employer (PWC, 2016). McKinsey & Co. has found that employees who feel the company’s purpose is activated and aligned with theirs, are not only more loyal and engaged but also willing to advocate on the company’s behalf (Gast et al., 2020).

Despite all the interest in purpose, operational definitions and playbooks for effective practice remain elusive. One resource to note is the Enacting Purpose Initiative (EPI: https://enactingpurpose.org/) developed by researchers at Oxford University and the Berkeley Law School at University of California along with a number of companies and professional service providers (Eccles, 2020). EPI’s first report offers advice for boards, senior executives and investors, including a framework aptly named SCORE which encourages purpose statements that are Simple, Connected to strategy and capital, Owned by the board and other senior executives, Rewarded and Exemplified in both quantitative and qualitative terms. The work reflects views and opinions of major UK and continental European businesses. A new report reflecting the views of United States executives and institutions is expected in 2021. In another attempt to put purpose to practice, McKinsey compiled a list of tough questions to ask business units, along with corresponding proof points to assess the gap between your company’s intentions and the experienced reality (Gast et al., 2020). In the wake of Covid-19, expect more insights from purpose-advisories, plus more pressure from society to clarify your company’s purpose and demonstrate with hard evidence how it drives partner relationships in ways that are both meaningful for society and material for investors.

ADAPTATION AND ACTION

Resilient leaders adjust and adapt as new situations evolve. It’s pointless to track the early signals of systemic change and then cling to existing safety zones because they are profitable, efficient and well-understood. Resilience calls for experimentation, especially as crises unfold. Rather than cutting back to conserve resources, today’s resilient leaders collaborate to test new understandings and new ways of doing. Critically, they allocate time and finances to create the slack that incubates new ideas and brings experiments to market (Hamel & Valikangas, 2021). Public health was initially slow to react to Covid-19 in part due to funding cuts for global public health institutes and services. Companies have also cut back on R&D time and budgeting in recent decades to pursue profits and efficient solutions to problems. Efficiency hinders resilience, though, since it lowers the number of options to try when new directions are needed. Post-Covid recovery is an ideal time to test new ways of living with fairness and equity, and well within planetary boundaries. Throughout 2020, thinktanks, research centers, and non-profits released well-researched integrated plans for the future, with the mantra that this is the “decade to act” if we are to reach the 2030 timeline for achieving UN Sustainable Development Goals (United Nations, 2020). These groups now seek business collaborators to bring their ideas to life. Pioneering companies are opening their purses and datasets, and joining collaborative efforts to stimulate real change.²

² We acknowledge the Greenbiz 350 podcast, “Thinking long-term with three sustainability think tanks” for bringing these initiatives to our attention.
Participants in the newly-launched Drawdown Labs (https://www.drawdown.org/sites/default/files DRAWDOWN-LABS-Overview.pdf) are working to implement and scale the most promising methods of removing carbon from the atmosphere (Project Drawdown). Project Drawdown has ranked dozens of solutions according to rigorous assessments of scalability and feasibility. Drawdown Labs’ partners — including Allbirds, Copia, Google, Grove, Impossible Foods, Intuit, Lime, Trane, and design group IDEO — pool ideas and resources to scale ideas that reach beyond the oft-touted target of net-zero by 2050. Realizing that science-based targets for lowering emissions are based on the overly idealistic assumption that all companies globally will do their fair share, lab partners aim to compensate for the non-compliance of others. As one example, business and financial software maker Intuit declared a “50 by 30” plan to phase out all its own greenhouse gas emissions by 2020, “and help the broader world reduce emissions by 50x this amount, within ten years”. Drawdown researchers help partners find solutions that sequester carbon for very long periods of time, and that engage every work unit and employee in the quest rather than delegating the task to isolated teams. At a time when carbon drawdown procedures and technologies are garnering increased funding support from governments and investment funds, Drawdown Labs is offering a roadmap to the most promising new ideas. Bold commitments and collaborative implementation plans hold out new hope for humanity to win the race of keeping greenhouse gases within sustainable levels.

Another group seeking coordinated systems change is B Movement Builders (BMB) (https://bcorporation.net/b-movement-builders), a coalition of large, publicly traded Multinationals (MNCs) — each with revenues topping US$1 billion — dedicated to the creation of an “Inclusive, Equitable & Regenerative Economy”. Whereas most of the 3700+ certified B Corps are small and medium-sized companies, B Movement Builders operate globally and at scale. Though not 100% certified as B Corps — which requires a legal commitment to work in the interests of all company stakeholders — builders make a ‘Declaration of Interdependence’ and commit to making documented progress on three or more UN SDGs. MNCs Natura and Danone are mentors in the initiative, having certified at least 30% of their businesses through subsidiaries. Marcelo Behar, vice president for sustainability and group affairs at Natura, said his company realized the need for collaborative effort to achieve its Vision 2030: Commitment to Life — a 10-year timeline to tackle climate change and protect the Amazon, ensure equality and inclusion, and move the company towards circularity and regeneration (Greenbiz, 350). Through BMB, Natura can stay abreast of new innovations, share data and best practices, and jointly advocate for policy to support their ambitious goals.

A&A Box 1

The Ellen Macarthur Foundation (https://www.ellenmacarthurfoundation.org) coordinated 65 players from the fashion industry value chain, including brand owners, in a challenge to develop and market circular jeans by May 2021. The terms of the ‘jeans redesign project’ were set by the foundation’s circular fashion team along with 80 denim experts. The resulting jeans are made with safe, non-toxic innovative materials and designs that facilitate maximal resale and eventual disassembly for recycling. Not only will the jeans reduce waste and pollution, they also greatly reduce the harmful effects of chemicals on industry workers. Jeans were selected for this focused applied project because of their complexity and intersection with every part of the value chain, yielding lessons that extend to other garments.

A&A Box 2

Climate policy NGO Carbon180 (https://carbon180.org/) — spun out of University of California Berkeley - works with policy makers, scientists and business to “champion and enact ambitious carbon removal policy”. One of their goals is to mobilize funds for research to lower the costs of carbon removal technology to less than US$100 per ton by 2025, since cost is a major impediment to policy implementation. Long-term the group aims to transform carbon removal into a well-funded globally scaled industry.

A&A Box 3

World Economic Forum’s Uplink project (https://www.weforum.org/uplink), launched at Davos 2020 along with partners Salesforce and Deloitte, aims to accelerate action on the UN SDGs by crowdsourcing innovative solutions and linking entrepreneurs with a network of mentors, investors and collaborators committed to getting solutions to market. In its first year the project has run more than 15 innovation challenges, attracting more than 900 potential solutions and building a community of more than ten thousand users on its digital platform.
WORKING TOGETHER FOR A RESILIENT FUTURE

As analysts warn that Covid-19 is a test run for recurring shocks that will define coming decades, make resilience a key element in your company’s toolkit. The three skills of realistic assessment, commitment to values and purpose, and active adaptation to new realities will prepare your teams for abrupt shocks, and will lead to more productive relationships and partnerships for the future. CEIBS is proud to be part of your partnership network. Together we’ll define the new post-Covid norms for CSR excellence.

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Among the suggestions:

- Coordinated action that reassured consumers of refunds, alleviated stress on front-line employees, and kept technical global partner hotels and airlines whose leaders were not yet aware of the spreading crisis, eventually securing top-down evidence how it drives partner relationships in ways that are both meaningful for society and material for investors.

- From purpose-advisories, plus more pressure from society to clarify your company's purpose and demonstrate with hard your company's intentions and the experienced reality (Gast et al., 2020).

- United States executives and institutions is expected in 2021. In another attempt to put purpose to practice, McKinsey work reflects views and opinions of major UK and continental European businesses. A new report reflecting the views of The framework aptly named SCORE which encourages purpose statements that are Simple, Connected to strategy and capital, resource to note is the Enacting Purpose Initiative (EPI: https://enactingpurpose.org/) developed by researchers at Oxford

- Activated and aligned with theirs, are not only more loyal and engaged but also willing to advocate on the company's stay with that employer (PWC, 2016). McKinsey & Co. has found that employees who feel the company's purpose is win higher workforce and employee satisfaction, and even show more innovativeness (Deloitte, 2020). Others show that meaningful ways acknowledge that such feelings are acceptable...
To visually track emergency supplies during the pandemic, JD Logistics developed a platform that leveraged smart delivery vehicles to serve hospitals and key areas. This platform demonstrated the importance of smart hardware and software in managing logistics. By February 2020, a strategic delivery pipeline had been established, responding to the needs of Hubei province. The platform was designed with functions such as "smart design" for planning logistics solutions and prioritizing fulfillment, "smart planning" for prioritizing delivery, and "smart scheduling" for directing delivery vehicles directly to the epidemic frontlines.

Exploiting its supply chain infrastructure, JD Logistics repurposed resources and launched a supply chain system to support the epidemic. This initiative highlighted the value of a company like JD Logistics as a key contributor to the country's social infrastructure. In response to the rapid spread of Covid-19, JD Logistics reorganized its resources across its logistics network, initiating a rapid response to the crisis. The company spent more than ¥100 million on safety measures, including the provision of masks and goggles, and was able to ensure that nearly 50,000 employees could spend the Year of the Rat with their families. Over the years, JD Logistics has established six highly coordinated networks: a warehousing network, integrated transportation network, distribution network, bulky item transportation network, cold-chain logistics network, and a cross-border transportation network, with services covering almost all people across China. While building trust between people and businesses,JD Logistics continues to demonstrate its commitment to social responsibility and its dedication to the needs of its customers.
gowns, masks and goggles, across Hubei. Controlling the production, inventory, allocation and distribution of scarce medical PPE supplies, such as protective Epidemic Prevention and Control Headquarters. The platform was aimed mainly at visually tracking and efficiently chain management platform for emergency supplies on February 12, 2020, in response to the urgent needs of Hubei's proprietary smart delivery vehicles to ship supplies to hospitals and key areas. On February 6, 2020, these smart delivery Extensive application of smart hardware orders from key areas; “smart scheduling” enabling delivery vehicles to go straight to the frontlines of the epidemic. These areas in an effort to prioritize the delivery of supplies to major hospitals in Wuhan. Leveraged big data to analyze the regional distribution of historical users and predict the quantity of orders in epidemic-hit Capabilities for big data analysis and prediction supply chain infrastructure in the world. "circulation and sustainable development", JD Logistics is committed to becoming the most trusted service provider of form an independent subsidiary group 'JD Logistics which was able to outside customers. In 2020, the dark backdrop of anti-epidemic supplies for employees. gave them guidance on anti-epidemic efforts. In the first quarter of 2020, JD Logistics purchased more than 10 million supplies, arranged for the disinfection of all venues and equipment, regularly tracked the health of the staff on duty, and working during the Chinese New Year. accidental injury insurance, summer and winter bonuses, housing subsidies, and special subsidies for employees unemployment insurance, and maternity insurance, and insurance against on-the-job injuries and the housing provident culture, responsibility and values of the company. Keywords, such as "a great enterprise", "dignity", "a decent job", and the All-China Youth Federation. The Medal represents the noble character and values embodied by Chinese youth.

April 2020, Wuhan’s delivery drivers were awarded the 24th Chinese Youth May 4th Medal (Organization), the highest honor people. JD Logistics noted, "The might of our country depends on the might of our many individual households. As an households. They delivered 6,000 tons of rice, noodles, grains, oil, vegetables and other life necessities to over 3 million non-stop for 90 days, delivering most of the emergency supplies shipped to Wuhan to major hospitals and thousands of sacrificed their personal plans to stay at work and safeguard social stability and people’s wellbeing.

In addition, when employees were obliged to continue making deliveries during the epidemic, JD Logistics ensured Since 2014, JD has set up a fund to give employees working during the Spring Festival extra money, to allow them place the goods leaving the factory gate into the warehouse closest to a consumer in order to "shorten the delivery chain" deliver high-quality logistics services, which owed a great deal to its supply chain excellence achieved over the years. and then postponed their opening, or sharply scaled back their delivery capacity. As a result, at the height of the company's drivers were already accustomed to the relentless pace of Chinese Lunar New Year deliveries, and this year sacrificed their personal plans to stay at work and safeguard social stability and people’s wellbeing.

China, as a centralized and large-scale country, always pays attention to the plight of the poor. The Chinese government, with its powerful convention of collective strength and great achievements of the reform and opening up, have the ability to overcome any difficulty. China can and must continue to strengthen the central government's leadership, effectively improve the function of the central government and promote the public welfare of the whole country. China should keep in mind that the stability of the government is the guarantee of social stability, and the stability of society is the guarantee of national stability. The stability of the government and the stability of society are the stable foundation of the prosperity of the country and the well-being of the people. By 2020, the cumulative investments in this scheme exceeded

To conclude, this period has been a testament to the resilience and commitment of China and its people. It demonstrates the strength of collective action in the face of challenges, and serves as a reminder of the importance of unity and cooperation in times of crisis. The lessons learned from this experience will undoubtedly inform future efforts in similar situations, ensuring continued progress and growth for all.  

In quantum computing, the use of quantum hardware to perform complex calculations, such as those used in quantum cryptography, is rapidly advancing. These technologies have the potential to revolutionize the way in which we process information and communicate. The transition to a more sustainable and equitable future is well underway, driven by innovation and collective action.
JD Logistics
Exemplifies Timely and Customer-Centric Services

By Terence Tsai, Huang Xiayan and Liu Jie

Yu Rui
CEIBS EMBA2015 Alumnus
CEO, JD Logistics

“JD Logistics is committed to its vision of becoming the most trusted service provider of supply chain infrastructure in the world. For more than ten years, the company has demonstrated its attachment to improving the toughest, most difficult but most valuable things in the logistics industry — infrastructure construction, optimization of the supply chain, and development of core technologies — with a view to improving the user experience and enhancing the quality and efficiency of the industry.

JD Logistics believes in taking care of each employee to ensure that each individual can work and live with a sense of dignity, happiness and accomplishment. JD Logistics is dedicated to fostering win-win cooperation with partners, boosting the real economy, and promoting harmonious coexistence with environment. With the mission of “powered by technology for global efficient circulation and sustainable development”, JD Logistics has been unswerving in driving economic growth, environmental protection, and social harmony. JD Logistics proactively fulfills its social responsibility in improving social efficiency, boosting high-quality consumption, driving the digital transformation of the real economy, advancing supply-side structural reform, promoting job creation, and revitalizing rural areas in an effort to create a more efficient and sustainable future.”
Contributing to the Fight Against Covid-19
With a Robust Logistics System

In early 2020, caught in the sudden onslaught of Covid-19, Wuhan, a transportation hub connecting nine Chinese provinces, was placed under lockdown. At this critical juncture, JD Logistics Group (“JD Logistics”) gave full play to its supply chain logistics capabilities and technological strengths to marshal internal and external resources, and schedule urban delivery and last-mile delivery, keeping transportation routes — a vital lifeline and economic backbone - running smoothly.

Hailed as heroes in harm’s way, JD Logistics employees worked on the frontlines of Covid-19; JD Logistics developed proprietary smart robots for transportation and delivery; its “smart” warehouse management system harnessed big data analysis and predictive technology to prioritize the delivery of supplies ordered by major hospitals in Wuhan; with a daily sorting capacity of more than one million orders, the ‘Asia No.1’ smart warehouse in Wuhan responded quickly: safeguarding a steady stream of medical supplies and continuity in production and everyday life in Wuhan …

This example serves not just to showcase JD Logistics’ successful management of a major crisis, but rather illustrates the important role the company played in maintaining a sense of calm for people, amid the chaos of the situation. JD Logistics’ ability to maintain this steady keel, was not only the product of an accumulation of years of experience, but was testimony to the company’s sense of mission and responsibility.

In 2007, JD Group set up its own in-house logistics system. Then, in 2017, JD Group spun this logistics arm off to form an independent subsidiary group ‘JD Logistics’ which was able to outside customers. In 2020, the dark backdrop of the epidemic highlighted the value of a company like JD Logistics as a vital part of the country’s social infrastructure upholding the national economy and people’s wellbeing. With the mission of “powered by technology for global efficient circulation and sustainable development”, JD Logistics is committed to becoming the most trusted service provider of supply chain infrastructure in the world.
Frontline employees' commitment to social responsibility

During the Spring Festival of 2020, a large number of logistics platforms and companies across China shut down, and then postponed their opening, or sharply scaled back their delivery capacity. As a result, at the height of the epidemic, consumers were hit by order delays or cancelled deliveries. JD Logistics’ promise of “uninterrupted delivery during the Spring Festival break” for the eighth consecutive year therefore formed a pivotal component in logistical support during the fight against Covid-19. JD Logistics employees, including drivers, couriers, and warehousing staff, sacrificed their personal plans to stay at work and safeguard social stability and people’s wellbeing.

At some special stations in Wuhan, delivery workers were often the only bridge connecting local residents with external supplies and served as a vital lifeline for ensuring supply of medical equipment to local hospitals. Many of the company’s drivers were already accustomed to the relentless pace of Chinese Lunar New Year deliveries, and this year was no different: in fact, in some areas the average daily parcel volume for the 2020 Spring Festival even exceeded the peak reached on JD Group’s 18 June anniversary.1

In Wuhan the company had a delivery team of 99 young couriers. During the epidemic, the team worked almost non-stop for 90 days, delivering most of the emergency supplies shipped to Wuhan to major hospitals and thousands of households. They delivered 6,000 tons of rice, noodles, grains, oil, vegetables and other life necessities to over 3 million people. JD Logistics noted, “The might of our country depends on the might of our many individual households. As an industry leader, we have the obligation to be on the frontline, and fight this crisis: it’s our responsibility and our duty!” 2 In April 2020, Wuhan’s delivery drivers were awarded the 24th Chinese Youth May 4th Medal (Organization), the highest honor for outstanding young Chinese people, jointly conferred by the Central Committee of the Communist Youth League of China and the All-China Youth Federation. The Medal represents the noble character and values embodied by Chinese youth.

Nevertheless, the resolve of each of these young employees was also a reflection of their belief in the corporate culture, responsibility and values of the company. Keywords, such as “a great enterprise”, “dignity”, “a decent job”, and “a comfortable life for your families”, embody the values JD Logistics instills in its frontline employees. JD Logistics is one of the few companies within the industry to make employee contributions to pension funds, medical insurance, unemployment insurance, and maternity insurance, and insurance against on-the-job injuries and the housing provident fund for frontline couriers; besides, the Company furnishes them with a range of industry-leading benefits, including the accidental injury insurance, summer and winter bonuses, housing subsidies, and special subsidies for employees working during the Chinese New Year.

Since 2014, JD has set up a fund to give employees working during the Spring Festival extra money, to allow them to have their children with them during the festive period. By 2020, the cumulative investments in this scheme exceeded ¥500 million, allowing nearly 50,000 employees to spend the Spring Festival with their families.

In addition, when employees were obliged to continue making deliveries during the epidemic, JD Logistics ensured they were looked after properly both in terms of their health and safety. The Company offered 70,000 masks to its employees in Wuhan during the New Year’s Day, and after the city was sealed off, quickly stocked up on emergency supplies, arranged for the disinfection of all venues and equipment, regularly tracked the health of the staff on duty, and gave them guidance on anti-epidemic efforts. In the first quarter of 2020, JD Logistics purchased more than 10 million masks and doled them out to frontline employees; during the epidemic, the Company spent more than ¥100 million on anti-epidemic supplies for employees.
| JD Logistics' supply chain capabilities: solid infrastructure and smart technology |

During the epidemic, frontline employees offered timely and reliable delivery services to the public and medical staff; even under the circumstances of city lockdown and suspension of production, JD Logistics was still in a good position to deliver high-quality logistics services, which owed a great deal to its supply chain excellence achieved over the years.

Logistics supply chain system across China

The supply chain capabilities underpin JD Logistics' strengths. With a logistics supply chain system put in place across China, the Company has worked out an integrated warehousing and delivery model, which enables it to directly place the goods leaving the factory gate into the warehouse closest to a consumer in order to “shorten the delivery chain” and reduce delivery times.

Over the years, JD Logistics has established six highly coordinated networks: a warehousing network, integrated transportation network, distribution network, bulky item transportation network, cold-chain logistics network, and a cross-border transportation network, with services covering almost all people across China. While building trust between Chinese e-commerce platforms and consumers, JD Logistics redefined the logistics service standards with time-sensitive products and home delivery services, such as the “211 program”, which stood for ‘same-day delivery for orders placed before 11 a.m. and next-day delivery (before 3 p.m.) for orders placed before 11 p.m.’.

As of September 30, 2020, the Company was operating more than 800 warehouses across China, which, coupled with the cloud warehouses, represented a warehouse floor space of about 20 million square meters, and was managing 28 ‘Asia No.1’ large-scale smart warehouses. Hu Wei (EMBA2019), vice president of JD Group and president of JD Intelligent Industry Development Group, said, “We oversee our smart logistics parks from planning to operations. The closed-loop service system makes them much more convenient and efficient than leased logistics parks. As a logistics carrier, our logistics parks played a significant role in the fight against the epidemic.”

The daily throughput capacity of a single Asia No.1 warehouse reaches hundreds of thousands or even millions of tons. During the epidemic, the ‘Asia No.1’ warehousing system enabled half-day, next-day, and immediate delivery of materials. The Asia No.1 warehouse in Wuhan has a daily sorting capacity of more than one million orders, more than five times that of a traditional warehouse, and has a smart operations system, a large volume of goods in storage, and a robust order processing system, placing it on a strong footing for the fight against the epidemic. On the morning of January 24, 2020, JD Group announced that it would donate 1 million medical masks and 60,000 medical supplies to Wuhan. The first batch of 400,000 medical masks were shipped from the warehouse in Wuhan to local medical institutions within seven hours.

In order to improve time efficiency, JD Logistics initiated a special service for “24-hour delivery to a thousand counties and ten thousand townships” which would be available to consumers in counties, towns and villages. The aim of this service was to increase distribution channels for moving local agricultural and industrial products and boost consumption and economic development in rural areas.
Capabilities for big data analysis and prediction

Transport in Wuhan, home to a crucial logistics hub in Central China, was frozen. Equipped with a range of smart technologies, JD Logistics responded quickly to reorganize resources across its logistics network. The sudden Covid-19 outbreak put a squeeze on the supply of materials across China. With the help of its “smart system”, JD Logistics leveraged big data to analyze the regional distribution of historical users and predict the quantity of orders in epidemic-hit areas in an effort to prioritize the delivery of supplies to major hospitals in Wuhan.

The “smart system”, comprised a slew of big data technologies and algorithms and was capable of performing three functions: “smart design” for formulating emergency logistics solutions; “smart planning” for prioritizing the fulfillment of orders from key areas; “smart scheduling” enabling delivery vehicles to go straight to the frontlines of the epidemic. These functions ensured orderly, timely and efficient transportation of supplies in Wuhan during the epidemic.

Extensive application of smart hardware

In order to lower the risk of infection among drivers working in epidemic-hit areas, JD Logistics introduced its proprietary smart delivery vehicles to ship supplies to hospitals and key areas. On February 6, 2020, these smart delivery vehicles brought medical supplies to Wuhan No.9 Hospital, completing the first smart delivery in Wuhan after the Covid-19 outbreak. In some areas closed off due to the epidemic, JD Logistics used drones to restore the logistics service that had been interrupted.

Exploiting the potential of its own supply chain technologies, JD Logistics launched the construction of a supply chain management platform for emergency supplies on February 12, 2020, in response to the urgent needs of Hubei’s Epidemic Prevention and Control Headquarters. The platform was aimed mainly at visually tracking and efficiently controlling the production, inventory, allocation and distribution of scarce medical PPE supplies, such as protective gowns, masks and goggles, across Hubei.

On the evening of January 31, after receiving a call requesting the transportation of 100 oxygen generators donated by the team led by Academician Zhong Nanshan to Wuhan, JD Logistics conducted rail-road combined transport to ensure the fastest-possible delivery. On the morning of February 2, this batch of materials arrived at Wuhan Hankou Hospital. Academician Zhong Nanshan personally wrote a letter of thanks, “Thanks to JD Group for shipping urgently needed medical supplies to Wuhan as fast as it could!”
The “Symbiosis” Concept: Building a Sustainable Business

There is an ancient Chinese saying which says that “just as a single tree cannot make a forest, a flower cannot make a spring.” As such, JD Logistics advocates business “symbiosis”, which is based on the idea that upstream and downstream partners should work together to form a sustainable global logistics ecosystem.

| The Green Stream Initiative for harmonious coexistence between mankind and environment |

In 2017, JD Logistics, together with nine other major brands, launched the “Green Stream Initiative for Global Environment-Friendly Supply Chain”. JD Logistics partnered with upstream and downstream companies for paperless operations, recycling and reduction of packaging consumables, development and application of new energy vehicle technologies, photovoltaic power generation, and nationwide recycling of cartons, used clothes, and other reusable items in order to reduce waste, save resources and energy, and lower carbon emissions.

In 2018, JD Group upgraded the Green Stream Initiative (GSI) to a sustainability strategy that focused not only on green logistics and ecosystems, but also on the “Planet”, “People” and “Profits” related to sustainable human development. Under the new GSI, JD would join hands with upstream and downstream partners in the logistics ecosystem to create a better living space, foster an inclusive humane environment, and promote economic and scientific development in order to build a sustainable business society across the world.

In October 2019, JD Logistics announced that it had signed on to the Science Based Targets initiative (SBTi) launched by the World Wide Fund for Nature (WWF), becoming the first logistics company in China to make good on its commitment to setting science-based carbon targets.

On July 6, 2020, JD Logistics kicked off the first GSI Day within the logistics industry to further promote green thinking and practices across the supply chain. As of December 2020, more than 200,000 merchants and hundreds of millions of consumers signed up to the GSI. In this sense, JD Logistics managed to broaden public environmental consciousness without much fanfare.

| Green packaging for waste reduction and recycling |

In 2016, JD Logistics established the first “logistics packaging laboratory” within the industry, which aimed to develop and use green logistics packaging materials. The lab compressed the size and area of packaging consumables to slash the cost of materials and save resources; it successively rolled out recyclable fresh food incubators and green stream boxes.

| Energy-saving logistics park |

As early as 2017, JD Logistics equipped the Asia No. 1 Smart Logistics Park in Shanghai with a rooftop distributed photovoltaic power generation system, which supplied clean energy to automated three-dimensional warehouses, smart robots, and automated sorting systems. The photovoltaic system could help cut carbon emissions by 40kg per minute on average. The microwave induction LED lighting system, widely used in warehouses, enabled the lights to turn on when staff sorted goods and automatically turn off when they left. This function could help save about 72% of energy, compared with traditional lighting equipment.

| Zero-carbon-emission transportation |

In 2017, JD Logistics brought in 1,000 new energy vehicles and put them to use in a dozen of large-and-medium-sized cities across China. In January 2018, JD Logistics was the first within the industry to replace its self-operated logistics vehicles to and from Beijing with electric vehicles.

| Green recycling for environmental protection |

In 2016, in order to address excessive packaging used for mooncakes, JD Logistics took the lead in initiating carton recycling in Beijing, Shanghai and Guangzhou, and then gradually extended the project nationwide. In 2019, JD Logistics launched the “Used Clothing Recycling Scheme” in nearly 50 cities across China. As of June 2020, JD couriers recycled 3.5 million pieces of used clothes, toys and books.

- As of June 2020, JD Logistics cut down on plastic use by 50,000 tons by shortening the width of the tape it used and reducing packaging; it saved about 1.3 million tons of paper through paperless operations in warehouses, and carton reduction and recycling; it used recyclable packaging more than 160 million times, reducing 67,000 tons of disposable packaging waste.
- As of June 2020, JD couriers recycled more than 10 million cartons nationwide.
Establishing business partnerships for social progress

Fu Bing (EMBA2018), vice president of JD Group and chief strategy officer of JD Logistics, said, “The epidemic has made people realize that JD Logistics has participated in quite a few public wellbeing projects, including the Shopping Basket Program and textbook delivery to children’s homes.” While participating in the fight against the epidemic, JD Logistics came to grips with the typical problems bedeviling the manufacturing industry, such as information silos, high inventory levels, and slow delivery, through a set of digital solutions to optimize supply chains, drive the industrial economy, and upgrade social infrastructure. Fu Bing said, “Contrary to other logistics companies, JD Logistics leverages cutting-edge technologies and supply chain management solutions from the outset to help our industrial partners shorten the entire supply chain and make it more efficient.”

As an advocate and practitioner of “symbiosis”, JD Logistics is committed to building a logistics ecosystem that will benefit partners, industries and society. In 2017, JD Logistics pioneered the “cloud warehouse” model, which was aimed at sharing its management system, planning capabilities, operating standards, and industry experience with third-party warehouses. JD Logistics conducted warehouse optimization to effectively increase the use of local idle warehouses so that small-and-medium-sized logistics companies could avail themselves of its technological prowess, standards and brands to improve their service capabilities. At present, more than 1,400 cloud warehouses are operating on the JD Cloud Warehouse Platform. By working with international and local partners, as of December 31, 2020, JD Logistics established international transportation routes covering more than 220 countries and regions, and operated 32 bonded warehouses and overseas warehouses. Besides, JD Logistics has rolled out “double 48-hour” time-sensitive service to ensure that goods can be shipped from China to a destination country within 48 hours and then to local consumers within 48 hours.

Guided by the “symbiosis” concept, JD Logistics calls on upstream and downstream partners across the industry chain to work together. JD Logistics provides them with access to open business scenarios, and efficient and flexible business cooperation models in an effort to jointly develop market-oriented, smart and customized products and comprehensive solutions. JD Logistics signed a strategic agreement or forged partnership with socialized logistics enterprises to strengthen collaboration and integration in order to move beyond the existing industrial boundaries towards a mutual benefit outcome.
CSR: a Cornerstone for JD Logistics' Sustainable Development

In August 2020, five Covid-19-themed items from JD were permanently housed in the National Museum of China: the letter of thanks from Hubei’s Epidemic Prevention and Control Headquarters; the letter of thanks from Academician Zhong Nanshan; the first JD40006 smart delivery vehicle put to use after the lockdown of Wuhan; the letter of thanks to Jia Shengzhi, a JD courier in Wuhan, from the medical team sent from Inner Mongolia to Hubei; a documentary about how to tame the epidemic with digital technologies. In September 2020, JD Group CPC Committee was awarded the titles of “National Exemplary Organization in the Fight against Covid-19” and “National Exemplary Local Party Organization”.5

When the going gets tough, the tough get going. The sudden epidemic outbreak underscored the importance of logistics infrastructure and the value of logistics.

“Customer first” informs JD’s core cultural values. Sticking to the strategy of “leveraging technologies to improve customer experience and operating efficiency”, JD Logistics is committed to delivering “timely and more importantly, customer-centric” services.

JD Logistics sees logistics not as a “flow of goods” but as a “network of bonds of love between people”. The Company cares for employees to ensure each of them works with dignity and decency. In turn, they extend their love to customers with every smile, every greeting like “Hello, JD Logistics”, and every service.

In 2017, JD Logistics was present across all sections of society. As a result, it has a growing customer base, and is able to meet growing demand for personalized services. JD Logistics is keenly aware that it needs to shift its focus from creating services that can be provided through JD.com, to offering service demanded by customers. The company also realizes it must move on from being a sales-driven company to being a product-driven one, providing a wider range of product possibilities to different markets, by exploiting the cross-cutting potential of its underlying services, such as supply chain, delivery service, express delivery, bulk items, cold-chain delivery, cloud warehousing, and cross-border transportation. In 2019, JD Logistics’ external revenue made up more than 40% of its total revenue, bearing testimony to its transformation from being an auxiliary logistics arm for a single company, to a standalone logistics giant. In the first nine months of 2020, JD Logistics’ external customers accounted for 43.4% of its total revenue.

How did JD Logistics achieve this growth? Does the company rely on its market acumen, agility, and keen foresight? Although each of these traits are important, JD Logistics’ success also has other ingredients. These can be described as the value it places on and the responsibility it feels towards its consumers and employees, and the sense of mission and responsibility it has towards industry and society. Having stood the test of the epidemic, JD Logistics is gaining recognition and acclaim from all walks of life for upholding the business values of following the righteous path and assuming social responsibility.

In August 2020, JD Logistics upgraded its mission to “powered by technology for global efficient circulation and sustainable development”. JD Logistics will forge ahead to “become the most trusted service provider of supply chain infrastructure in the world.”

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References

CEIBS Alumni Association

Creating Synergy Through A Joint Anti-Pandemic Effort

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“CEIBS is committed to the cultivation of business leaders with an entrepreneurial spirit who proactively fulfill their social responsibility.”
Abstract

“When a disaster strikes one locality, offers of help roll in from all quarters”, that’s the distinctive feature of a Chinese-style rescue. How to define roles, coordinate resources, and improve efficiency in the case of a disaster, that’s a management issue. In 2020, the outbreak of the Covid-19 pandemic was a litmus test to determine the ability of Chinese businesses to shoulder their social responsibilities. CEIBS alumni companies across a broad range of industries and a wide geographic area, by virtue of innovative ideas and strong standing in their respective fields of expertise, emerged as a CSR force amid the national (and even global) fight against Covid-19: the alumni companies, always around and supportive when needed and consistently responsible, reacted to Covid-19 in an appropriately low-key, organized, and efficient manner.

The CEIBS Alumni Association (“the Association”) played a crucial role in this: as an inclusive and influential platform, the Association has pooled successful public welfare and CSR practices developed by alumni companies over the years, offering valuable insight about organizational forms and cooperation mechanisms for joint CSR initiatives, and enabling alumni to move forward together based on common ground. In this way, greater value can be created through synergy.

The Association referred to this action as a ‘joint’ anti-pandemic effort (in Chinese, “合”力抗疫, or, literally: “He” (join) li (force) kang (fight) yi (pandemic)). In Chinese, “合” “He” can be a noun, resonating with the school’s logo which also contains the character “合”. Meanwhile, “合” “He” can also be a verb, used for example to describe the rallying of scattered strengths to form a single powerful force. More importantly, in Chinese, the outcome of an action involving “合” “He”, is “全” “Quan”, which means a seamlessly connected ‘whole’, encapsulating impartial kindness, unassailable integrity, and boundless love.

Comprehensive Process Linkage

Following the lockdown of Wuhan, the epicenter of the Covid-19 pandemic, at 10:00 am on January 23, 2020, the Association immediately issued a proposal to call on alumni chapters/clubs, alumni companies, and alumni to donate medical supplies. On January 26, the Association set up an anti-pandemic task force. The next day, the task force divided into subgroups focusing on coordination of decision making, donation, alumni emergency relief, medical supplies and donations, donation information collection, news reporting, alumni coordination, and an online conferencing support system, each of which corresponded to one pillar of the anti-pandemic effort. A professional, transparent and efficient emergency relief force backed by the Association was thus formed.

The Association avoided any oversupply or misallocation of resources, such as information, medical supplies and funds, on the strength of its information collection and screening, and supply-demand matchmaking. It also adhered to the principle of ‘making sure help got to where it was needed, avoiding publicity, and making up for any shortages’ in overall planning; trying to spot gaps that need to be addressed through charity work like a niche market①; and offered advice, such as ‘do not scramble for domestic medical supplies in periods of scarcity, do not fight coronavirus without tactics’, ‘focus more on other cities in Hubei and small- and medium-sized hospitals’, and ‘step up efforts to support the front-line doctors and nurses’.

On January 30, the Fosun Public Welfare Foundation® (“Fosun Foundation”), the Beijing Chunmiao Charity Foundation® (“Chunmiao Foundation”) and the Association signed a cooperation agreement, laying a solid foundation for linking processes. Fosun Group has abundant medical resources and an extensive global footprint, so, the selection, procurement, import, allocation, and delivery of medical supplies were in its area of expertise. This time, Fosun Foundation was tasked with global procurement of medical supplies, according to a framework agreement reached in less than a day after Tian Ming (EMBA2005), President of the Association, and Guo Guangchang, honorary committee member of the Association, raised the possibility of cooperation. Chunmiao Foundation, a 5A private philanthropic organization eligible for

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① ‘Niche Market’ can be translated as “利基市场/缝隙市场/利基市场/市场” in Chinese. ‘Niche’ was borrowed from French, and can be transliterated as ‘利基’. Converting to Catholicism, the French often left a niche in an exterior wall for the Virgin Mary statue. Small as it was, the niche had clear borders and marvelous details. Hence, ‘niche’ was later used to describe a specialized segment of the market.

② Guo Guangchang, Chairman of Fosun International Limited, enrolled in the CEIBS Global CEO programme in 2006.

③ Cui Lanxin, co-founder and incumbent secretary-general of Chunmiao Foundation, enrolled in the CEIBS EMBA programme in 2015.
public fundraising, was responsible for building an online fundraising platform with the tagline ‘CEIBSers, let’s spread the love in the fight against Covid-19’ to collect money from alumni.

The anti-pandemic effort led by the Association and underpinned by Fosun Foundation and Chunmiao Foundation was in full swing: on January 31, the first day of its launch, the online fundraising platform collected over ¥12 million from CEIBS alumni, alumni chapters/clubs, and alumni companies; on February 1, the first batch of medical supplies purchased by Fosun — 135,200 British-made protective suits — landed in Chongqing.

On February 16, the Emergency Command Center of China Construction Third Engineering Bureau, the construction contractor of Wuhan’s Leishenshan Hospital, turned to the CEIBS Alumni Hubei Chapter for help, claiming that thousands of workers treading on roof tiles in a heavy rainstorm, right over the heads of coronavirus patients, were in urgent need of N95 masks. In the circumstances, the Hubei Chapter’s President Li Jian (DIMP2003/CEO2015), Vice President Cao Chen (EMBA2009), and Secretary-General Du Juan (EMBA2017) reached out to the Association immediately.

An hour later, the Association’s anti-pandemic task force found 3,000 foreign-made N95 masks bought by Fosun, which were stranded at customs-clearance warehouses of Shanghai Pudong International Airport. The Association’s then Deputy Secretary-General Qin Yi, and two alumni volunteers named Huang Jingrong (MBA2002) and He Pinjie (MBA2010) promptly headed for the airport for pickup.

Given the construction of Leishenshan Hospital was set to be completed four days later, and SF Express was not confident of shortening the delivery time to less than two days, Wang Xiangang (EMBA2006), who would use a helicopter to transport emergency supplies to Huanggang on the morning of February 17, asked the carrier to make room for 3,000 N95 masks.

On February 17, the helicopter took off from Shanghai at 11:00 am, and landed in Huangzhou district, Huanggang city at 3:35 pm. However, it was more difficult to fly from Huanggang to Wuhan than from Shanghai to Huanggang, due to the lockdowns of Huanggang and Wuhan. Successive batches of donated medical supplies were therefore delayed.

At this juncture, Zhang Feng (EMBA1999), the then Secretary-General of the Association, negotiated with the Huanggang Covid-19 Pandemic Prevention and Control Command Center. Considering the Association donated 6,600 high-quality protective suits and 6,000 N95 masks to Huanggang on February 6, the city’s worst day, the person in charge of the Command Center unhesitatingly sent ambulances. Finally, the Association’s latest batch of medical supplies arrived in Wuhan at 7:00 pm.

This was just one of the emergency relief efforts initiated by CEIBS alumni. But it amply demonstrates the alumni’s strong ability to mobilize people and resources, as well as organizational and managerial capabilities, as part of their social responsibility. What’s more, a comprehensive process linkage manifested itself: demand response — global procurement — customs clearance — supplies allocation — logistics — targeted delivery — audit — news reporting throughout the process. This would not have been possible without the presence of CEIBS alumni in such a vast range of industries: the alumni from all walks of life had established 65 trade associations and clubs, which allowed their companies to link together, and share business practices or resources so as to find solutions to common challenges.
**Blurring of Spatial Boundaries**

Geographically, CEIBS alumni’s anti-pandemic effort constituted two concentric circles: on the one hand, medical supplies poured into Hubei from all corners of the world; on the other hand, recipients of help were from Hubei at the outset, and from around the world, at a later time.

The first circle indicated that CEIBS alumni procured medical supplies from around the globe to support pandemic-stricken Hubei. Fosun leveraged its presence in over 20 countries to purchase the scarcest protective clothing and N95 masks globally. Moreover, ¥15,355,400.07 from Chunmiao’s fundraising platform flowed to Fosun for its global procurement, which benefited 138 hospitals in Hubei, medical teams dispatched to Hubei, and Hubei’s pandemic prevention and control authorities.

Some alumni even utilized their personal networks. For example, Li Jian, President of CEIBS Alumni Hubei Chapter, whose company had branch offices in Turkey, Thailand and Russia, urged the overseas offices to buy face masks and protective clothing in bulk from local suppliers. More than that, he got 80,000 face masks and 5,000 protective suits sent to Jingshan by courtesy of Zall Group, which he had a close personal relationship with.

Another case in point: Hani, a Turkish alumnus of CEIBS, drove more than 100 kilometers to purchase protective clothing from a local manufacturer. Cao Chen, Vice President of CEIBS Alumni Hubei Chapter, commented, “In mainland China, medical supplies may trigger a scramble among our alumni chapters or alumni companies. Any hesitation, nothing left.”

The second circle was formed as the Association offered help to alumni and their children, and people in coronavirus-affected areas worldwide, without bias. The main beneficiaries included:

- Hubei-based hospitals: hospitals in Wuhan and its adjacent cities or prefectures. Medical supplies procured by Fosun Foundation alone were sent to 58 hospitals (excluding military hospitals, provincial hospitals, and hospitals affiliated with universities) scattered in 13 prefecture-level administrative regions of Hubei.

- Medical teams dispatched to Hubei: amid a surge in Covid-19 cases in the hardest-hit Hubei province, China mobilized its medical resources nationwide to aid. As medical teams from other provinces or municipalities were dispatched to designated Covid-19 hospitals in Wuhan, the Association promptly switched its donation focus to the needs of front-line medical workers from outside Hubei. In response to this strategic adjustment, the school’s alumni chapters donated medical supplies to medical teams dispatched by 102 hospitals across China, in an efficient and targeted manner, in the subsequent two weeks.

- Hubei’s prefectures, cities and counties with finite medical resources. Some small and medium-sized hospitals, as well as designated hospitals for treating Covid-19 patients, in other prefectures or cities of Hubei were struggling with poor, inadequate medical infrastructure. In light of this, the Association’s anti-pandemic task force earmarked funds raised to buy a collection of negative pressure ambulances and donate them to eight hospitals in need.

- Other organizations fighting Covid-19 at the forefront: the Association also lent a helping hand to 37 other organizations fighting Covid-19 on the front line (e.g. People’s Daily and Blue Sky Rescue Team), which were dispatched from Chongqing, Shanxi, Sichuan, Hebei and Beijing, etc.

- EU countries: while China had the pandemic under control in March, the coronavirus swept across the world, and in particular, swept across Europe. On March 25, the Association launched an initiative to support EU countries’ combat against the pandemic. Notwithstanding the differences in EU countries’ customs clearance requirements, the uncertainty of chartered planes’ flight hours, and the inability to communicate effectively with Chinese embassies and consulates in EU member states, the Association managed to donate a total of 223 ventilators to Spain, Greece, Czech, Malta, Hungary, Montenegro, and Ireland.

The Association, profiting from the largest and most influential alumni network among Chinese business schools, was able to allocate resources and implement socially responsible practices anywhere in the world.

> Remain true to original aspiration, make concerted efforts, emphasize practical results, and know where to go and stop.

— Tian Ming (EMBA2005)
The Third President of CEIBS Alumni Association
CEIBS alumni were a composite entity responsible for anti-pandemic actions: it gathered together alumni companies that covered a variety of industries, creating school-company connections. Furthermore, it demonstrated stronger coordination and resource scheduling capabilities than regular community organizations, owing to the cohesion among and dedication of CEIBS alumni.

The resulting organization structure was built on three essential elements, mirroring the Chinese character “合” “He” introduced above: the Fosun and Chunmiao foundations formed the top element of the character “人”, while CEIBS was the supporting middle bedrock “—”, and all the other alumni, staff, and volunteers who took part in the effort formed the body “口”, transforming the ideas into action.

In addition to the Association, Fosun Foundation and Chunmiao Foundation, whose contributions were enumerated in the text above, the following ‘entities’ also shouldered considerable social responsibility:

Hubei alumni: CEIBS Alumni Hubei Chapter was in the vanguard of the anti-Covid-19 battle. The Hubei alumni not only helped each other in the case of any shortage of face masks, but also reported back to the Association about the city’s demand for medical supplies, and facilitated the delivery of medical supplies from Changsha, Beijing, and Shanghai, etc., to Wuhan, which could literally mean the difference between life and death.

Wang Danli (EMBA2012), Vice President of CEIBS Alumni Hubei Chapter, was among the first to donate face masks to Wuhan’s hospitals, e.g. Tongji Hospital, Union Hospital, and Jinyintan Hospital; the Hubei alumni contacted food enterprises in no time and talked them into sending dumplings, mixed congee and other food to hospitals where the quarantined doctors might otherwise eat nothing but instant noodles and pickles on New Year’s Eve. ‘Water afar quenches not fire’, only the alumni in Hubei can offer such instant help.

Besides, CEIBS Hubei Emergency Relief Team, on behalf of CEIBS Alumni Logistics and Supply Chain Association and CEIBS Alumni Hubei Chapter, suggested the Sub-Committee for Freight Industry of China Federation of Logistics & Purchasing (CFLP) introduce measures to resume traffic and production. On January 30, the Ministry of Transport said in an urgent notice that ‘road should not be closed to traffic’ during the pandemic prevention and control. This was an example of how the alumni looked at the big picture when fulfilling social responsibility.
Alumni chapters: in the space of just two weeks, 26 alumni chapters (in Shanghai, Beijing, Suzhou, Nanjing, Zhejiang, Jinas, Qingdao, Shaanxi, Anhui, Guangzhou, Shenzhen, Dalian, Ningbo, Shanxi, Chongqing, Jilin, Hunan, Yunnan, Guangxi, Henan, Sichuan, Fujian, Wuxi and Hebei, etc.) joined hands with the Association to donate supplies to 102 medical teams dispatched from across China to Hubei.

The alumni chapters cumulatively donated 29,662 protective suits (including 10,050 pieces suitable for wearing to quarantine areas), N95 masks, protective eyewear designed for use in quarantine areas, goggles, and other scarce medical supplies. Particularly noteworthy was the Nanjiang chapter: it made generous donations to the medical team dispatched to Hubei from Nanjing, including ¥4,885 million in cash, and over ¥2 million in the form of articles of daily use, such as sterilizers, thermal underwear, adult diapers, sanitary pads, laundry detergents, disposable underpants/panties, energy bars, skin repair cream, and facial masks.

Alumni volunteers: a team of volunteers was set up for the emergency with support from the CEIBS Alumni Shanghai Chapter and CEIBS Alumni Gobi Association. The volunteers, together with their families, hurried to Shanghai Pudong International Airport amid gusts of frigid wind to inspect, sort and dispatch medical supplies stored in transit warehouses batch by batch. But for their help, the imported supplies would not have arrived in Hubei in time.

In the two weeks after the outbreak of the Covid-19 pandemic, Cao Chen, Du Kunwu (EMBA2019), Zhou Qinnian (EMBA2011), Zhang Xi (CMO2017), and other alumni volunteers, went to the Association's transit warehouses in Wuhan every day or every other day: they dispatched the desperately needed medical supplies such as protective clothing and masks to designated Covid-19 hospitals in Wuhan and its surrounding cities, thereby lending huge support to the Association in its initial phase of donations.

Jiao Sheng (EMBA2008), Director of the Association's Social Responsibility Committee, Lv Zongsu, and Cao Shuli worked together to build a reporting team, in a bid to update more alumni on the headway being made in the Association's anti-pandemic effort, and encourage participation.

The Association's anti-pandemic task force stationed in Hubei: the Association created a coordination mechanism at the outbreak of the Covid-19 pandemic. The anti-pandemic task force led by Zhang Feng and comprised Qin Yi, Shi Li (MBA2006, Secretary-General of Love Alliance), and Cui Lanxin (Secretary-General of Chunmiao Foundation) worked round the clock from the end of January to mid-March. Calm and unflappable, the task force devised donation strategy based on a fresh assessment of the situation, executed on donation plans pragmatically, and organized assistance activities efficiently, exhibiting cohesion, combat effectiveness and conscientiousness, which were vital for success in the fight against Covid-19.

All CEIBSers: CEIBS alumni, alumni companies, faculty, and staff, as well as alumni chapters/clubs and MBA/EMBA classes, contributed actively to the anti-pandemic effort through donations. Combined, CEIBSers donated ¥26,843,690 in one month.

Alumni associations sometimes only maintain loose ties with their members, but the CEIBS Alumni Association demonstrated remarkable cohesiveness. This can be attributed to the alumni’s sense of social responsibility and identity, and the Association’s adherence to both traditional culture and modern management guidelines. In traditional Chinese culture, classmates are important to anyone’s social network. Compared to relatives and neighbors, classmates can provide greater support if one were to do or accomplish big things. Established as a modern organization, the Association adopted modern management approaches to create a close bond and shared values among alumni, thereby generating synergy. Meanwhile, the achievement of shared goals could give the alumni a sense of belonging and identity.

"The alumni’s willingness to take on social responsibility and the alumni associations’ cohesive collaboration have demonstrated CEIBSers’ strong sense of responsibility, and helped us win respect!"

— Zhao Lijun (EMBA2001)
The Fourth President of CEIBS Alumni Association
The Unity of Knowledge and Action

The alumni delivered a stellar performance in this joint effort to combat Covid-19, and are dedicated advocates of socially responsible deeds. For example, Tian Ming is the President of Landsea Group — a green pioneer that has disclosed sustainability reports for consecutive years; Shi Li is a co-founder of Cedar Highrise. The kind of great students are from a great school. The students and the school learn and benefit from each other in theoretical and practical interactions, fostering the unity of knowledge and action.

The school evaluates business success not only by the wealth accumulated, but also by the social value created. It has been unwavering in its mission to cultivate responsible leaders, and disseminating CSR values in daily operations, or, through teaching, research, forums and other operating activities:

CEIBS is the first Chinese business school to make Business Ethics a compulsory course. The school treats CSR as a strategic priority critical to its development, encourages the faculty to undertake CSR-related research projects, and provide firm support for teaching, research, case development, curriculum design, and alumni practices, with a view to building CEIBS into an iconic business school that is leading in CSR research and practices in China and even Asia; the school devotes itself to nurturing responsible business leaders, who are active in participating in public welfare programs and launching socially responsible products and services.

The school has introduced CSR-related MBA-level courses on business, sociology, and environment since 2009. MBA students has hosted CSR forums every year since 2006;

The CEIBS EMBA Programme made CSR the focus of the first course students take when entering the Programme. The ‘CEIBS EMBA Award for Social Responsibility’ was established by the school in 2008 to encourage EMBA students to take due social responsibility;

The school has launched the Women Entrepreneurship and Leadership for Africa (WELA) training programme for African female entrepreneurs, and offered free courses to selected African entrepreneurs, in order to fulfill its social responsibility in Africa and help advance local economic development through management education;

In November 2017, the school launched a CSR initiative, contributing to the development of China’s CSR theoretical framework and evaluation criteria;

In 2019, the Association set up a public welfare alliance to expand the influence of alumni’s public welfare and CSR efforts.

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The Association, which serves to maintain ties between the school and its alumni, is the organizer of CSR activities. In 2017, the third council of the Association was formed for the purposes of ‘service to alumni, contribution to CEIBS, dedication to society’. It set five priorities — service to alumni, brand building, organizational development, platform operations and social responsibility, and launched the CEIBS alumni enterprise CSR initiative, embarking on the next exciting chapter for CEIBS’ public welfare and social responsibility efforts. Tian Ming said, “Entrepreneurship and social responsibility will always be prioritized in the Association’s activities throughout the year.”

Since its establishment, the third Association council, supported by the school, has initiated and organized a variety of high-profile CSR campaigns, such as public welfare and social responsibility forums, CEIBE alumni public welfare achievement exhibitions, and annual CSR report release conferences. The alumni companies delivered exceptional performance in doing charity work, observing laws and regulations, launching innovative products or services, creating job opportunities, protecting the rights and interests of employees, and offering promotion and growth opportunities for employees, elevating CEIBS’ image as a responsible business school brand.

The alumni’s responses to Covid-19 offered a glimpse of their socially responsible practices in business operations. They fought the war against coronavirus with an entrepreneurial spirit, used business management methods to enhance efficiency, and applied business logic to institutional problems besetting domestic charity events. Their cohesion, competence and sense of responsibility were critical success factors in the fight against Covid-19.

According to Wu Jinglian, CEIBS Baosteel Chair Professor of Economics and spokesperson for CEIBS alumni CSR campaigns, the governments, both Chinese and foreign, did not solve social problems to the public’s satisfaction, in spite of the higher costs incurred. NGOs sprung up to address certain public problems, yet they only had a limited effect due
to a lack of power and resources. Against this backdrop, for-profit enterprises that engage in CSR programs became mainstream by the late 20th century. Hence, it was of great significance to highlight CSR in the school’s positioning.

Capability brings with it responsibility. Pursuant to the school’s CSR development plan, CEIBS will strive to build a modern international CSR platform with avant-garde ideas, noble values, and multiple functions such as information exchange, academic research, education and training, integration of resources, recognition of the advanced units, promotion of innovation, experience sharing, and formation of alliance. At the same time, the school will use its distinctive case-teaching method to disseminate CSR values. In this process, the Association will pass on CSR values, disrupt traditional models, and incubate CSR initiatives.

### CEIBS’ CSR practice

#### A joint anti-pandemic effort

- **Comprehensive process linkage**
  - Demand response—global procurement—customs clearance—supplies allocation—logistics—targeted delivery—compliance audit—news reporting...

- **Blurring of spatial boundaries**
  - Wuhan, Hebei, medical teams dispatched to Hubei from other provinces or municipalities, organizations fighting Covid-19 on the front line. EU countries, alumni dispersed around the world...

- **Organization-wide coherence**
  - CEIBS Alumni Association, Fosun Foundation, Chunmiao Foundation, CEIBSers, alumni chapters...

#### The unity of knowledge and action

CSR education from the school, CSR practices by students; the students and the school learn and benefit from each other, fostering the unity of knowledge and action

**Representation of CEIBS Alumni Association’s anti-pandemic effort (CSR practice): “合”**

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**About the author**

Liu Geng is a Case Researcher at CEIBS Case Center.
Shaping an ESG Strategy through Corporate Values

By Zhang Xiaoping

Guo Guangchang
CEIBS Global CEO 2006 Alumnus
Chairman, Fosun International Limited

“Since its incorporation, Fosun has upheld core cultural values of “self-improvement, teamwork, performance, and contributing to society”. A global company rooted in China, Fosun actively pursues the creation of business value, while attaching importance to corporate social responsibility, which it incorporates into its sustainable development strategies.”
Contributing to the Global Relief Effort

During the Chinese New Year holiday of 2020, the Covid-19 epidemic broke out in Wuhan and rapidly spread to other cities across China. Strict epidemic control measures were implemented nationwide, including city and village lockdowns and road closures. In the space of just a few days, Chinese households were self-isolating at home, medical supplies were rapidly depleted, hospitals were short-staffed, businesses were shut down, and transportation ground to a halt.

| Fighting on the front lines |

In the early days of the outbreak, Fosun identified Wuhan and several other hard-hit areas as the “front line” of the fight against the epidemic. The company rapidly mobilized its global resources including medical supplies and professionals, transportation systems, and personnel; it also established a pandemic war-time command center to safeguard deliveries of supplies and protect frontline workers, including medical staff, community workers, and the police.

On January 24, 2020, Fosun scrambled to form a task force to procure and deploy medical supplies globally. The force, which was led by Chairman Guo Guangchang and Co-Chairman Wang Qunbin, created a procurement network that eventually spanned 23 countries, including Japan, the UK, Germany, Russia, France, and the US. This global supply chain made it possible to source supplies quickly and efficiently. Indeed, Fosun’s first batch of 50,000 protective suits arrived in Shanghai just four days after it had placed an order in Germany.

Shortly after the outbreak, Fosun set about developing a vaccine for Covid-19. On March 15, Fosun Pharma announced that its majority-owned subsidiary Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. had been authorized by Germany’s BioNTech SE to exclusively develop and commercialize its proprietary mRNA vaccine in mainland China, Hong Kong, Macau, and Taiwan. On March 26, the Covid-19 nucleic acid test kit developed by Shanghai Fosun Long March Medical Science Co., Ltd., a wholly-owned subsidiary of Fosun Pharma, obtained emergency use authorization from China’s National Medical Products Administration (NMPA).

| Practicing corporate citizenship |

As the global number of Covid-19 cases soared, Fosun sought available flights around the world and created global logistics solutions by both using charter flights and converting passenger aircraft to carry cargo through a strategic partnership with China Eastern Airlines. On March 1, under its guiding principle that “all mankind is a community of shared destiny”, Fosun moved from phase one of combating Covid-19 to phase two, under which it extended its domestic efforts to the rest of the world and offered global humanitarian assistance.

During phase two, Fosun urgently deployed resources to assist in the global fight against the pandemic. As of April 7, 2020, Fosun had supplied 3.927 million items of PPE (such as face masks, protective suits, and test kits) to stem the pandemic in countries badly affected, including Italy, the US, France, Germany, the UK, Japan, and India.

To combat the pandemic, Fosun Foundation also joined forces with 107 charitable companies, organizations, and individuals across the country to assemble a humanitarian response. These efforts were applauded by global leaders and dignitaries. In a letter of appreciation to Fosun, Germany’s ambassador to China Clemens von Goetze wrote: “Fosun was the first Chinese enterprise to contact the German Embassy and offer a helping hand.”
From Roots, to Shoots, to Trees

There is an old Chinese saying that goes, “For a tree to grow tall and luxuriant, its roots must run deep and strong.” Fosun’s rapid response to the pandemic was the fruit of its deep-rooted ESG strategy, which it has cultivated rigorously for over a decade. The strategy comprises six branches: quality management, EHS management, responsible investment, responsible procurement, responsible employer, and responsible CSR activities.

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<th>Safeguarding development through quality control</th>
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| Fosun views quality as the lifeblood of its success. It has instilled a culture of quality among its employees, with an emphasis on products and services and putting the customer first. The EHSQ & Operational Excellence Department, which is responsible for quality management, has published various normative documents, including guidelines for Fosun member companies to establish product recall mechanisms. It has also established an oversight system to monitor the product quality of member companies and supervise their compliance with local laws and regulations.

Fosun Pharma is an example of this focus on quality. It has implemented a product lifecycle management system that boasts quality system audits and certification, quality risk management, product recalls, quality culture development, and quality training throughout the drug lifecycle, from development to technology transfer, commercial production, and end of life. In 2019, Fosun Pharma conducted a total of 17 quality audits, including six unannounced inspections, and completed the quality assessment of 8 medical device member companies.

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<th>Integrating management through the EHS system</th>
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| Fosun has implemented a comprehensive EHS system that covers employee health, environmental safety, occupational health, fire safety, energy conservation, environmental protection, and other employee and workplace matters. The Group has issued various normative documents, such as the Fosun Group Environment, Health, Safety & Quality Policy, Fosun Group EHS Management System Manual, Policy on the Handling of Major Safety, Quality, Environmental, and Operational Incidents and the Accountability of Unit Leaders, which form the foundation of its EHS system. It has also set out key objectives of having “zero occupational illnesses” and “zero workplace fatalities”. By the end of 2019, 18 of Fosun’s member companies had obtained Occupational Health and Safety Management Systems certification (OHSAS18001/ISO45001).

In addition to arranging annual health check-ups and routine occupational illness tests for employees, Fosun is also dedicated to managing workplace safety, reducing water consumption from its operations, conserving resources, minimizing waste by targeting root causes, treating waste water, gases, and solids before disposal and ensuring waste compliance, reducing pollution, and protecting the environment.

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<th>Creating mutual benefit partnerships through responsible procurement</th>
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| Fosun values harmonious, mutual benefit partnerships. To this end, it has set itself the goal of building a world-class sourcing and procurement risk management system by 2028. It has established a Cost and Procurement Management Department to oversee the Group’s supply chain, and based on the Fosun Group Procurement White Paper, has formulated a comprehensive, regulated procurement system by publishing normative documents such as the Basic Guidelines for Procurement Management, Basic Guidelines for Supplier Management, and Management Measures for Strategic Procurement.

Fosun has also established an end-to-end supplier management mechanism. It published a Procurement Management Assessment (also known as the Traffic Light Assessment), which it uses to assess regular suppliers at least once a year, and high-risk suppliers on a quarterly, monthly, or otherwise agreed basis. In 2017, Fosun launched Onelinkplus, a shared digital service center that offers support services covering the entire supply chain, including budget management, tendering and sourcing, supplier lifecycle management, contract signing, and contract fulfillment tracking. By the end of 2019, Onelinkplus was home to over 300 buyers and over 10,000 qualified suppliers, and had facilitated over 4,000 online tenders.

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① EHS is a corporate management concept borrowed from Western countries that stands for Environment, Health, and Safety
② EHSQ is Fosun’s twist on the EHS concept and adds an additional requirement, “Quality”. 
| Incorporating ESG metrics into investments |

Fosun has also introduced the use of environmental, social, and governance indicators in investment decisions and enshrined this approach in the *Fosun Investment Manual and Responsible Investment Policy*. Now, when making investment decisions, investment analysts must factor in ESG metrics such as corporate governance, shareholder rights, changes to rules and regulations, supply chain management, and the workplace environment.

Fosun has made investment in environmentally-friendly industries and clean technologies a major focus. To this end, it has established the Energy Industrial and Utility Investment Department, formulated clean technology investment strategies, and forged a comprehensive ecological platform. Over the next decade, Fosun aspires to progress from being an environmentally-friendly group (curbing pollution) to an environmental group (curbing pollution + using resources efficiently) and finally an ecological group (curbing pollution + using resources efficiently + energy).

| A responsible employer that attracts global talent |

Fosun views its employees as its most valuable asset. In 2019, the Group was ranked China’s fourth most-admired employer by LinkedIn, a top-100 employer by Liepin.com, and employer of the year by zhaopin.com. By the end of 2019, Fosun had some 71,000 employees.

To make life easier for employees and improve their wellbeing, Fosun has also created a big data platform that makes available the Group’s products and services to employees and their families at favorable prices. Fosun has also implemented management mechanisms that cover key issues such as labor rights protection, prejudice and harassment prevention, child labor and forced labor prevention, and employee training and development. In 2019, 72.8% of employees at the Group and its six subsidiaries received training, clocking up 1.31 million training hours between them, or 22.6 hours per employee.

| Practicing CSR |

While pursuing business success, Fosun also strives to be a good corporate citizen and is committed to improving China’s business ecosystem and natural environment. In November 2012, Fosun Foundation was established, with Fosun and member companies as the main donors. The Foundation’s mission is to support worthy causes around the world in fields such as health, poverty alleviation, culture, education, art, and youth entrepreneurship.

Fosun Foundation has four strategic priorities: disease relief, sustainable income, universal education, and quality of life. More specifically, it has a special focus on health, youth entrepreneurship, education, culture and art, and poverty alleviation. The Foundation organizes charitable activities in all the above key areas. At the end of 2019, the Foundation’s cumulative donations had exceeded ¥400 million, delivering benefits to over 22 million people.

Fosun has leveraged its strengths in the health sector to improve medical services in rural areas. It has launched a decade-long Rural Doctors Program with an initial goal of providing aid to 1.5 million rural doctors. By the end of 2019, the program had reached 60 national-level poverty-stricken counties in China, successively deployed 87 Fosun members to provide on-site support in target areas, visited 1,289 town health centers and 6,769 village clinics, and recruited 10,925 rural doctors for the program.

Fosun Pharma is also committed to raising awareness about malaria prevention in Africa and lowering malaria incidence. By the end of 2019, Fosun Pharma had shipped overseas over 120 million doses of Artesun®, its innovative, proprietary drug, and enabled the recovery of more than 24 million patients with severe malaria, most of whom were African children under the age of five.
Building a Strong Business to Benefit Society

It is often said that great things start from small beginnings. Fosun makes conscious and targeted efforts to communicate and cultivate its culture of “self-improvement, teamwork, performance and contribution to society” at every level, to every employee, through big and small actions, and with great reach and breadth. Its humanistic approach is visible in every little detail.

| Building a “happiness ecosystem” through three pillar businesses |

A global company rooted in China, Fosun has adopted a global strategy of “combining China’s growth momentum with global resources”. Based on its three pillars for a happy family — health, happiness, and wealth — Fosun has fostered and integrated high-quality business resources across the globe to create one-stop, lifecycle happiness solutions for families.

Fosun’s health business is centered on innovation-driven pharmaceutical manufacturing and health services, which includes pharmaceutical manufacturing and R&D, medical services, medical devices and diagnosis, pharmaceutical distribution, and retail, health insurance, and health management services. Fosun has built an integrated R&D system that connects China, the US, India, and Israel, and has created an international R&D platform for biopharmaceutical drugs, novel small molecule drugs, cell-mediated immunity, and high-value generic drugs. The Group is also exploring the use of the Internet and digital technologies to create new innovative and smart business models.

Fosun’s happiness business targets mid- to high-income families and aims to capitalize on China’s consumption upgrading through an expanding leisure and travel, culture, fashion, entertainment, and content offering. The happiness business focuses on five key areas: online platforms, offline experiences, high-quality products, premium content, and replicable models. By being present across almost all business lines, Fosun can take advantage of synergies across industries.

Fosun’s wealth business spans insurance, financial services, and investment, with insurance at the core. By creating synergies between insurance and other Fosun-owned industries and assets, Fosun is able to offer three types of signature wealth services: insurance + industry, insurance + finance + assets, and finance + technology. Fosun offers a global portfolio of insurance products that meet the diverse needs of families, including life insurance and property insurance, as well as wealth management and consumer credit insurance.

| A deep-rooted ESG culture |

Since its inception, Fosun has set itself the core values of “self-improvement, teamwork, performance, and contribution to society”. These values are both a standard that Fosun employees strive to live up to every day, and also represent Fosun’s commitment to sustainable development as a responsible, global corporate citizen. In August 2014, Fosun became a member of the UNGC, further highlighting its global commitment to sustainable development. In 2019, three more member companies also followed suit.

For Fosun, “self-improvement” means the unity of knowledge and action. Fosun urges the organization and its employees to review their strengths and weaknesses and objectively evaluate themselves to achieve improvement through continuous introspection.

“Teamwork” means making concerted efforts and cooperating to achieve mutual benefit outcomes. The Fosun team is expected to think and act like an entrepreneur starting a new business and strike complementary, harmonious, and win-win partnerships.

“Performance” means the pursuit of perfection and outstanding quality. Fosun needs to innovate and expand services in its health, happiness, and wealth businesses to bring happiness to every family.

“Contribution to Society” means business for good and value sharing. The objectives that Fosun has set itself in this area include creating a greener planet through energy conservation and environmental protection, generating wealth for the benefit of society, nurturing brands to serve society, and benefiting society through giving-back activities.

The above values run deep both in Fosun’s corporate structures and the hearts and minds of its employees. By embedding these values in its organization, Fosun has ensured that ESG concerns are always front and center across its operations.

③ UNGC is short for United Nations Global Compact, the world’s largest voluntary corporate sustainability initiative.
Building Strong Institutional Safeguards

There is an old Chinese saying that goes, “A thousand-foot high tower starts from the ground level”. To strengthen ESG governance, Fosun has put in place a standardized ESG governance structure and management system. By instituting a comprehensive risk management system, optimizing its governance structure, and strengthening governance capabilities, Fosun is blazing a new trail for private companies that want to help the world through doing business.

| ESG governance structure

Fosun has established an ESG Committee under the direct leadership of the Board of Directors, which is its highest ESG governance body. Beneath the EST Committee is the ESG working group, whose diverse membership represents most of Fosun’s functional departments, including EHSQ & Operational Excellence, Risk Management, Cost & Procurement Management, Capital Markets and Investor Relations, Fosun Foundation, and Anti-Corruption and Supervision. Below is an organizational chart of the ESG working group:

![ESG Working Group Organizational Chart]

Created in March 2019, the ESG Committee is comprised of five Board members, with one independent non-executive director serving as the chairman. The Committee’s job is to help the Board to direct and monitor the Group’s ESG efforts. Its main duties include supervising the development and implementation of the Group’s ESG vision, strategies, and policies, and monitoring the budget and expenditures, as well as external communications policies.

The ESG working group reports to the ESG Committee. Its main responsibilities include participating in the drafting of Fosun’s ESG strategic vision, objectives, and strategies; offering recommendations to the ESG Committee on ESG initiatives; periodically reviewing emergent ESG trends and topics and making recommendations to the ESG Committee; periodically reviewing Fosun’s ESG policies and practices to ensure they are relevant and compliant; monitoring applicable laws, rules, regulations, and international standards to ensure Fosun’s policies are up-to-date and compliant; reviewing ESG documents submitted by subsidiaries, affiliates, and portfolio companies; and assisting in setting goals and evaluating performance for ESG initiatives.

| Capacity building for operational excellence

Fosun closely follows the latest developments in ESG both in China and internationally. By organizing ESG training for relevant team members, actively participating in seminars, and keeping abreast of the latest trends and innovations in the market, Fosun is constantly improving its ESG capabilities.

In order to create a top-down, lasting mechanism for ESG improvement, Fosun now includes the Group’s ESG performance in the Board’s performance review, creating a strong incentive for senior executives to improve their ESG management. In addition, by actively communicating with stakeholders, Fosun has ensured that their expectations and
requirements are weighed and reflected when formulating ESG strategies. In 2019, following extensive and in-depth discussions through multiple channels, Fosun identified a total of 24 ESG initiatives; stakeholders were also closely engaged in Fosun’s ESG operations.

Fosun views trade associations as important external partners for improving ESG governance. Over the years, it has successively joined the UNGC, China Enterprise Anti-fraud Alliance, China Institute of Internal Audit, China Pharmaceutical Industry Association, China Medical Pharmaceutical Enterprises Association, China Medical Pharmaceutical Material Association, and China Society for Drug Regulation.

| A four-tiered risk management system |

Fosun’s comprehensive risk management approach serves as an important firewall that safeguards its ESG governance. Over the years, the Group has overhauled its risk management systems and frameworks, focusing on organizational structure, management systems, and workflow.

Under the leadership of the Board of Directors, Fosun has linked up several departments to collectively deliver comprehensive risk management. This includes Legal, EHSQ & Operational Excellence, Anti-Corruption and Supervision, Risk Management, and Audit.

The risk management system at Fosun features four lines of defense: business units, functional departments such as Finance and Legal, Internal Audit, and Anti-Corruption and Supervision. For the first line of defense, Fosun issued the Fosun Group Risk Reporting Policy to strengthen risk control at key subsidiary enterprises and promote early warning, reporting, and response mechanisms. The second line of defense involves combining ex-ante assessments, in-process management, and ex-post alignment to empower the Finance and Legal teams. This then helps Finance and Legal to better interface with Internal Audit, forming a third line of defense, as well as Anti-Corruption and Supervision, which is the fourth.

| Upholding professional ethics and integrity |

The Board is Fosun’s top governance body for business ethics. The Anti-Corruption and Supervision Department, headed by the Chairman, is charged with investigating and handling instances of malpractice, such as corruption, abuses of power, or misconduct.

Fosun has formulated a series of anti-corruption mechanisms and policies, including Incurruptible Working Regulations for Employees, Policies for Cash and Gifts Received during Business Activities, Policies Regarding the Anti-corruption and Supervision Function, Anti-corruption Assessment and the Traffic Light Measures, and the Global Whistleblowing Policy. These are designed to govern employee behavior by preventing corruption and fraud, protecting commercial secrets, requiring disclosure of conflicts of interest, and preventing shady transactions. In addition, employees’ performance evaluations are linked to their personal ethics, and all employees are required to sign an Integrity Agreement and accept disciplinary action for violations.

Fosun has also issued the Fosun Group Guidance on Anti-money Laundering (Pilot) and carried out compliance training with a focus on anti-monopoly and anti-unfair competition practices. The Group sees business ethics and integrity as inviolable and works to ensure that these principles are upheld by every employee of the Group and its member companies.
Conclusion: Contribution to Society

From 2019 to 2020, by collaborating with partners along the value chain, Fosun has taken on a leading role in integrating ESG factors into its business. Throughout its operations, the Group attaches great importance to environmental protection and efficient resource usage. Fosun has also leveraged its strengths in various sectors to give back to society through health promotion and poverty alleviation initiatives, educational and cultural activities, and business incubation.

Going forward, Fosun remains committed to sustaining robust, efficient growth, staying true to its core values, exercising corporate social responsibility, and upholding its aspiration of becoming an admirable global corporate citizen with a strong sense of social responsibility.

Shaping an ESG Strategy through Corporate Values

About the author

Zhang Xiaoping is a Case Researcher at the CEIBS Case Center.
CSR at Sanquan
An Invisible Backbone

By Wang Qi and Zhu Qiong

Chen Nan
CEIBS EMBA2005 Alumnus
Chairman of Sanquan Food Co., Ltd.

"At Sanquan, corporate social responsibility started out as something we did unconsciously, then consciously, and finally systematically. For us, corporate social responsibility and company growth are two sides of the same coin: they form the seamless foundation of a long-lasting business."
Abstract

At Sanquan Food Co., Ltd. (‘Sanquan’), practically no one used the word ‘CSR’, in fact most had probably no real idea what it stood for. Yet, on closer inspection, CSR permeated the company’s operations. Sanquan had over 10,000 staff originally from rural areas, who accounted for 87.5% of all employees. Along the industry value-chain, Sanquan’s business propelled the emergence and growth of over 5,800 small and medium-sized enterprises, through whom the benefits trickled down to over 400,000 farmers. Moreover, Sanquan, which had developed a set of quality systems and standards over the years, shared that knowledge generously with partners in this trade, hence raising the bar on quality for the entire industry. After the outbreak of the Covid-19 pandemic in Wuhan in early 2020, Sanquan was the first company in Henan Province to donate food to the city.

“In our opinion, this is how a company achieves sustainable development by seeking shared benefits with stakeholders. Initially, we didn’t realize it was actually corporate social responsibility,” said Chen Nan, Chairman of Sanquan. It was not until November 4, 2020, when Premier Li Keqiang visited Sanquan, that Chen Nan realized what it was actually doing, when the Premier commented on the significant value Sanquan was creating for society: “When I visited Sanquan 17 years ago, what I saw was a sea of people in the workshop busy hand making dumplings and glutinous rice balls. That was how Sanquan created jobs for the surplus labor in rural China. And 17 years later, Sanquan has mechanized production in place and therefore fewer people in the workshop. However, it boosted the development of many small and medium-sized enterprises. This is just phenomenal.” In 2020, due to the Covid-19 pandemic and an unfavorable international backdrop, the survival of small and medium-sized enterprises was under unprecedented pressure. Premier Li hoped that enterprises large and small could find ways to coexist and prosper through cooperation.

Market Leader in Frozen Food

Founded in 1992, Sanquan specialized in the production of processed food from agricultural products, from research and development, manufacturing and selling of quick-frozen rice, noodles, shabushabu and barbeque food, all the way to refrigerated prepared meals, etc. Sanquan was committed to being a leader among food suppliers, delivering quality meals to the dinner tables of Chinese consumers. Sanquan owned two well-known brands, “Sanquan” and “Long Feng”. Headquartered in Zhengzhou, Henan province, Sanquan had been listed on the A-share market since 2008 (002216) and had maintained a no.1 market share for more than 10 consecutive years.

By the end of 2020, Sanquan had set up factories in Zhengzhou, Guangzhou, Chengdu, Tianjin, Suzhou, Foshan, Wuhan, etc., and 42 subsidiary distribution companies across the country, with 4,000 plus distributors and over 200,000 partnering retail and F&B outlets. It had also expanded its distribution network by going online, tapping into e-commerce, community e-commerce, and social network e-commerce. Numbers from June 2020 showed that Sanquan’s revenue in the first half of the year was ¥3.7 billion, a year-on-year increase of 22%; the total half-year profit was ¥560 million, a year-on-year increase of 475%. The net profit attributable to shareholders of the listed company, non-recurring gains and losses deducted, was ¥3 billion, a 322% year-on-year increase.

“Be kind and do good” was the core value that the founding team of Sanquan had been upholding since the outset. After years of living up to this motto, Chen Nan saw how being kind and doing good was essential for creating synergy inside the company and for fulfilling its mission of social responsibility in society: this basic approach underpinned Sanquan’s successful growth. Sanquan’s achievements could be attributed to the positive long-term relationships it had gradually built up with stakeholders. Sanquan’s fundamental strategy was to do good without jeopardizing the safety or growth of the company. Nevertheless, when the crises struck in the past (earthquakes, epidemics, etc.), Sanquan always put its financial considerations aside and prioritized bringing assistance to society and those in need.
The Business of Doing Good

| Buying directly |

Almost all materials used by Sanquan were agricultural produce — flour, glutinous rice flour, meat, poultry, eggs, sesame seeds, peanuts, beans, vegetables, among hundreds more products. Annually, Sanquan consumed around 300,000 tons of agricultural produce, among which meat, sugar, oil, flour were usually purchased from mega-sized suppliers like China Oil and Food Import and Export Corporation (COFCO). These categories made up about 70% of the materials procured, while the remaining 30% were sourced from over 1,500 small and medium-sized suppliers, among which over 300 had established direct supply partnership with Sanquan.

“Always try to source from where the goods are originally grown or produced, and prioritize suppliers from poor areas” was a key message reiterated by Sanquan executives during regular meetings on sourcing and procurement. Starting from 2014, Sanquan sent out a field research team every year to rural areas with the goal to find farmers and farming cooperatives who could sell their products to Sanquan directly. The field team communicated their needs and specifications to the farmers, and if the latter met these requirements, Sanquan would partner with them. When harvest season came, Sanquan would notify the farmers of the planned time for pick-up one week in advance.

For crops that required much expertise in growing, Sanquan would integrate resources locally at the origin of the food and establish plantations. By 2020, Sanquan had built more than 10 plantations which respectively grew high-quality wheat, shiitake mushrooms, peanuts, reed leaves, glutinous rice, etc. These plantations were mostly located within Henan, not far from the manufacturing plant at Sanquan headquarters. During the Covid-19 pandemic, Sanquan’s rapid recovery of production was partly supported by this robust network of resources.

Buying directly from where the food was harvested brought down costs and ensured quality. Meanwhile, the sizable and stable orders from Sanquan translated into reliable and continuous income for farmers. Sanquan even helped farmers to improve their skills in farming.

| Empower partners small and medium-sized |

As a processed food manufacturer, Sanquan was in a value chain that involved more than 20 upstream and downstream industries, covering a total of 5,800 SME partners. “It’s a much more demanding job cultivating an SME partner from square one than empowering an existing partner,” said Yao Zhaoxu, the procurement director of Sanquan. Therefore, as long as the supplier made a proactive effort to meet the quality standards of Sanquan, then regardless of how small that supplier was, Sanquan will try to empowered it to make sure that it did not fall short of requirements.

Suppliers
To empower small and medium-sized suppliers, Sanquan’s efforts were three-fold: supportive procurement, tailored coaching and financial aid.

Supportive procurement
For small and medium-sized suppliers, Sanquan usually placed orders that size covered the whole year’s need. Yet when it came to paying, instead of letting the suppliers wait a full year, Sanquan paid them monthly. “A single, combined order reassures the suppliers that they can count on a stable, sizable demand from us, and the monthly payments provide them with continuous and healthy cash flow,” said Yao Zhaoxu. “Of course, this arrangement also leads to stability in our supply, which benefits us too.”

Sanquan did not stop at placing orders and waiting for the harvest: it also did everything it could to help suppliers to reduce their costs. The biggest expenditure in agricultural production lay in raw materials, which fluctuated sharply in price depending on the season
and shifted in supply and demand: reliable price forecasts were therefore very valuable for controlling cost. For example, as prices fell inventories needed to be kept to a minimum, while stocks needed to be kept full when they went up. As such, Sanquan had a model that forecasted prices trends and the company shared its data with its suppliers for free.

**Tailored coaching**

To empower suppliers, Sanquan went to great lengths to offer tailored coaching. For example, when Sanquan noticed that its supplies of shepherd’s purse were contaminated by pests and other pollutants, it trained the farmers so that they could keep the crops free from contamination during the growing process, and it trained them how to bundle and pack the harvested crops correctly to meet Sanquan’s quality standards, and how to sort the crop from unwanted chaff using special screening equipment. Sanquan also advised growers to build ‘leafy vegetable washers’ fitted with a running water supply, whilst guaranteeing that they would cover the cost of the investment.

Many suppliers started out as humble mom-and-pop small holdings, but with coaching and support from Sanquan, had grown into medium-sized enterprises that generate their own positive aura in their neighborhoods. One example of successful growth was a sesame supplier that had worked with Sanquan now for thirty years. During the three decades of their partnership, the small holding supplied Sanquan with hand-ground sesame seeds. Sanquan taught it how to optimize its craft, offered advice and support in the design and construction of a new workshop, refrigerated storage and laboratory, and assembled and trained a team of skilled staff. Up till 2020, this sesame seed supplier was one of the largest roasted sesame suppliers in China. Sanquan’s black sesame-paste filled glutinous rice balls were a hit with customers because of the unparalleled high-quality raw materials used to make them, supplied by producers trained by Sanquan.

**Financial support**

Suppliers were often daunted by the immense difficulty and high cost of obtaining finance themselves. Consequently, Sanquan used its own funds to provide two types of financial services. The first was a system that allowed advanced payments: when a supplier urgently needed money to buy raw materials and was entitled to a payment from Sanquan due on a future date, it could apply for an advanced payment. The second service was aimed at SME suppliers whose assets did not qualify as collateral for a bank loan. These SMEs could apply for a loan from Sanquan with interest rates equivalent to those in the market. For example, one of Sanquan’s beef and mutton suppliers needed to stock up on supplies before the winter but lacked sufficient liquidity. Sanquan granted it a six-million loan knowing not all its inventory would be supplied to Sanquan. The goods bought with the loan could be stored at designated refrigerated storage under Sanquan’s storage alliance. This model lowered the financing and purchasing costs for the supplier, created revenue for the refrigerated storage alliance, and guaranteed Sanquan a stable, reliable supply of meats.

To ensure its financing services were compliant and subject to appropriate scrutiny, Sanquan established a loan review committee, which then introduced a risk assessment system to screen applicant’s product quality, legal track record, the value of assets owned, among other relevant factors. Under this system, suppliers received an A, B, C or D rating. D ratings were not eligible for loans. Others could be granted loans whose amounts reflect their ratings, which meant the same amount of collateral could result in loans of different sizes as their ratings vary.

**Distributors**

Sanquan had over 4,000 distributors, among whom 400 were qualified for bank loans. Sanquan did not finance them directly, but rather provided support during their bank loan applications. Sanquan normally introduced the distributors to respective banks, provided needed business and transactional information based on which bank loans were available.
| Promote the formulation of industry and national standards |

As early as 2008, Sanquan started to champion the idea of setting industry standards. In July of the same year, the Frozen Rice and Noodles Sub-Committee under the National Technical Committee for Standards of Rice and Noodles was established with its secretariat set at Sanquan. Chen Zemin, a founding committee member and then chairman of Sanquan, was appointed secretary-general. By December 2020, Sanquan had led, participated or promoted the formulation of 23 national, industry or trade association standards. In addition, Sanquan was actively involved in the introduction of four more sets of standards, one national and three international.

According to Chen Nan, Sanquan’s efforts to establish these standards stemmed from its position as a market leader. Given its status in the industry, it believed it had the ability, responsibility and obligation to upgrade its sector through standard-setting. For example, the SB/T 10412-2007 Standards for Frozen Rice and Noodles, in which Sanquan played an active role, stipulated that unpackaged frozen food had to be prepackaged before being sold, which greatly improved food safety. The GB/T 25007-2010 HACCP Application Guidelines for the Production of Frozen Food and GB/T 23786-2009 National Standards of Frozen Dumplings standardized the production management of frozen food, thus also guaranteeing food safety.

Sanquan also worked jointly with various stakeholders — enterprises, trade and government agencies and launched international standards such as Standards for Frozen Dumplings and Standards for Glutinous Rice Dumplings, paving the road for China’s frozen food to go global.

| Cultivate a culture of trust |

“Be kind and do good” was evident in the way how Sanquan was managed internally. The culture of trust, pioneered by the founder Chen Zemin, ran in the company from the top to the bottom. After Chen’s retirement, his sons Chen Nan and Chen Xi took up the baton. The Chen family had one thing in common: they were very good at hiring top professionals from the outside to operate and manage their company. They fully empowered the managers they hired.

Taking the management of sourcing and procurement as an example. After hiring an external expert to head this function, the Chen brothers delegated the management of this billion yuan business entirely to this person. No matter how big a contract was, this person was in charge of its review and approval. The Chen Brothers never interfered.

Many business heads at Sanquan said that this high level of trust and autonomy from the top was the best incentive to do the best job they could.

Su Ling, the no-nonsense, outspoken vice president of Sanquan, had been immersed in this culture for over a decade. She was a food safety and quality management specialist who worked at Swire, Coca-Cola and DuPont prior to joining Sanquan. She held key positions in quality, procurement, and R&D at Sanquan, and was currently in charge of quality and R&D. According to Su Ling, her first three years at Sanquan were dedicated to quality management, which at that time needed much improvement. Without the trust and support from the top management, her aggressive style of getting things done would probably had been greeted with resistance. The trust placed in her by the top management spurred her on in her new environment, and allowed her to develop cross-cutting abilities. Essentially, the huge trust she received was a catalyst to shift her mindset from simple “employee” to responsible “owner”.

Chen Nan had always been committed to creating career opportunities for employees. However, he also admitted that not all professional talent fitted this ‘Sanquan environment’. When people decided to leave, Chen Nan was understanding and even offered further guidance to help them move on. As this case was being written, one of Sanquan’s Human Resource managers tended his resignation, yet he was still invited by Sanquan to be interviewed by the researchers, and he continued to attend relevant business meetings. Moreover, when Chen Nan learned that he was going to duplicate the “Sanquan model” at another company, Chen specifically talked him over how the model was designed, what were the details to be especially aware of, and reiterated that if the model was destined to be applied in a different company at a different phase of development in a different industry, it would be necessary to remain flexible and be ready to adapt.

The culture of trust started from the top, but now it ran both top-down and bottom-up: employees worked harder and required less supervision, and in times of crisis, employees were quick to respond. According to Liu Zhenzhen, manager of Corporate Management, the reason why Sanquan was able to quickly resume production during Covid was because of this solid culture of trust.
Development Through Opening Up

In response to growing demand from consumers for product diversity and personalization, in early 2019, Sanquan made the transition from an in-house product R&D model to a “platform model”, integrating resources from various external channels to support product innovation. Through this platform, various industries, sectors and parties could find ways to integrate their resources, generated business and created value.

To accommodate this transformation, Sanquan re-organized its businesses based on product categories and transformed each category into a profit center. Other supporting lines of business, for example, manufacturing, procurement, logistics, distribution, etc., were transformed into service centers. Following the reorganization, when a product team decided to develop a new product, they could either source the services they needed internally or externally.

The next question was how to efficiently and strategically utilize external resources? The answer for Sanquan lay in a culture that highlighted product quality. Sanquan reached out to companies who shared its enthusiasm for quality, empowered them with Sanquan’s knowledge and expertise in quality management and helped them grow.

| The excellent quality alliance |

On August 28, 2020, the Excellent Quality Alliance, initiated by Sanquan, was unveiled in Zhengzhou. Nearly 200 companies joined the Alliance, among them many were material suppliers and contractors of Sanquan or third-party enterprises who did business with Sanquan. At the kick-off meeting, Sanquan promised to make public the quality system and standards it developed over the past 30 years, and provided services including supply chain financing, third-party technical support, joint procurement of raw materials, etc. to alliance members.

Chen Nan said: “With the further division and specialization of labor, a large company that does everything is not good economics. A supply chain where each specialized business does what it knows best, complementing the other businesses, reduces costs for everyone.” He emphasized that: “The foundation of cooperation is maximum efficiency, and the premise of maximum efficiency is consistency in quality.”

As the kick-off meeting wrapped up, Su Ling, the secretary-general of the Alliance, wasted no time visiting other member companies. “I want to understand the real needs, pain points as well as advantages of each member, see that they understand quality, and are ready to explore ways to synergize their strengths with Sanquan’s advantages to create win-win conditions.” After two months of site visits, Su Ling was confident that she had identified the chances for cooperation and innovation between Sanquan and its alliance members.

Companies other than Sanquan’s affiliates or business partners were also welcome to come on board. The applicant only had to be recommended by two Alliance members, then even if they were a competitor, they were qualified to join. Su Ling explained that such openness resulted from Sanquan’s sincere commitment to raising the bar on quality for the entire industry and cultivating a healthy competitive environment.

In the spirit of creating a common benefit for all, Sanquan also vouched for a fairly appointed board to manage the Alliance. The chairman of the first board was Chen Nan. After a two-year term, the next chairman would be elected by the Alliance members. As of December 2020, the number of member companies had increased to 300.
Fighting Covid-19

Sanquan always stressed the business logic behind CSR. Yet in the event of a social or environmental emergency, Sanquan put profitability aside and unconditionally commits to disaster relief. According to Chen Nan, Sanquan’s unhesitant commitment to the society amid a crisis was backed by its rich resources and broad capabilities, yet those resources were the result of Sanquan’s unrelenting pursuit of its motto to be kind, do good, and choose the right strategy.

On January 24, 2020, the Eve of the Chinese New Year, Sanquan received a notice from the Ministry of Commerce and the Department of Commerce of Henan Province, saying that Wuhan, which was under a lockdown to contain the spread of the coronavirus, lacked food and supplies, and even the medical staff working around the clock were deprived of hot meals. Sanquan's help was greatly needed. When this message arrived, Sanquan was already in holiday mode. Chen Nan, who was the person on duty in the office that day, immediately summoned its business managers and employees who were still in Zhengzhou. They returned to the company, re-opened the gate of the warehouse, prepared 2,600 boxes of ready-to-heat rice and frozen food worth over ¥400,000, and transported them to the railway station overnight. Meantime, Chen contacted their partner in the railway transportation business and asked for a favor: adding two containers to the express train to Wuhan. Just like that, Sanquan’s first batch of food donations departed at 4 pm on January 25th and arrived in Wuhan the next afternoon, being the earliest supplies from Henan to reach Wuhan.

Food was in short supply, yet Sanquan itself only had limited inventory. Resuming production immediately was the only option. How to man the stations and where to acquire sufficient raw materials were the two critical challenges.

Most of Sanquan’s frontline workers used to be local farmers from Henan. As the villages were locked down as a preventive measure against Covid, workers were unable to leave their home villages and return to the factory. Moreover, more and more places were cutting off transportation. Sanquan’s workers, though received the notice to return to their posts, had no means to get there. To overcome this blockage and ensure the safety of its employees, Sanquan proposed to the government an “end-to-end” plan to pick up its employees and get them back to work. With the help from provincial
and local governments, workers were first transferred from their homes to a designated gathering point located at each county, where Sanquan’s shuttle buses would pick them up.

As of early March, Sanquan had deployed over 200 shuttles which traveled a total distance of over 60,000 kilometers and helped its employees to safely get back to work. Sanquan also purchased PPEs at a high cost to ensure that people can work safely during the time of the pandemic.

To tackle the challenge in the supply of raw materials, Sanquan submitted a list of its suppliers to the government. Local government coordinated with their counterparts in areas where their suppliers were based to facilitate the resumption of raw materials production. Thanks to the long-established close partnership between Sanquan and its suppliers and the help from the government, the supply chain soon resumed operation.

During the pandemic, a special government-issued travel permit was needed for the transportation of goods. As a major enterprise assuming big responsibility in the fight against the disease, Sanquan applied for and acquired 90 permits, which enabled its suppliers to deliver goods to Sanquan on time. With raw materials in place, Sanquan gradually resumed production.

With production capacity restored, Sanquan played an important role in countering the virus in Wuhan and China at large. As of April 8, 2020, i.e., the date the month’s-lockdown in Wuhan was lifted, Sanquan had sent a total of 592,600 frozen food items (weighted 5,475 tons) to Hubei, of which 294,900 (2,701 tons) to Wuhan. The Ministry of Commerce sent a letter of thanks to Sanquan in recognition of its great contribution, and the National Development and Reform Commission granted Sanquan the status of Key Enterprise for Pandemic Prevention. Though Sanquan wasn’t thinking about financial returns when it hastened to join the fight against Covid, it was nonetheless rewarded with huge profits. In the first half of 2020, its net profit achieved a 300% plus year-on-year growth, a dramatic increase, rarely seen in past years.

All being said, Chen Nan, who had a front-row seat to everything the company had been through, still believed CSR was not a standalone thing, but rather an invisible backbone that held the company upright, and guaranteed the longevity of its business.
Supporting Doctors and Nurses in Their Fight Against Covid-19

We-Serve-Hospital

By Wang Taiyuan and Chen Bingliang

Zhu Chuntang
CEIBS EMBA2012 Alumnus
Founder and President of We-Serve-Hospital

"The social value of professionalism is especially apparent when confronted with something like an epidemic."
Abstract

We-Serve-Hospital is a service brand owned by Shanghai ServeChina Logistics Group Co. Ltd., offering hospital logistics services. Since being established in 2002, We-Serve-Hospital has diversified its offering beyond just cleaning services to include environmental management, central transport, engineering management, catering services, order maintenance, lift service, gardening and grounds management, medical consultation, and parking management. The company employs over 30,000 staff, serves millions of patients and medical workers from 180 hospitals in 80 cities, and manages 27 million square meters of floor space, each and every day. We-Serve-Hospital is one of the top players in hospital non-clinical service industry in China.

The novel coronavirus broke out at the end of 2019, and spread like wildfire. At this critical juncture, hospitals became the central battlefield of the war on Covid-19, where medical workers abandoned their personal safety to form a powerful anti-pandemic force. We-Serve-Hospital, as a top non-clinical service provider, joined forces with doctors and nurses in the field to fight the coronavirus epidemic with professionalism.

Logistical Know-How Supporting Relief Effort

Support for Huoshenshan and Leishenshan hospitals

On the late afternoon of January 24, 2020, the Wuhan Association of Real Property Management (WARPM), an affiliate of Wuhan Housing Security and Management Bureau, approached We-Serve-Hospital about the possibility of assistance to Huoshenshan and Leishenshan hospitals: as construction of the two hospitals, which were designated for the treatment of Covid-19, moved into high gear, plenty of property management personnel would be needed shortly thereafter. We-Serve-Hospital felt duty-bound to assist in Wuhan’s fight against the pandemic. Zhu Chuntang vividly recalled his troubled state of mind ten months after the crisis began: “Upon receiving the request, I had mixed feelings. On the one hand, I was excited. We-Serve-Hospital was a select one in this pandemic war-time setting. It indicated that we were widely acknowledged as a top-notch private company specializing in hospital logistics services. On the other hand, I was worried. At that time, people were panicked and rumors were flying, but I had to decide who should be sent to Wuhan. What if my decision met with opposition from their families?”

Arrival of 12 We-Serve-Hospital volunteers in Wuhan

The anti-pandemic task force led by Zhu Chuntang drafted a volunteer recruitment proposal at short notice, and sent it to a working group comprising leading lights in We-Serve-Hospital. Astonishingly, 146 staff volunteered to head for Wuhan in just an hour. In the end, We-Serve-Hospital chose 12 key members with stellar performance and extensive managerial experience. On the first day of the new lunar year, the chosen We-Serve-Hospital staff from across China waved goodbye to their families and boarded trains heading toward Wuhan.

Provision of full logistical support to Huoshenshan and Leishenshan hospitals

The 12 logistics experts from We-Serve-Hospital were among the first to be stationed in the Huoshenshan Hospital. Since February 3, they had used their expertise to quickly customize a logistics support system for the hospital, and organized training sessions to upskill locally recruited volunteers, most of whom were inexperienced and had little knowledge of hospital-acquired infections, quarantine, and individual protective measures. After the Huoshenshan Hospital was taken over by the armed forces, the We-Serve-Hospital team entered the Leishenshan Hospital to continue to help Wuhan combat Covid-19.

As Wang Xinghuan, President of the Leishenshan Hospital, said in an interview, “Every cleaner or maintenance worker is a soldier, a hero.” During their 71-day stay in Wuhan, the We-Serve-Hospital staff trained over 200 property personnel, completing the task of supporting Huoshenshan and Leishenshan hospitals without reporting any coronavirus infections.
Continued provision of hospital logistics services

We-Serve-Hospital’s efforts extended beyond the Huoshenshan and Leishenshan hospitals. In fact, We-Serve-Hospital offered a helping hand to all its clients, mostly large medical institutions — among its 180 clients, 32 of which were designated for treating Covid-19 patients.

As an expert in hospital logistics, We-Serve-Hospital took anti-pandemic measures from the onset of the coronavirus outbreak. First and foremost, it took into account the transmission characteristics of the Covid-19 virus when developing methods for self-protection, identified noteworthy issues concerning protective equipment usage, cleaning, elevator operation, medical waste disposal and transport of patients, and leveraged its online university to inform over 20,000 employees how to prevent being infected.

Besides providing physical protection, We-Serve-Hospital also understood the value of psychological counseling. At that time, it was reported that some medical workers had suddenly walked away from their posts without giving advanced warning, while some logistics personnel resigned. Nevertheless, in the first half of 2020, We-Serve-Hospital recorded substantially lower staff turnover. In particular, there was no personnel change in its management team. Even when the number of Covid-19 cases surged to new highs, the We-Serve-Hospital staff stuck with their jobs: they walked into Covid-19 isolation wards and coronavirus-affected areas to provide doctors and nurses with maximum possible support.

Enforcement of high standards to stamp out the ‘hidden’ enemy

Since Covid-19 transmission within hospitals was not uncommon, We-Serve-Hospital worked closely with medical professionals to identify ways to improve services. Consequently, We-Serve-Hospital cleaned and disinfected the floor and walls more frequently, and changed its disinfectant formula to guarantee disinfection of high-risk spots, such as corners, slits, doorknobs, switches, and other hard surfaces. We-Serve-Hospital also adjusted its business flow as needed.

In addition, the company reduced the disposal time for medical waste: We-Serve-Hospital deployed its proprietary “We-Serve-Hospital 4.0” system, which uses IoT technology to track the movement of medical waste step by step (via an electronic code) throughout the process of collection, transport, inbound and outbound warehousing operations. Real-time monitoring of waste meant that key personnel would immediately be alerted of congestion or delays in the disposal of medical waste. Efficient disposal of medical waste ensured that the risks of infection from the waste produced in large quantities by fever clinics every day during the pandemic was kept to a minimum.

The company also stepped up safeguard measures in areas that were in direct contact with suspected or confirmed Covid-19 cases. For example, round-the-clock cleaning shifts were organized for fever clinics, cleaners were kept on call to be there to clean CT scanners immediately after they were used by a suspected Covid-19 patient, and similarly, machine rooms underwent full disinfection after use, to rule out as far as possible the risk of hospital transmission.

Managerial staff acting as on-the-scene commanders

As the escalation of Covid-19 presented a series of challenges for hospital logistics services, We-Serve-Hospital sent its managerial staff to the front lines of the fight against the epidemic to communicate between the hospitals and We-Serve-Hospital employees. For instance, a We-Serve-Hospital project manager would seek assistance from the hospital in the case of a lack of medical supplies to ensure that frontline We-Serve-Hospital staff could be protected in the same manner as doctors and nurses; senior staff in the head office oversaw the purchase of medical supplies in bulk from suppliers, whilst calling on socially responsible enterprises and individuals at home and abroad to donate protective equipment. Moreover, some staff in management positions worked alongside junior staff who were more likely to be exposed to sources of infection, and in this process, figured out how to maximize on-the-go productivity.
| Wider anti-pandemic support by sharing logistical experience

As a leading player in the hospital logistics services arena, We-Serve-Hospital shared its valuable experience with other service providers by passing on property management and logistics best practice which could help break the chain of virus transmission.

Participating in compiling practice guidelines on property management during the pandemic prevention and control period

On January 28, 2020, We-Serve-Hospital took part in compiling the Trial Practice Guidelines on Property Management During the Covid-19 Pandemic Prevention and Control Period (word count: more than 600,000 words) on the invitation of the China Property Management Institute (CPMI) under the Ministry of Housing and Urban-Rural Development of the PRC (MOHURD). The guidelines introduced industry-leading enterprises’ practices that were effective and applicable to residences, office buildings, industrial parks, colleges and universities, and hospitals. One month after the release of the guidelines starting from February 1, around 600,000 downloads, as well as visits from 100 regional trade associations and 2,000 corporate members of property management associations, were recorded.4

Among all hospital logistics services, transport carried the highest risk of virus transmission. We-Serve-Hospital, on the invitation of the Chinese Hospital Association (CHA) Logistics Specialized Committee, led the compiling of the Advice on Transport Management for Hospitals in the Midst of the Covid-19 Pandemic, which was published on the CHA’s website on February 22, 2020² and well-received by industry insiders. The advice touched upon issues such as the transport of patients, specimens, medicines, household waste, and medical waste, as well as food delivery during the pandemic. Furthermore, We-Serve-Hospital developed the Practice Guide on Logistics Services for Hospitals Fighting Covid-19 on the Front Lines based on its own experience, and distributed the guide to service providers both in the same industry and in the upstream or downstream sectors, for free.

Passing on experience to foreign counterparts

We-Serve-Hospital also made its anti-pandemic experience available to foreign counterparts. In May 2020, when Covid-19 cases skyrocketed in Brazil, the Cleaning Association of Brazil found We-Serve-Hospital by courtesy of a cleaning service supplier, and consulted We-Serve-Hospital about property management issues or more specifically, cleaning and disinfection. Upon receipt of the request, We-Serve-Hospital prepared answers to the questions raised by the Brazilian side, together with helpful guidelines on cleaning and disinfection practices, then got them translated and proofread, and finally presented a video demonstration to avoid any confusion.

More than 20,000 We-Serve-Hospital staff devoted themselves to the 2020 Covid-19 relief efforts by supporting 32 hospitals designated for the treatment of Covid-19. Notwithstanding some suspected cases in Wuhan, We-Serve-Hospital had zero employee confirmed to have Covid-19. Additionally, We-Serve-Hospital recorded zero customer complaints and no managerial staff absence during the epidemic, and was bestowed the title of “Outstanding Private Enterprise in the Covid-19 Response” by the All-China Federation of Industry and Commerce. As of December 2020, We-Serve-Hospital received a considerable number of letters of appreciation, including three from government bodies, two from Hubei-based hospitals, and over 50 from hospitals in other parts of China. This would not have been possible without We-Serve-Hospital’s commitment to delivering excellent services and continuously improving service quality.
Focusing on Delivering Superlative Hospital Logistics Services

19 years of service experience in the hospital logistics sector ensured excellent performance of We-Serve-Hospital in the war on coronavirus, where We-Serve-Hospital staff and medical workers were staunch allies.

| Constantly looking for a more efficient service model |

Since its inception, We-Serve-Hospital had constantly strived to provide doctors, nurses, and patients with even more efficient logistics services. As of 2020, it completed three rounds of service model iteration: in its start-up phase, We-Serve-Hospital spent six years studying, borrowing from and adapting advanced service models of domestic commercial property management businesses and foreign counterparts. The scope of its services encompassed environmental management, central transport, engineering management, and order maintenance.

Between 2008 and 2013, We-Serve-Hospital created a standardized hospital logistics services system, and became the first in the industry to compile a practice guide. Then, other hospitals began to benchmark their logistics services suppliers’ performance against the over 2,000 standards listed in the guide.

Since 2013, We-Serve-Hospital, entering the phase of integration with the Internet, or, in the information era, launched the intelligent logistics management systems 3.0 and 4.0 to optimize its service processes, introduced order scramble and order dispatch models (analogical to Uber approach), and leveraged 3D modeling to locate individual employees for the optimal allocation of resources.

| Upscaling service experience through innovation |

Since 2015, We-Serve-Hospital has established an R&D center, and kicked off its fourth round of service model iterations. The company plans to embark on a new journey into intelligent logistics by upscaling service experience through innovation, process reengineering, man-machine coordination, and big data analysis. In addition to service model innovation, We-Serve-Hospital has invested in scenario-specific product innovation, and developed Nano-antibacterial towels and floor wax.

| Creating job opportunities for the “4050” population |

Typically, logistics personnel are not highly skilled. They are paid low wages, and change jobs frequently. We-Serve-Hospital has become an employer brand attractive to the “4050” population on the strength of its professionalism and quality: in a bid to upskill the logistics staff, We-Serve-Hospital gave them systematic training. It also offered more attractive pay packages which exceeded the industry average. Employees with We-Serve-Hospital work experience also found that they were subsequently more competitive on the labor market. Furthermore, We-Serve-Hospital’s highly professional and efficient training system has led it to become a major employer of ex-servicemen from Hongkou District, Shanghai.

① The “4050” population refers to women in their forties and men in their fifties, who are not competitive in the labor market due to inadequate qualifications or skills in spite of a strong desire to work.
During the epidemic, “How can people in your profession help combat Covid-19” became a trending topic on Weibo, with 150 million views. The meme struck a chord with viewers: in the face of a national war on Covid-19, people from any walk of life can be a force to be reckoned with. Corporate social responsibility is always fulfilled by enterprises that are public-spirited and excellent in their respective fields of expertise, as exemplified by We-Serve-Hospital.

As widespread problems in the industry have manifested themselves during the epidemic, We-Serve-Hospital have realized that its logistics services still have much room for improvement. To build up professional competence, and better serve patients, doctors, and nurses, We-Serve-Hospital is planning to list on ChiNext, and channel more resources into technological innovation and application. Meanwhile, it is scheduled to build 12 exemplary intelligent hospitals, and create an information-driven service model featuring the deployment and utilization of intelligent robots in the subsequent two years, aimed at curbing hospital-acquired infections and upgrading service quality. Also, We-Serve-Hospital will move both upstream and downstream, or, stretch across more links in the value chain, and integrate resources to cut costs, thereby bringing better services to hospitals.

References

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To be responsible, companies not only need to design appropriate HR practices but also take actions to show that such practices are intended to raise the well-being of employees. This can create a virtuous cycle where employee’s respond with performance that helps the company achieve its goals.
Jobs are at the heart of employment relationships and are considered the building blocks of careers. External job changes (i.e., changes in jobs across organisational boundaries) and internal job changes (i.e., changes in jobs within an organisation) may have different implications for both organisations and employees.

| Well-being HR attribution and task I-deals |

Employees sometimes make casual inferences about why certain HR practices exist, which in turn affect their attitudes toward their organisations and jobs. For example, employees may perceive that HR practices are in place due to an underlying employee-oriented management philosophy and that their firm’s HR practices intend to bring about well-being for employees. Moreover, employees with high well-being HR attribution are motivated to advance their career through seeking out interesting jobs within their firm.

While HR practices are general to an employee group, an establishment, or even a whole organisation, actual job content may vary from one individual to another depending on an agreement with their supervisor. Among the supervisory practices that can affect employees’ job experiences, these idiosyncratic deals regarding tasks and work responsibility (i.e., task I-deals) are essential in managing job change in organisations.

From a social exchange perspective, task I-deals can enhance an employee’s feelings of obligation of reciprocity, affective commitment, and commitment to their supervisor. Employees with high task I-deals are more likely satisfied with their supervisor and subsequently commit to the organisation because their supervisor allowed them to change their job contents according to their demands. Thus, with high task I-deals, employees may be less likely to leave their organisation. However, when task I-deals are low the well-being HR attribution stemming from the generic organisational HR practices may become more important in affecting external job change intention.

One reason that employees seek task I-deals is to increase their personal development by developing new skills. As high task I-deals occur due to support from their supervisor, employees may perceive high task I-deals as encouraging their future development and well-being, further enhancing their desire to find a new job within the organisation which is more aligned with their newly developed skills. By contrast, when task I-deals are low, supervisors do not agree to idiosyncratic changes to the tasks in the jobs and discourage employees from seeking new tasks and responsibilities.

| Job change intentions in automobile sales and service shop employees |

In order to learn more about the effects of well-being HR attribution and task I-deals on job change intentions, we collected data from employees working for an automobile sales and service shop company located in Northern China. A total of 944 employees responded to our survey.

In response to our survey, we found that employee well-being HR attribution is negatively and significantly correlated with external job change intention and is positively and significantly correlated with internal job change intention. At the same time, we discovered that HR employee well-being attribution is significantly and negatively related to external job change intention when task I-deals are high. However, the negative relationship becomes even stronger when task I-deals are low.

We also found that employee well-being HR attribution is significantly and positively related to internal job change intention in employees with relatively high task I-deals. However, for employees with low task I-deals, it is not significant.

| Conclusions |

Organisations should understand that employee attribution of HR practices can significantly influence employee mind-sets toward internal and external job changes. Furthermore, organisations should not only consider the content of HR practices but also be cognisant of how HR practices are communicated to employees.

In addition, supervisors can play an important role in enhancing or mitigating the relationship between employee well-being attribution of HR practices and internal or external job change intention. Supervisors who extend task I-deals employees can decrease the importance of employee attribution of organisational HR practices in reducing external job change intention. Moreover, allowing these negotiated deals on job tasks can strengthen the relationship between employee well-being HR attribution and employee intention to find another job within the same organisation. As such, managers need to understand the specific needs of each employee and utilise their authority to adjust the nature of their job to motivate them.

This study originally published in the Human Resource Management, please Visit https://www.researchgate.net/publication/336114899_Employee_well-being_attribution_and_job_change_intentions_The_moderating_effect_of_task_idiosyncratic_deals
Willingness to Pay for Clean Air: Evidence from Air Purifier Markets in China

By Koichiro Ito and Zhang Shuang

Zhang Shuang
Professor of Economics, CEIBS
Core Faculty of CEIBS Healthcare Sector Research Centre

“Pollution is no doubt a major problem. But how much are people willing to pay to get rid of it? Evidence-based research shows: A lot, which highlights the importance of striking the right balance between economic growth and clean air.”
In a recent study conducted in China, we found that, over the last decade, awareness of environmental issues and rising disposable incomes means that consumers are now willing to pay for clean air.

Our research looked at air filter sales, pollution data and other related variables to illustrate how much consumers in particular regions of China are willing to pay for clean air and on what basis.

A detailed analysis of all available data revealed that, on average, people were willing to pay around ¥36 to remove one microgram per cubic metre of pollution from the air, over five years. However, the exact amount from person to person varied considerably depending on several factors, particularly household income.

One of the key features of our study was its ability to capitalise on a side effect of a long-standing policy in China applied to households north of the Huai River (which runs from east to west, passing through densely-populated Anhui and Jiangsu provinces and which forms a geographic line which is customarily used to define “Northern” and “Southern” China). The government gives free heating generated from coal to locations north of this river. This keeps homes in the north warm, but creates around 30% more air pollution, compared with areas south of the line.

At the same time, other policies discourage mobility in this region, meaning people in this area have been constantly exposed to pollution for decades. Conversely, the fact such policy does not exist south of the river, makes the population in the south a good comparison group for the purposes of our research into the issue. The significance of this is that, in all ways we believe were relevant to the study, both groups, north and south, were the same except one was living in an area with a policy contributing to pollution.

As part of our study, we looked at sales data from the Chinese air purifier market from 2006 to 2014, covering some 690 types of products, over some 81 cities in north and south China, and compared this with pollution and demographic data for these areas. The results showed a strong correlation between air filter sales and level of pollution (see graph below).

Our findings are significant for policy makers in helping them determine which policies have the most relevant impact. Official data shows that annual average exposure to fine particulate matter in China is five times higher than in the United States, and policy makers and economists consider air pollution to be one of the first-order obstacles to economic development. Against this backdrop, the Chinese government and the World Bank worked together in 2005 to overhaul the Huai River policy which was widely considered to have become outdated.

As China’s economy developed, so did consumers’ relationship with the state and what they looked for it to provide. Those living north of the Huai River have gradually taken more responsibility for heating their homes. Previously, residents would simply be provided with heat from a central source and had limited control over how much of this resource they used regardless of how much they needed or what temperature they regarded as comfortable. The World Bank and Chinese government came up with a metering system to give consumers the ability to control how much heat they used and, in turn, an incentive to use less. From studying data related to policy change, we found that the willingness to pay for these reforms is around ¥12 million per city per year — a figure which covers all known benefits of the reforms for all households. With the calculated cost of the reforms standing at around ¥86,000 per city per year, the cost benefit analysis is clear, and suggests our study may be a useful indicator for governments when deciding where to draw the line between economic growth and environmental protection.

About the paper

This study originally appeared in the Journal of Political Economy, please Visit https://www.journals.uchicago.edu/doi/full/10.1086/705554
Does Doing Good Lead to Doing Better in Emerging Markets?

By Zou Peng, Wang Qi, Xie Jinhong and Zhou Chenxi

Wang Qi
Professor of Marketing, CEIBS

Top CSR performers in emerging markets (i.e., companies listed on the socially responsible investment index) are indeed rewarded by financial market investors. However, such rewards are not equal for all companies — higher for companies that devote a large investment to R&D and/or expand to other developing countries, but lower for those that allocate excessive spending on advertising and/or expand to developed countries.
A recent study has revealed encouraging evidence that top CSR performers in emerging markets (i.e., being listed on socially responsible investment (SRI) indices) can indeed result in financial rewards for companies.

The findings were part of a paper, co-authored with colleagues from Harbin Institute of Technology, the University of Florida and Xiamen University, which investigated how emerging markets reward companies’ CSR activities.

Our research differs from similar studies in that we focused on data taken from SRI indices, rather than data from CSR activities (SRI indices list top CSR performers and serve as a tool to help investors make investment decisions based on financial and social criteria).

Although socially responsible investment has become a widely accepted investment approach in the developed world, SRI practices are relatively new to emerging countries. While new SRI indices launched in emerging markets are specifically designed to guide investors in making social investments, it was previously unclear if and how such indices affected investors’ investment decisions.

Our research suggests that although emerging markets are in the early stages of developing CSR, investors are aware of SRI indices, and that being listed on an SRI index can indeed create financial benefits for companies.

However, we also found that inclusion on an SRI index does not benefit all firms equally. Specifically, we learned that the benefit of inclusion on an SRI index is higher for firms that have expanded into developing markets than for those that have expanded to developed markets. At the same time, we discovered that positive financial responses are strengthened by R&D expenditures, but weakened by advertising expenditures.

This latter point is particularly striking as past research based on data of CSR activities (instead of SRI indices) in developed countries has suggested that advertising strengthens the impact of CSR, while our research, based on data from SRI indices in emerging markets, shows the opposite.

One reason for the weakening effect of advertising expenditures may be that, while advertising can increase consumer awareness, it can also create consumer scepticism of a firm’s CSR motivation, since advertising is deemed to be driven by a self-interested desire to increase profits, whereas CSR activities are supposed to be driven by social concerns. As investors in emerging countries are characterized by low levels of trust towards corporations’ self-published CSR reports, this finding sends a warning to CSR companies when they allocate excessive expenditures on advertising.

Our findings also provide several managerial implications for firms and governments in emerging markets:

First, although CSR is a relatively new concept that is challenging to carry out, it can also build a positive brand image to attract investors in emerging markets and is, thus, a valuable endeavour.

Second, for multinational companies operating in emerging markets, our research also suggests that carrying out CSR can be an effective alternative for creating awareness and building a reputation amongst otherwise difficult to reach and fragmented audience.

By partnering with NGOs, for example, MNCs can gain a better understanding of the underlying needs of emerging markets, strengthen relationships with local partners through social contracts (especially where there is a lack of formal regulation), build relations with local consumers and enhance their legitimacy.

At the same time, our findings provide guidance for firms to conduct CSR effectively. Specifically, given the effects of expanding into new markets, R&D and advertising, it is important for firms to consider CSR and other strategic investments simultaneously, rather than independently, when allocating resources.

Ultimately, although financial markets in emerging markets are still in their early stages, our findings illustrate the notion that launching an SRI index can serve as an effective instrument for encouraging firms to contribute to society and pursue sustainable development.

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**About the paper**

This article refers to a paper entitled, “Does doing good lead to doing better in emerging markets? Stock market responses to the SRI index announcements in Brazil, China, and South Africa”, originally appeared in the Journal of the Academy of Marketing Science, please visit https://link.springer.com/article/10.1007/s11747-019-00651-z
Research on CSR Reports of A-share Listed Companies
In the post-pandemic era, people has raised higher expectation on the sustainable development. Corporations should actively take more corporate social responsibilities and create both business value and social value through solving social problems.
Introduction

Subjects


Methods

The “2020 Research on CSR Reports of A-share Listed Companies” was compiled with reference to CSR indicator design methods from China and the rest of the world, CSR report guidelines from relevant authoritative organizations, through a prism of current Chinese social concerns, using big data, and is aimed at establishing a distinctive CSR indicator system.

Data Sources

Most data in the research were derived 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 the Genius Financial Database.

Data Processing

A large number of big data research methods and technologies were applied, such as data collection, data cleaning, data mining and data cross comparison, to derive the various indicators in this report, combining big data technology with manual correction:

1) Data mining: Distributed crawling was adopted to collect large amounts of raw data from the websites of companies and regulatory authorities, and mainstream search engines.

2) Data cleaning: data were cleansed to correct error values, and eliminate duplicates and outliers to ensure consistency according to predefined rules.

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

4) Data mining and visualization: Manual processing and machine learning were combined to extract and mine required data from mass data (e.g., text information), and visualize relevant findings.

About the Authors

Center for Wealth Management, CEIBS

The Center for Wealth Management of CEIBS (“The Center”) was established following ratification and approval of CEIBS related plans. Based on strict academic and pedagogical discipline, it is committed to the creation and sharing of modern financial knowledge in order to promote exploration and innovation research in the area of finance and wealth management, boost the standardization and professionalization of relevant industries, and sustainably contribute value to the world of finance. Meanwhile, the Center also cultivates high net worth individuals, families, professional financial consultants and wealth management professionals with benevolence and sense of responsibility, and empowers people, capital and society with a dynamism for good.

We thank the following authors for their contributions to this report:

Rui Meng, Professor of Finance and Accounting; Parkland Chair in Finance; Director of CEIBS Centre for Wealth Management; Co-Director of CEIBS Centre for Family Heritage

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Abstract

Following the promulgation by the China Securities Regulatory Commission (CSRC) of the revised *Code of Corporate Governance for Listed Companies in China* in September 2018, which stresses that listed companies should take into account environmental protection and social responsibility, and establishes the basic framework for ESG information disclosure, in November 2019 CSRC printed and issued an *Action Plan for Enhancing the Quality of Listed Companies* with a view to promoting the healthy and sustainable development of the Chinese capital market and Chinese listed companies. The Action Plan sets out 46 practical requirements and missions concerning the governance and regulation of listed companies, and requires disclosure of relevant information according to simplified rules, by different industries and with differentiated indicators while ensuring information authenticity, in order to ensure timely supervision of the capital market and risk control of listed companies.

The concept of corporate social responsibility emerged in the West in the 1920s, and has evolved since then into what it is today in 2020. As economic globalization progresses, the concept of corporate social responsibility is becoming growing in importance among developing countries and the international standard for social responsibilities SA8000 (Social Accountability 8000) has become a benchmark for global companies. As the second largest economy next only to the United States, China's economic achievements have drawn attention from around the world, and Chinese companies have also made significant progress both in terms of the quality and level of global social responsibility performance, which is reflected in their CSR reports. The higher the degree of disclosure, the easier it is for the world to understand China businesses, and the greater the positive effect on the global image of Chinese companies.

This paper examined trends in CSR reporting from 7 different perspectives, namely:

1) Social responsibility management: in the year of writing this paper, a total of 992 companies published CSR reports. While there has been a steady rise in the number of published CSR reports over the past 15 years, only a few companies have engaged an independent third-party to validate their CSR report due to the lack of mandatory regulatory requirements;

2) Company operations and management: in the light of the BRI and growing globalization, a growing number of companies are engaging in strategic exchange and cooperation at provincial and city levels;

3) Product quality and innovation: both the number of patents being filed and R&D spending have gone up, with the manufacturing industry seeing the highest concentration of both;

4) Responsibility for employees: in general, A-share listed companies attach more importance to cultivating employee skills and pay more attention to staff working conditions and welfare;

5) Diversity and equal opportunity: the share of director, supervisor or executive positions held by women, has risen but there is still room for improvement. Furthermore, there are significant disparities in this share industry to industry;

6) Performance of environmental obligations: judging from the data of the past five years, in general A-share listed companies appear to attach more importance to sustainable development and have invested more resources in energy conservation and waste discharge and emission reduction;

7) Social contributions and charity: all companies have registered a rise in their support to education, participation in charity, volunteering, international aid, job creation and promotion of economic growth. Based on the type of companies, joint ventures tend to invest more in education, while private companies are more inclined to invest in charity and SOEs prefer volunteering activities.

To examine the economic value of CSR reports, the researchers built an investment portfolio based on report information and analyzed its profitability. The research found that after buying the companies with the highest CSR scores and selling those with the lowest scores according to their 2019 CSR reports, the portfolio would generate a future annualized accumulative excess return of 17.66%. Moreover, among the components of social responsibility, it was found that social responsibility management, company operations and management, product quality and innovation, and responsibility for employees played an instrumental role in boosting the profitability of investment strategies.

In addition, this research includes, for the first time, statistics about the performance and disclosure of social responsibility by CEIBS alumni companies among all A-share listed companies, which showed that CEIBS alumni companies scored slightly higher than the average of A-share listed companies on all 7 indicators.

This research has probed into CSR reports at length to help regulatory authorities better understand CSR disclosure in capital markets, and enable investors, intermediaries and securities analysts to improve their investment decisions. This research aims to boost the efficiency of the economy by optimizing resources allocation in the capital market, and facilitate decisions on pollution control and economic transformation.
Overview of CSR Report Disclosure of A-share Listed Companies

I. Number of Disclosed Reports: steady growth in numbers, but disclosure rate still low: the average disclosure rate for the last five years was 25.87%.

CSR disclosure has significant strategic importance for companies. Against the current global background of multifarious complexities, it is of critical importance for a business to keep its competitive advantage, and the perspectives for sustainable development have become a major concern both for managers and for investors. There have been empirical studies in academia which indicate that CSR performance, which is a non-financial criterion for external investors to evaluate companies, is an important way for companies to realize sustainable development and lower the difficulties that they may face in securing capital from the public.¹

In light of this, the business management is attaching increasing significance to the disclosure of their CSRs. Since the consecutive rolling out of CSR related guidelines by authorities such as CSRC, Shanghai Stock Exchange and Shenzhen Stock Exchange, the number of companies making CSR disclosures has been increasing year on year. The growth is particularly significant from 2008 to 2009, when Shanghai Stock Exchange has stipulated mandatory disclosure policy for three types of companies.² The number of companies publishing CSR reports continued to grow from 2009-2019, with a total of 992 A-share listed companies disclosing their CSR report in 2019, 50 or 5.3% more than the previous year.

II. Number of Disclosures: in 2019 nearly half the companies surveyed had published close to 11 CSR reports, while only a minority had done so only once. The general distribution curve is U-shaped.

In the accounting years between 2006 and 2019, a total of 1598 A-share listed companies had published CSR reports. 797 of these companies, or 49.8%, had published no less than 11 reports, while 801 businesses had issued 10 reports in this period. The data therefore show that generally, the number of companies published CSR reports is growing, indicating that A-share listed companies are attaching increasing importance to CSR and are making disclosures more proactively. Nevertheless, during the same period 27.1% of companies had published less than 4 CSR reports.
III. Length of CSR Reports: among all surveyed CSR reports from A-share companies, around 70% were less than 40 pages, which is significantly higher than in previous years. Meanwhile, the length varied significantly between the longest and the shortest reports.

Among the CSR reports disclosed by 992 A-share listed companies in 2019, the shortest had three pages while the longest had 183 pages, with a difference of 180 pages in between. The average length was 35 pages and the median was 25. 41.63% were between 0-20 pages while 25.3% ranged between 21-40 pages, together accounting for 66.93%, or around 70%. Based on intensive reading of the CSR reports, we discovered that those with less than 20 pages were mostly expressed straightforwardly in words and were limited in terms of the items covered. On the other hand, those ranging between 21-100 pages had more visuals, and were more detailed, better designed and formatted, more attractive and explained corresponding implementation measures, which all reflected the importance that these companies attached to social responsibility.

Based on statistical data from the past 5 years, save for the number of reports ranging between 0-20 pages, which are on the decline, the number of reports between 21-40, between 41-60, between 61-80, between 81-100 and above 101 pages are all on the rise. Though the maximum length is falling, from the 202 pages in 2015 to 183 pages in 2019, the average and median numbers of pages are both on the rise. These all reflect the rising importance that A-share listed companies attach to CSR reports.
Analysis of Companies Disclosing 2019 CSR Reports

I. Distribution of Reporting Companies by Industry: in general the manufacturing industry has seen the largest number of disclosures while the financial industry has seen the highest proportion of disclosure. 53.8% of industries have registered a net increase in the number of CSR reports disclosed.

In 2019, the manufacturing industry registered the largest number of CSR disclosures by A-share listed companies, totaling 515, 422 more than the financial industry that was second in terms of number of reports. Other industries recorded an average of 34 reports. Though highest in number, the overall rate of disclosure in the manufacturing industry was low, with a mere 25%. The financial industry, which only has 93 reports, boasts a top disclosure rate of 78%, largely due to mandatory disclosure requirements by regulatory agencies.

II. Distribution of Companies by Region: there are slight regional differences in terms of rate of disclosure among all A-share listed companies, with Central China taking the lead and the north east rising significantly but still lagging behind.

Eastern China recorded the largest number of CSR reports by A-share listed companies in 2019, 69.25% of all CSR reports that year and far above the numbers registered in Central, West and Northeast China. All regions saw different rates of growth compared with the numbers of reports in the previous year (662 in east China, 36 in north-east China, 127 in central China, and 117 in west China). The rate of disclosure varied between regions, with the highest rate of 25.46% in central China and a slightly lower 23.37% in north-east China.
III. Distribution of Companies by Province: Beijing, Guangdong and Shanghai recorded the highest concentration of disclosing companies while others as a whole saw a slight increase.

By province, the number of reports rose in around 80.95% of provinces in 2019. Beijing, Guangdong and Shanghai topped the list, with 130 reports recorded in Beijing and Guangdong and 107 in Shanghai.

Among all A-share listed companies, Fujian and Yunnan Provinces saw the highest disclosure rate of around 50%, whilst Jiangsu and Hunan Provinces (19.01% and 17.14% respectively) showed the lowest proportions.

<table>
<thead>
<tr>
<th>Province</th>
<th>Number of CSR Reports</th>
<th>Disclosure Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>130</td>
<td>50.00%</td>
</tr>
<tr>
<td>Guangdong</td>
<td>130</td>
<td>50.00%</td>
</tr>
<tr>
<td>Shanghai</td>
<td>107</td>
<td>45.00%</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>99</td>
<td>43.19%</td>
</tr>
<tr>
<td>Fujian</td>
<td>66</td>
<td>41.58%</td>
</tr>
<tr>
<td>Shandong</td>
<td>45</td>
<td>38.89%</td>
</tr>
<tr>
<td>Henan</td>
<td>36</td>
<td>38.71%</td>
</tr>
<tr>
<td>Anhui</td>
<td>32</td>
<td>32.56%</td>
</tr>
<tr>
<td>Hubei</td>
<td>26</td>
<td>30.19%</td>
</tr>
<tr>
<td>Sichuan</td>
<td>26</td>
<td>30.14%</td>
</tr>
<tr>
<td>Tianjin</td>
<td>21</td>
<td>29.82%</td>
</tr>
<tr>
<td>Liaoning</td>
<td>21</td>
<td>27.62%</td>
</tr>
<tr>
<td>Hunan</td>
<td>17</td>
<td>27.27%</td>
</tr>
<tr>
<td>Yunnan</td>
<td>17</td>
<td>26.92%</td>
</tr>
<tr>
<td>Jiangxi</td>
<td>16</td>
<td>25.46%</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>16</td>
<td>24.40%</td>
</tr>
<tr>
<td>Shaanxi</td>
<td>15</td>
<td>23.08%</td>
</tr>
<tr>
<td>Hebei</td>
<td>14</td>
<td>22.39%</td>
</tr>
<tr>
<td>Chongqing</td>
<td>14</td>
<td>21.49%</td>
</tr>
<tr>
<td>Jilin</td>
<td>10</td>
<td>20.16%</td>
</tr>
<tr>
<td>Shanxi</td>
<td>10</td>
<td>19.01%</td>
</tr>
<tr>
<td>Hainan</td>
<td>9</td>
<td>17.14%</td>
</tr>
<tr>
<td>Guizhou</td>
<td>9</td>
<td>17.14%</td>
</tr>
<tr>
<td>Guangxi</td>
<td>8</td>
<td>17.14%</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>6</td>
<td>15.78%</td>
</tr>
<tr>
<td>Inner Mongolia</td>
<td>6</td>
<td>15.78%</td>
</tr>
<tr>
<td>Gansu</td>
<td>6</td>
<td>15.78%</td>
</tr>
<tr>
<td>Qinghai</td>
<td>5</td>
<td>15.78%</td>
</tr>
<tr>
<td>Ningxia</td>
<td>5</td>
<td>15.78%</td>
</tr>
<tr>
<td>Tibet</td>
<td>2</td>
<td>15.78%</td>
</tr>
</tbody>
</table>

IV. Distribution of Companies by Type of Business: SOEs accounted for the majority of reporting companies, while the share of private and joint ventures making reports rose slightly.

Of all 992 CSR reports published in 2019, 531 or 53.52% were from SOEs, while 396 reports, or 39.91%, were from private businesses. 61 reports, or 6.14%, were filed by joint ventures. Statistics from 2015-2019, showed that the share of SOE reports continued to decline while that of private companies and joint ventures has increased dramatically, with SOEs still being the majority among all reporting companies.
V. Distribution of Companies by Board: SSE listed companies accounted for nearly 60% of surveyed companies, and the disclosure rate on ChiNext is still far below its potential.

Among the 992 CSR reports released by A-share listed companies in 2019, 736 were from Main Board listed companies. Statistics from the past five years showed that the share of reports by Main Board A-share listed companies has been increasing year on year. In 2019, a total of 172 CSR reports were disclosed by SME Board listed companies, 11 more than the previous year, and continuing the annual increase seen between 2015-2019. A total of 76 CSR reports were released on ChiNext in 2019, 11 more than the previous year, yet both the total number and rise in number were slightly lower than seen on the SME and Main Board over the past 5 years. The composition of the A-share stock market in 2020 changed after the inclusion of the STAR board (opened formally on July 22nd, 2019) which contributed a total of 8 CSR reports, and has significant potential to add to the number of CSR reports in the future.

Based on observations and analyses of the distribution of reporting companies by board throughout 2015-2019, we found that in general the share of reports by Main Board A-share listed companies decreased slightly year on year. Given the increase in the number of disclosures, it can be determined that the rise in the total number of reports across all boards was an important dilution factor, explaining this decrease. In the period 2015-2019, the rate of disclosure by SME Board companies fluctuated around 17% while those by ChiNext companies increased dramatically from 5.87% in 2015 to 7.66 in 2019. Given that the STAR board was only launched in 2019, it is unsurprising that it only contributed a total of 8 or 0.81% of CSR reports, however, it has significant potential to add to the number of CSR reports in the future.
This paper examined CSR Reports by A-share Listed Companies in 2020. The analysis focused on indicators in 7 categories, namely (1) social responsibility management, (2) company operations and management, (3) product quality and innovation, (4) responsibility for employees, (5) diversity and equal opportunities, (6) environmental responsibility, and (7) social contribution and charity, with each category comprising 5-9 sub-indicators. To derive these indicators, we processed relevant data and information by means of big data crawling, cleaning, mining and in-depth cross comparison, and the indicator matrix of the seven categories is illustrated in the table below.

### CSR Indicator System

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Social Responsibility Management</td>
<td>(1) report assurance, (2) reference to global benchmarks, (3) report inclusiveness, (4) website column, (5) education and training, (6) leading team</td>
</tr>
<tr>
<td>B. Company Operations and Management</td>
<td>(1) strategic cooperation and sharing, (2) anti-bribery and anti-corruption, (3) business integrity, (4) accounting irregularities, (5) financing disputes</td>
</tr>
<tr>
<td>C. Product Quality and Innovation</td>
<td>(1) quality management, (2) quality reputation, (3) after-sale services, (4) customer satisfaction, (5) patents, (6) R&amp;D expenditure, (7) share of R&amp;D personnel, (8) share of technical personnel</td>
</tr>
<tr>
<td>D. Responsibility for Employees</td>
<td>(1) remuneration incentives, (2) supplementary benefits, (3) on-the-job training, (4) communication with employees, (5) staff care, (6) safety management system, (7) training on production safety, (8) occupational health and safety certification, (9) disputes over staff health and safety</td>
</tr>
<tr>
<td>E. Diversity and Equal Opportunities</td>
<td>(1) female executives, (2) female directors, (3) all-male directors, supervisors and executives, (4) vulnerable groups, (5) equal opportunities</td>
</tr>
<tr>
<td>F. Environmental Responsibility</td>
<td>(1) environmental benefit, (2) energy conservation, (3) reduction in three types of waste, (4) circular economy, (5) green office, (6) environmental protection and public welfare, (7) environmental certification, (8) environmental commendation, (9) environmental penalty</td>
</tr>
<tr>
<td>G. Social Contribution and Charity</td>
<td>(1) donations, (2) social contribution value per share, (3) contribution to education, (4) charitable activities, (5) volunteering, (6) international aid, (7) job creation, (8) contribution to economic growth, (9) layoff</td>
</tr>
<tr>
<td>H. Disclosure of CSR Reports by CEIBS Alumni Companies</td>
<td></td>
</tr>
</tbody>
</table>
I. Social Responsibility Management

This part includes (1) report assurance, (2) reference to global benchmarks, (3) report inclusiveness; (4) website column; (5) education and training, (6) leading team. These six indicators are used to evaluate the companies’ CSR management in terms of awareness and performance.

Report Assurance and Global Standards

(1) Report assurance: among the 992 CSR reports disclosed in 2019, only 14 were assured by third-party agencies, accounting for 1.41%, or 2.84% lower than the previous year. The absence of mandatory requirements for CSR disclosure on the part of regulatory agencies may an important reason behind the decline.

In terms of distribution by industry, with monetary financial services, insurance and capital market services all included in the financial industry, the rate of disclosure in this industry stood at 85.71%, 40 percentage points higher than the 45% share over the previous year, while the rate of disclosure in retail, and the mining and washing of coal was 7.14%.

In terms of regional distribution, companies that used third-party assurance were mostly concentrated in eastern provinces, with Beijing accounting for the largest share of 35.71%, and Shanghai and Guangdong ranking parallel, each with a share of 21.43%.

In terms of type of business, the majority of companies that choose third-party assurance were SOEs, totaling 9, accounting for of 64.28% of the total; the rest 5 were private companies representing a share of 35.71%.

In terms of service provider for third-party assurance, most A-share listed companies engaged one of the “Big Four” accounting firms as independent report assurance companies.

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*Research on CSR Reports of A-share Listed Companies*
(2) Reference to global standards: in May 2013, the Global Reporting Initiative, or GRI, held a sustainable development conference and presented a new version of the Guide to Sustainable Reporting G4, which included new specific requirements apart from the existing core standards including stakeholders, integrity, substantiality, sustainable development background, balance, accuracy, timeliness, clarity and reliability. Acceptance of the Guide is voluntary and has been endorsed by UNDP and ACCA, and has now become a global reference for CSR disclosures.

Among the 992 reporting A-share listed companies in 2019, 278 or 28.02%, drafted their disclosure according to the Guidance. In terms of the number of CSR reports released by A-share listed companies in compliance with GRI over the past 5 years, the number of GRI-observing companies increased by an average annual 15.04%, with the largest single increase of 4.88% between 2018 and 2019, which saw 60 companies joining GRI ranks.

In terms of compliance with GRI standards in major provinces/municipal cities (not including Xinjiang, Tibet, Guangxi Autonomous Region), Beijing, Guangdong and Shanghai were the provinces with the largest number of GRI-standard compliant companies, while overall the total number of compliant companies fell. Other provinces and municipal cities, namely Zhejiang, Yunnan, Jiangsu, Shandong, Hebei, Liaoning, Fujian, Henan, Anhui, Hubei, Hainan, Chongqing and Jiangxi saw a rise in compliance.

By industry, manufacturing had the largest number of companies publishing GRI compliant CSR disclosures, at 95 or 34.17% of the total; 35, or 12.59%, in the mining industry, 33 or 11.87% in the financial industry, while other sectors each accounted for an average of 4.14%.
(3) **Report inclusiveness:** the inclusiveness of CSR reports is measured by how many of the 10 sub-dimensions it includes, namely shareholder rights protection, creditor rights protection, employee rights protection, supplier rights protection, clients and consumer rights protection, environment and sustainable development, public relations and social utilities, measures for building and improving the corporate CSR system, measures for production safety, and insufficiencies of the company. Each item included adds one point, with a maximum of 10 points.

The distribution of scores on inclusiveness according to the survey was as follows: only 2.16% or 6 reports covered all ten sub-dimensions; the number and percentage of companies scoring 7, 8 and 9 were 53 (19.06%), 133 (47.84%) and 72 (25.9%), respectively. 14 (5.04%) companies scored 6 or less.

(4) **Website column:** in 2019 of all the A-share listed companies that published a CSR report, 413 (41.63%) set up a social responsibility column on their websites for visitors to view the business’s social responsibility performance, 55 less than the previous year, or a decline of 8.05% from previous year’s 49.68%.

(5) **Education and training:** in 2019 a total of 711 companies carried out in-house education and training on CSR. Data for 2016 to 2019 in the figures, show that the quantity and the share of such companies have both increased from 2016 to 2019. It is worth noting that the number of companies carrying out such training increased most significantly between 2018 and 2019, from 273 to 711 (60.43%) far above the average annual growth rate in the previous three years between 2016-2018. This increase indicates that A-share listed companies attached more emphasis to CSR education.

(6) **Leading teams:** in 2019 a total of 292 companies established dedicated departments or units in charge of CSR management, accounting for 29.44% of all companies making CSR disclosures that year, and 6% up from the previous year. Data for the years 2016-2019 showed that the number of companies with dedicated in-house CSR departments rose, offering further evidence of the growing importance of CSR among A-share listed companies.
Summary and Analysis of Social Responsibility Management

Academically, it is regarded that CSR can be defined both in a broader and a narrower sense. In the broader sense, a business includes all its stakeholders, and it needs to be accountable not only to its shareholders but also to the social environment in which it exists, such as by complying with relevant laws and regulations, adhering to fundamental business ethics, protecting the ecological environment, and participating in philanthropical and social welfare activities. In general, the broader sense of CSR emphasizes that companies need to pay attention to social welfare instead of pursuing solely economic interests. According to Freeman, the standard-bearer of this viewpoint, apart from pursuing economic profits, corporates should be responsible for all stakeholders. He has also applied the theory of stakeholders to CSR research to promote the harmonious development of society.3

In the narrower sense, a company is essentially a profit-making social organization and its fundamental purpose is to maximize its shareholder profits. Friedman, the founder of this theory, believes that there is only one type of company, for whom the only social responsibility is to comply with professional rules and using its resources to carry out activities intended to increase profit.4

These two seemingly contradictory views of CSR have both mentioned the utilization of resources, including social and natural resources. Yet neither the unilateral taking of resources by the companies from the society, nor the constant devotion of all the gains from the former to the latter, can be the optimal solution between business and society in the long run. Therefore, the view of sustainable development has been proposed as a win-win solution between these two extremities. Professor Linnannen thinks that companies can contribute to their sustainable development by paying more attention to the economy, society and the environment, and his view has gradually become mainstream in the field of social business development.5 From the bulk of strategic cooperation in western developed countries, we can see that CSR is becoming an important criterion for selecting partners in international cooperation and the disclosure of CSR has been increasingly included as an appendix clause in cooperation agreements.

All the above 6 indices demonstrate that the current momentum among A-share listed companies in terms of the quantity, quality and manner of CSR disclosure and the degree of internationalization in their disclosure standards, is positive. Although in 2019 only one quarter (¼) of all A-share listed companies produced CSR reports, we believe that with the expansion and deepening of economic and trade globalization, more in-depth strategic cooperation with companies in developed countries, and more generalized CSR practices will gradually lead to an increase in this percentage in China.
II. Company Operations and Management

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

(1) Strategic cooperation and sharing: thanks to the deepening of the B&R Initiative and policy support for related industries, 77.32%, or a total of 767 companies disclosed their strategic cooperation and sharing in their CSR reports. This marks a significant increase of 39.32% over the previous year. By industry, the highest disclosure rate, 76.92% was among manufacturing companies, compared to 40.73% in water conservancy, environment and public utilities management.

(2) Anti-bribery and anti-corruption: among all reporting companies in 2019, 51.56% of companies disclosed measures taken against commercial bribery and corruption. Judging by trends found in previous years, A-share listed companies attached more importance to anti-bribery and anti-corruption than their peers. By industry, 53.33% of financial companies have made disclosure on this front, as against a lower rate of 30.24% in agriculture, forestry, animal husbandry and fisheries.

(3) Business integrity: 70.46% of companies made disclosures on business integrity in 2019, a decrease compared with the previous four years and 10% less than the previous year. By industry, companies in manufacturing, construction and wholesale and retail attach more importance to the promotion and advancement of business integrity.

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Percentage of Disclosure among A-share Listed Companies about Strategic Cooperation and Sharing, anti-Bribery and anti-Corruption, and Business Integrity from 2016-2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Strategic cooperation and sharing</th>
<th>Anti-bribery and anti-corruption</th>
<th>Business integrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>29.67%</td>
<td>48.71%</td>
<td>84.85%</td>
</tr>
<tr>
<td>2017</td>
<td>34.46%</td>
<td>53.50%</td>
<td>83.41%</td>
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<tr>
<td>2018</td>
<td>38.00%</td>
<td>51.61%</td>
<td>81.21%</td>
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<tr>
<td>2019</td>
<td>77.32%</td>
<td>66.43%</td>
<td>70.46%</td>
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Percentage of Disclosure among A-share Listed Companies about Strategic Cooperation and Sharing, anti-Bribery and anti-Corruption, and Business Integrity in 2019 (by Industry)

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<tr>
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<th>Business integrity</th>
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<tr>
<td>Manufacturing</td>
<td>76.92%</td>
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<td>95.77%</td>
</tr>
<tr>
<td>Finance</td>
<td>73.29%</td>
<td>53.33%</td>
<td>72.68%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>66.73%</td>
<td>44.86%</td>
<td>80.65%</td>
</tr>
<tr>
<td>IT Technology</td>
<td>71.27%</td>
<td>49.80%</td>
<td>83.06%</td>
</tr>
<tr>
<td>Wholesale and Retail</td>
<td>75.20%</td>
<td>51.01%</td>
<td>87.20%</td>
</tr>
<tr>
<td>Transportation, Warehousing and Post</td>
<td>74.29%</td>
<td>49.09%</td>
<td>79.23%</td>
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<tr>
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<tr>
<td>Construction</td>
<td>66.73%</td>
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<td>97.48%</td>
</tr>
<tr>
<td>Culture, Sports and Entertainment</td>
<td>75.60%</td>
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<td>85.18%</td>
</tr>
<tr>
<td>Agriculture, Forestry, Animal Husbandry and Fishery</td>
<td>54.13%</td>
<td>30.24%</td>
<td>71.57%</td>
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<tr>
<td>Water Conservancy, Environment and Public Utilities Management</td>
<td>40.73%</td>
<td>50.81%</td>
<td>75.40%</td>
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<tr>
<td>Others</td>
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(4) **Accounting irregularities:** we compiled statistic data on accounting irregularities by reporting companies through accessing the violation and punishment records in open databases. From 2015 to 2019, we discovered that the number of accounting irregularities in general increased slowly. In total, 90 companies infringed accounting rules in 2019, which was on par with the previous year.

![Number and Percentage of Companies with Accounting Irregularities among A-share Listed Companies from 2015-2019](image)

(5) **Financing disputes:** by accessing open databases, announcements by listed companies and industry news, we discovered that a total of 96 listed companies were involved in financing disputes in 2019. Of these 60 occurred with SOEs, accounting for 62.5%; 35 in private companies, accounting for 36.49%. According to currently available data, there was only 1 financing dispute in relation to joint ventures. By industry, in 2019 the financial industry recorded its highest number of financing disputes, a total of 42; the next were manufacturing and retail, with 14 and 13 cases respectively. By region, the number of financing disputes in east China, west China, central China and north-east China reached 72, 12, 8 and 4 respectively.

![Number of Financing Disputes among A-share Listed Companies in 2019](image)
Conclusion and Analysis on Corporate Operations and Management

Maximizing shareholder profits used to be the central philosophy for companies. Yet as the social environment of companies changed, this traditional view has become increasingly challenged by the relations between business and its multiple end stakeholders. Nowadays, the notion that “companies should reasonably perform their social responsibilities while seeking to maximize their economic benefits”, by means such as adhering to business integrity or performing anti-corruption and anti-bribery, has gained increasing popularity and has largely shaped the new generation of business values.

Academically, from a cost-efficiency perspective, there are close ties between the social responsibilities a business is able to perform and the economic value it generates. In the startup and primary phases of companies, due to the mismatch between their financial resources and the cost of performing CSR, they cannot perform CSR in the fullest sense and the range of their CSR only covers a limited number of parties such as their employees, shareholders and other direct stakeholders. This is in line with the natural order of things. After an initial accumulation of capital, companies enter a phase of development and growth and begin to own certain production materials, at which stage they need to focus on their long-term sustainable development, taking into account both the sustainability of economic profits and that of society. Future development strategies of companies must be in line with the social environment in order to ensure the potential and competitiveness that they need for long-term growth. "In the short run, a business's social responsibilities and economic benefits may be at variance or even in conflict with each other, but in the long run they must be in the same direction and mutually reinforcing. When a business's economic profits are at odds with its social responsibilities, it must strike a balance to ensure its future production activities will yield better economic profits in a sustainable social context.”

In addition, anti-bribery and anti-corruption are also tightly connected with the future performance of companies. Some researchers have conducted big-data research on A-share listed companies on the Shanghai and Shenzhen Stock Exchanges and discovered positive correlations between anti-corruption and social responsibility, with a coefficient of 0.0832, meaning that the former can indeed promote the delivery of the latter. Meanwhile, it also indicates that in an anticorruption macro-environment, companies are more willing to improve their social image by engaging in more socially responsible behavior. Research has also demonstrated that anti-corruption measures are negatively correlated with fringe benefits, with a coefficient of -0.1122. "When companies curb on-job consumption activities, they can release more resources, and the promotion of CSR to business performance may be greater, namely the resource release effect.”

In conclusion, the operations and management of companies have a significant influence not only on the development of companies themselves, but also on the greater social environment in which they exist. Companies must optimize the synergy between their economic profits and social wellbeing to create win-win conditions.
III. Product Quality and Innovation

This part consists of 8 indicators, namely (1) quality management, (2) quality accreditation, (3) after-sale services, (4) customer satisfaction, (5) patents, (6) R&D expenditure, (7) proportion of R&D personnel, and (8) proportion of technical personnel.

Product and Service Quality

(1) Quality management: in 2019, a total of 461 (46.47%) companies published the measures they were implementing to improve product and service quality in their CSR report, which was 11.17 percentage points lower than the previous year. The rate of disclosure for this indicator was highest in the medical and pharmaceutical industries, which both showed disclosure rates of 75.64%. Manufacturing came in second with a disclosure rate of 60.65%.

(2) Quality and reputation: among the 2019 CSR reports, 368 (37.1%) companies disclosed their reputations or certifications for the quality of their products and services, which was lower than the previous year’s rate of 64.44%. Wholesale and retail ranked the highest with a rate of 49.32%, and the next was manufacturing, with a slightly lower rate of 47.85%.

![Disclosure of Quality Management System and Quality Reputation among A-share Listed Companies from 2015-2019](image1)

![Disclosure of Quality Management and Quality Reputation Among 2019 CSR Reporting Companies (by Industry)](image2)
After-sale Services and Customer Satisfaction

(3) After-sale services: among all reporting companies in 2019, 227 (22.88%) companies disclosed their measures for improving after-sale services, with a slight reduction by 172 companies compared with the previous year. By industry, production and supply of electricity, heat, gas and water is the single industry with the highest rate of disclosure, at 18.52%.

(4) Customer satisfaction: among all reporting companies in 2019, 360 (36.29%) companies conducted customer satisfaction surveys, a slight increase of 0.3% over the previous year. By industry, the proportion of customer satisfaction surveys was highest in the medical and pharmaceutical industry, at 51.28%. The financial industry came in second, with a proportion of 50%.
Product R&D and Innovation

(5) Patents: a total of 124,505 patents have been disclosed in the CSR report of 2019, 3,396 higher than the previous year. In the last five years, the number of patents disclosed by A-share listed companies has been increasing, with the growth rate being the highest in 2017-2018, standing at 23.53%. The average annual growth is 12.47%.

(6) R&D expenditure: based on available data, a total of ¥496.2 billion R&D expenditure has been disclosed by A-share listed companies in 2019. Data in the past five years show that overall R&D expenditure has been on the rise, with growth being highest between 2018 and 2019, at 50.78%. Average annual growth rate is 22.16%.

Proportion of R&D personnel: in 2019, based on available data, the average proportion of R&D personnel is 14.9%, lower than 2018 but higher than the years between 2015-2017.

Proportion of technical personnel: in 2019 the average proportion of technical personnel is 18.54, 1.42 less than the previous year. On average, the average proportion in the past 5 years is 19.32%.

In terms of the above four indicators, manufacturing ranks above all other industries in the number of patents and R&D expenditure, with an average share of 73.64% and an average proportion of 72.2% respectively. Information transmission, software and IT services has the highest average proportion of R&D personnel of 44.38%. These three industries also have the highest average proportion of technical personnel, which is 47.61%.
Conclusion and Analysis of “Product Quality and Innovation”

The type of economy of an business is precisely reflected in its products, whose design, production, pricing, packaging, circulation, recalling and after-sale services all bear out the business's social values from different perspectives. An business's product quality is inseparable from its social responsibilities, with the former being the embodiment of the latter and the latter being the core rationale of the former. But both a significant defect in product quality and the absence in the performance of social responsibilities are severely detrimental to the image of that business among consumers.

A sound and sustainable mechanism in the interaction between product quality and social responsibilities includes three phases. During the phase of production material input, an business should take into comprehensive consideration its own organizational environment and the general social environment, identify the target beneficiaries of its products and take into account the expectations of relevant parties. During the phase of production activities, companies should incorporate the factors of management quality, core areas and basic practices of social responsibilities, and quality of products, engineering and service into its production system to avoid isolation among multiple dimensions in the operating system. During the output phase of products, improvement of customer satisfaction and provision of seamless after-sale services can effectively contribute to the sustainable development of companies. Researches on the large sample of A-share listed companies have led to the conclusion that in the major social background of anti-corruption, care for consumers and clients and protection of consumer rights are important measures to improve the companies' performance of social responsibilities.

Xi Jinping, General Secretary of Central Committee of the Communist Party of China, has stressed at the Fifth Plenary Session of the 18th National People's Congress that “innovation is the primary driving force behind development, and is the most critical factor in shaping a country's comprehensive strength and core competitiveness. Significant technological achievements are major pillars and trump cards of a major power and China must have the capacity to develop them by itself. It must rely on its own innovative strength to establish itself on the global stage.” For companies, innovation is not just a fountain of everlasting vivacity but also bears a synergetic relation to CSR. Rachel et al. have pointed out in their empirical studies the relations between an business's performance of its social responsibilities and their abilities of technical innovation, concluding that both in terms of final products and their production processes, the performance of social responsibilities for the sake of economic benefits can boost the power of innovation. In addition, some scholars have also studied the data of listed companies in China and concluded that the interactive synergy between CSRs and technical innovation can affect the business's capital structure, and investors are more likely to invest in companies with stronger innovative capacities and more willingness to bear social responsibilities, which have more soft power for sustainable development in the future.
IV. Responsibility for Employees

This part consists of 9 sub-indicators, including: (1) remuneration incentives; (2) supplementary benefits; (3) on-the-job training; (4) communication with employees; (5) staff care; (6) safety management system; (7) production safety; (8) occupational health and safety certification; and (9) disputes over staff health and safety.

Remuneration and Bonus for Employees

(1) Remuneration incentives: among all listed CSR reporting companies in 2019, 54.33% or 539 companies disclosed their remuneration incentives, such as equity participation or options to encourage staff participation in daily management. Both the number and the percentage have declined compared with the previous year. According to the statistics, in the last five years the quantity of companies disclosing remuneration incentives has been rising in general, with the most significant increase between 2015 and 2016. By type of business, 55.01% of SOEs have internal remuneration incentive measures while the figure is 41.17% for private companies and 3.82% for joint ventures.

(2) Supplementary benefits: based on available data of all CSR reporting companies in 2019, a total of 893 companies disclosed their supplementary bonuses for employees such as pensions, medical insurance, and birthday bonuses. In the last five years, the importance that companies attach to employee benefits has been rising, with the most significant rise of 40.98% between 2018-2019. Based on type of business, SOEs and private companies account for the majority among companies providing additional bonuses to employees, accounting for 54.56% and 42.07% respectively.
Staff Promotion and Care

(3) Vocational training: among all reporting companies in 2019, 94.25% or a total of 935 companies disclosed vocational trainings for employees, 16 more than the previous year. Data in the last five years shows that the number of companies providing vocational training for employees has been increasing, indicating that companies attach much importance to the cultivation of their staff's capacities.

(4) Communication with employees: among all CSR reporting companies in 2019, 455 disclosed communication channels between staffs and top executives, such as letters to general managers, heart-to-heart talks with employees, with a slight fall of 8.18% compared with the previous year. By the type of companies, we can discover that SOEs account for the majority in companies disclosing staff communication channels, with a share of 55.14%; private companies come in second with a share of 41.73%; and joint ventures account for 3.13%.

(5) Staff care: among all reporting companies in 2019, a total of 837 companies disclosed about their care for employees, such as annual health inspections, child stewardship, and psychological health guarantees, accounting for 84.38% with a slight fall compared with the previous year.

Staff Safety and Vocational Health

(6) Safety management system: among all reporting companies in 2019, 61.39% or 609 disclosed their safety management systems, less than 665 in the previous year. In general, the number has been increasing over the last five years. By industry, the disclosure rate is highest in the production and supply of electricity, heat, gas and water, which is 85.19%; the next are pharmaceuticals and transportation, warehousing and post, accounting for 76.92% and 76.74 respectively.

(7) Training on production safety: among all CSR reports in 2019, 62.8% or a total of 263 companies disclosed about their in-house production safety trainings. By industry, the disclosure rate is highest in the production and supply of electricity, heat, gas and water, which is 62.8%. The next are manufacturing, wholesale and retail, accounting for 73.44% and 71.23% respectively.

(8) Occupational health and safety certification: among all CSR reports in 2019, 20.87% or a total of 207 companies disclosed their vocational health certifications, with the highest rate of 30.38% in the manufacturing industry.
(9) Disputes over staff health and safety: in the 2019 CSR report, totally 5 companies have been involved in relevant disputes, 3 over the previous year. By industry, 2 happened in manufacturing, 1 in wholesale and retail, 1 in the pharmaceutical industry, and 1 in the production and supply of electricity, heat, gas and water.
Summary and Analysis of Responsibility for Employees

Human resources are important assets of business operation and are the foundation of business organizational structures. Employees are simultaneously the producers, sellers, operators and service providers of an business, and attention to staff treatment, working environment improvement and staff capacity enhancement are all constituent elements of responsibility for employees. In the context of constantly rising labor cost nowadays, some companies have been using cheap tricks in order to reduce their operating cost, such as by pressing down on the wage standards and ignoring staff treatment, which indeed lead to cost reduction and cost-efficiency improvement in the short run, but in the long term they will harm staff proactiveness, loyalty, talent retention and productivity and will pose hazards for business sustainability. Nicolas and Theodore have tested large amounts of data in their empirical studies and have discovered that corporate social responsibility of companies have significant positive correlation with staff loyalty, and significantly affect business profits.10

Especially, it is of particular importance for the manufacturing industry to improve their level and quality in their CSR performance. Based on analysis and testing on various sorts of data, we have discovered that on academic grounds: 1) the delivery of responsibility for employees in the manufacturing industry would positively affect staff loyalty and business performance; 2) the delivery of responsibility in meeting the physiological needs of staffs in the manufacturing industry would positively affect staff loyalty and business performance; 3) the delivery of responsibility in meeting the needs of staffs in the manufacturing industry would positively affect staff loyalty and business performance; 4) the delivery of responsibility in meeting the self-actualization needs of staffs in the manufacturing industry would positively affect staff loyalty and business performance; 5) staff loyalty has a significant positive influence on the business's performance in the manufacturing industry; 6) there is significant neglect of responsibilities in meeting the safety needs of staffs, which has posed negative influence on the companies' performance.11

In general, by paying attention to the employees’ personal interests, proactively performing responsibility for employees, caring about their personal capacities and loyalty and improving their feeling of happiness, companies can shape a better corporate culture inside and establish a good corporate image outside, promote strategic cooperation and improve the sustainability of business operation. This represent huge intangible wealth for companies. For countries, the proactive delivery of responsibility for employees by companies can reduce social conflicts and improve the life satisfaction of residents in the country and the region. This has tremendous social significance for social harmony and stability.
V. Diversification and Social Equality

This part consists of 5 indicators: (1) female executives; (2) female board directors, (3) all-male directors, supervisors and executives; (4) vulnerable groups and (5) equal opportunities.

The Status of Females in the Corporate Governance Layer Has Been Improved, With Significant Difference Among Industries

(1) Female executives: among all reporting companies in 2019, 64.01% or 635 companies disclosed the percentage of female executives, 1.27% higher than the previous year. For the last five years, the proportion of female executives has been rising. By industry, the share of female executives in the pharmaceutical industry is 76.92%, which is the highest. The next are wholesale and retailing, culture, sports and entertainment, with females representing 75.34% and 75.31% among executives.

(2) Female directors: among all reporting companies in 2019, 7.16%, or a total of 71 companies disclosed the percentage of female directors, 0.68% or 10 more than the previous year. By industry, the finance industry has the highest percentage of female directors, namely 13.83%; the next is culture, sports and entertainment, with a share of 12.35%.

(3) All-male directors, supervisors and executives: in 2019, a total of 26 companies reported that they have no female directors, supervisors and executives, less than the 61 companies previous year, and account for 2.62% of all reporting companies. By industry, only the pharmaceutical and the real-estate industries have seen female directors, supervisors and executives in all companies, and in all other industries there are companies with all-male directors, supervisors and executives, with 13 such companies in the manufacturing industry, the highest of all.

(4) Vulnerable groups: among all reporting companies in 2019, a total of 59 companies disclosed inclusive policies for vulnerable groups (i.e. the physically challenged or the rehabilitated), accounting for 5.96% with a year-on-year fall of 3.92%. By industry, the wholesale and retailing industry is the most inclusive for the vulnerable groups, with 10.96% of companies disclosing inclusive policies, and the financial industry came in second, with a proportion of 9.57%.
(5) Equal opportunities: among all reporting companies in 2019, 184 emphasized employing staffs of different ethnicity, religious belief and nationality, accounting for 18.55%, lower than the previous year.
Conclusion and Analysis of Diversity and Equal Opportunities

After China's reform and opening up in 1978, social advocacy of gender equality has facilitated the rise in the demand for women in the workforce. With the deepening of China's market economy, Chinese women have been breaking through glass ceilings that used to be the corollary of traditional gender role models, and have come to assume significant positions. Compared to male managers, women tend to show more social care in the daily operation and governance of companies. Terjesen et al. discovered in their research on female executives that female managers tended to identify the context of their companies according to a framework of moral and ethical standards and made morally informed decisions such as investor protection, care for the underprivileged and care for the personal wellbeing of employees. Empirical data suggest that although the share of female executives has significantly increased over the years, by 2019, this share had not even reached 10%, which means that gender inequality still exists among A-share listed companies.

Probing into the relationship between the presence of female executives and the valuation of companies, scholars have pointed out with data the universal problem of over-investment among listed companies in China, and the relatively fewer female executives in listed companies. Based on collation and analysis with a series of models, they have concluded that (1) the presence of female executives in listed companies has a positive effect for business value; (2) the share of female executives has a negative correlation with over-investment; (3) over-investment is an intermediary variable in how the presence of female executives influences business value, namely female executives can contribute to a rise in business value by curbing overinvestment tendencies. Therefore, female executives have a positive influence on the value of companies, the level of corporate governance and the delivery of companies' social responsibilities.

In terms of vulnerable groups, important elements of corporate social responsibility include care for the vulnerable and provision of aid where feasible. Though China has achieved moderate prosperity in society, the personal interests of a part of vulnerable groups have been neglected in the process of institutional transformation and high-speed economic growth, or have been marginalized due to various reasons. Most of these groups do not have fixed income, and can hardly rid themselves of their existential hardships by their own efforts. China is a socialist country with the developmental goal of common prosperity, and the treatment for vulnerable groups should prioritize the provision of economic help for the neediest and equal job opportunities so that individuals in such groups can be relieved of their dire situations and regain their confidence. This would significantly contribute to the overall social harmony and improvement in the quality of common prosperity. As intermediary facilitators in this process, companies should join national institutions in building an inclusive system for vulnerable groups and contribute to the promotion of social harmony so long as their capacities permit.
VI. Environmental Responsibility

This part includes nine indicators: (1) environmental benefit, (2) energy conservation, (3) reduction in three types of waste (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 2019, 45.26% of companies disclosed in CSR reports that they developed or utilized environmentally beneficial products, services, equipment or technologies. The energy production and supply industry had the highest disclosure rate, at 85.19%; the environmental protection and public utilities sector came in second, at 64%.

(2) Energy conservation: In 2019, 43.95% of companies disclosed their energy-saving performance. Among them, 64% of companies in the environmental protection and public utilities sector disclosed their energy-saving measures and results; the transportation, warehousing and post industry reported the second highest disclosure rate; the culture, sports and entertainment industry had the lowest disclosure rate, at only 28.4%.

(3) Reduction in three types of waste: In 2019, 52.52% of companies disclosed their efforts to reduce generation of three types of waste. Among them, the pharmaceutical industry had the highest disclosure rate, at 82.05%; the energy production and supply industry came in second, at 81.48%; the financial industry reported the lowest, at 8.51%.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Environmental benefit</th>
<th>Energy conservation</th>
<th>Reduction in three types of waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>32.98%</td>
<td>32.98%</td>
<td>8.51%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>50.72%</td>
<td>46.65%</td>
<td>63.64%</td>
</tr>
<tr>
<td>Wholesale and Retail</td>
<td>35.62%</td>
<td>34.25%</td>
<td>60.27%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>26.92%</td>
<td>48.72%</td>
<td>82.05%</td>
</tr>
<tr>
<td>Information Transmission, Software and IT Services</td>
<td>31.37%</td>
<td>41.18%</td>
<td>15.69%</td>
</tr>
<tr>
<td>Culture, Sports and Entertainment</td>
<td>22.22%</td>
<td>28.40%</td>
<td>38.27%</td>
</tr>
<tr>
<td>Environmental Protection and Public Utilities</td>
<td>64.00%</td>
<td>64.00%</td>
<td>48.00%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>53.06%</td>
<td>40.82%</td>
<td>36.73%</td>
</tr>
<tr>
<td>Transportation, Warehousing and Post</td>
<td>56.86%</td>
<td>60.78%</td>
<td>56.86%</td>
</tr>
<tr>
<td>Production and Supply of Electricity, Heat, Gas and Water</td>
<td>85.19%</td>
<td>37.04%</td>
<td>81.48%</td>
</tr>
</tbody>
</table>

(4) Circular economy: In 2019, 23.08% of companies disclosed their efforts to develop a circular economy. The energy production and supply industry had the highest disclosure rate, at 40.74%, in line with the general practice of recycling resources in this industry; the financial industry reported the lowest, at 8.51%.

(5) Green office: In 2019, 36.19% of companies disclosed their environmentally friendly measures in daily operations, such as growing plants, sorting waste, saving water and electricity, and going paperless. The financial industry reported the highest disclosure rate at 69.15%. High levels of intelligent and digital application and asset-light operations contributed to the strong performance of these industries in adopting green office practices.

(6) Environmental protection and public welfare: In 2019, 54.74% of companies disclosed that they took part in activities concerning environmental protection and public welfare, such as tree planting and garbage clearing, a year-on-year increase of 25.55%, indicating a growing awareness in this area. The financial industry had the highest disclosure rate at 74.47%.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Circular economy</th>
<th>Green office</th>
<th>Environmental protection and public welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>8.51%</td>
<td>69.15%</td>
<td>74.47%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>28.71%</td>
<td>27.51%</td>
<td>50.48%</td>
</tr>
<tr>
<td>Wholesale and Retail</td>
<td>28.77%</td>
<td>36.99%</td>
<td>60.27%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>20.51%</td>
<td>37.18%</td>
<td>56.41%</td>
</tr>
<tr>
<td>Information Transmission, Software and IT Services</td>
<td>13.73%</td>
<td>66.67%</td>
<td>45.10%</td>
</tr>
<tr>
<td>Culture, Sports and Entertainment</td>
<td>13.58%</td>
<td>38.27%</td>
<td>46.91%</td>
</tr>
<tr>
<td>Environmental Protection and Public Utilities</td>
<td>12.00%</td>
<td>28.00%</td>
<td>44.00%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>16.33%</td>
<td>34.69%</td>
<td>63.27%</td>
</tr>
<tr>
<td>Transportation, Warehousing and Post</td>
<td>25.49%</td>
<td>37.25%</td>
<td>62.75%</td>
</tr>
<tr>
<td>Production and Supply of Electricity, Heat, Gas and Water</td>
<td>40.74%</td>
<td>18.52%</td>
<td>62.96%</td>
</tr>
</tbody>
</table>
(7) Environmental certification: In 2019, 26.01% of companies disclosed that they received environment management system certification, i.e. ISO14001. The manufacturing industry reported the highest disclosure rate at 39.23%, followed by the pharmaceutical industry at 38.46%.

(8) Environmental commendation: In 2019, 245 companies disclosed that they had been cited for environmental protection efforts and had earned such honors as “green business” and “business champion for energy saving and emission reduction”, representing 24.7% of the total. The real estate industry reported the highest disclosure rate at 42.86%, followed by the production and supply of electricity, heat, gas and water industry at 37.04%.

(9) Environmental penalty: A total of 12 companies received environmental penalties in 2019, down by nine from 21 companies in 2018. Among them, eight were from the manufacturing industry, accounting for 67%; two (17%) engaged in the production and supply of electricity, heat, gas and water; the environmental protection and public utilities sector and the pharmaceutical industry reported one penalty each, each accounting for 8% of the total.

### Conclusion and analysis of environmental responsibility

Article 6 of the Environmental Protection Law of the People’s Republic of China (2014 Revision) stipulates that all entities and individuals are obligated to protect the environment. Local people’s governments at all levels shall be responsible for the environmental quality within their respective administrative regions. Companies, public institutions, and other businesses shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damages caused by them. Citizens shall raise their awareness of environmental protection, adopt low-carbon and economical lifestyles, and fulfill their obligation to protect the environment.

An academic study found through multi-dimensional data analysis that a company’s value was inextricably linked to its investment in environmental protection, as illustrated in the following three points: (1) Environmental investment and corporate value form a U-shaped relationship. With the increase in environmental investment, corporate value decreases at first, and then increases. Many companies in China are still in the former stage where environmental investment reduces corporate value. (2) High-quality disclosure of environmental information can moderate the relationship between environmental investment and corporate value, and flatten the U-shaped curve by mitigating the value reduction effect of environmental investment. Improved quality of environmental information disclosure can raise stakeholders’ recognition of the company’s environmental responsibility, and make them realize that the company’s value lies not only in its economic value, but also in social and ecological value, which helps ease the tension between environmental investment and corporate value. Moreover, high-quality disclosure can move the inflection point of the U-shaped curve to the right. Improved disclosure quality enables stakeholders to distinguish between a company’s ex-post remedial investment and ex-ante environmental investment, and determine the value of its environmental input. Therefore, a company’s environmental investment can only increase its corporate value after it invests substantially in environmental protection. (3) The hypothesis that high-quality disclosure of environmental information can improve the overall level of the U-shaped curve is only true when the company makes substantial environmental investment. If a company invests little in environment protection, high-quality disclosure will only expose its deficiencies in this area and reduce its value. But when the company invests substantially in it, such disclosure can reduce information asymmetry, and improve the level of the U-shaped curve.14

According to the information disclosed in 2019 CSR reports, it is obvious that companies made increased investments in environmental protection, which indicates a growing environmental awareness among A-share listed companies. If companies can maintain or increase their environmental investment and make it part of their CSR, they can expect an increase in their corporate value, brand image and competitive edge in the long run.
VII. Social Contribution and Charity

This part includes nine indicators: (1) donations, (2) social contribution value per share, (3) contribution to education, (4) charitable activities, (5) volunteering, (6) international aid, (7) job creation, (8) contribution to economic growth, and (9) layoff.

Social Welfare

(1) Donations: In 2019, 855 companies disclosed their engagement in social welfare programs. 855 companies made charitable donations, 69 more than the previous year, representing 86.19% of the total. In general, the number of companies making donations rose during the five years between 2015-2019.

Total donations in 2019 stood at ¥153.489 billion, much higher than aggregate donations in the period 2015-2018; companies donated ¥179.5198 million on average in 2019. These figures illustrate the rising awareness of social welfare in the business community.

Major industries were keenly aware of the significance of making charitable donations, with the lowest donation rate at 72.55% and the highest at 94.87%. Companies in the information transmission, software and IT services industry donated ¥1,860.3962 million on average, topping other industries; the transportation, warehousing and post industry reported the lowest average amount, at ¥7.6311 million.

(2) Social contribution value per share: Social contribution value per share (SCVPS), introduced by the Shanghai Stock Exchange, measures a company’s overall contribution to the society with economic benefits.

Calculation of SCVPS: \[ SCVPS = \frac{\text{economic contribution} + \text{social contribution} - \text{other social costs such as environmental pollution}}{\text{capital stock}} \]
\[ \text{economic contribution} = \text{net profit} + \text{gross tax} + \text{interest expense} + \text{payroll} \]
\[ \text{social contribution} = \text{total spending on employee benefits and social security} + \text{total spending on employee training} + \text{total donations} \]
\[ \text{other social costs} \text{, such as environmental pollution, shall be calculated based on the sum of the sewage charges and the fines imposed for environmental violations in the year.} \]

In 2019, 122 companies disclosed their SCVPS, four fewer than the previous year, accounting for 12.3% of the total.

By industry, 53 companies from the manufacturing industry and 22 from the financial industry disclosed SCVPS in 2019, outnumbering other industries. In terms of the disclosure rate, the financial industry and the production and supply of electricity, heat, gas and water industry led the pack with 23.4% and 22.22% respectively.
By industry, the financial industry showed the strongest performance in contribution to education, with a disclosure rate of 88.3%, followed by the production and supply of electricity, heat, gas and water industry at 70.3%, and the wholesale and retail industry at 69.86%. The financial and real estate industries reported the highest disclosure rates in charitable activities, at 88.3% and 85.71% respectively. The real estate industry outperformed other industries in the disclosure rate of volunteering, at 65.31%.

By type of business, joint ventures had the highest average SCVPS at ¥3.04, followed by private companies at ¥2.88, and then by SOEs at ¥2.66.

Performance of Social Contribution

(3) Contribution to education: in 2019, 625 companies (63% of the total) disclosed their efforts to support education, a year-on-year increase of 11.69%. The proportion of A-share listed companies contributing to education grew at an average annual rate of 14.78% in the five years between 2015-2019.

(4) Charitable activities: in 2019, 703 (70.87%) companies engaged in charitable programs, a remarkable increase of 34.18% from the previous year.

(5) Volunteering: in 2019, 458 (46.17%) companies disclosed volunteering activities, higher than previous years.

By industry, the financial industry showed the strongest performance in contribution to education, with a disclosure rate of 88.3%, followed by the production and supply of electricity, heat, gas and water industry at 70.3%, and the wholesale and retail industry at 69.86%. The financial and real estate industries reported the highest disclosure rates in charitable activities, at 88.3% and 85.71% respectively. The real estate industry outperformed other industries in the disclosure rate of volunteering, at 65.31%. 
By type of business, joint ventures had the highest disclosure rate in contribution to education, at 67.74%; private companies had the highest rate in charitable activities, at 73.67%; SOEs had the highest rate in volunteering, at 51.01%.

### International aid

(6) International aid: In 2019, 97 (9.78%) companies disclosed payment of international aid, up by 3.2% from the previous year. The number of companies offering international aid steadily increased during the five years between 2015 and 2019.

### Job creation

(7) Job creation: In 2019, 563 (56.75%) companies disclosed job creation measures, up by a significant 26.07% from 2018. On the whole, a growing number of companies disclosed job creation measures during the five years between 2015 and 2019.

### Contribution to economic growth

(8) Contribution to economic growth: In 2019, 369 (37.2%) companies disclosed that their business operations facilitated local economic growth and community development (e.g., building localized supply chains or contributing to GDP growth), a year-on-year increase of 9.49%. According to the statistics for the five years between 2015 and 2019, the disclosure rate dropped in 2016, but picked up again annually until 2019.
By industry, the production and supply of electricity, heat, gas and water industry and the manufacturing industry had the highest disclosure rates in international aid, at 14.81% and 12.92%. In terms of job creation, the pharmaceutical industry had the highest disclosure rate at 69.23%, followed by the retail and wholesale industry at 63.01% and the manufacturing industry at 59.81%. As for contribution to economic growth, the environmental protection and public utilities industry had the highest disclosure rate at 48%, followed by the real estate and financial industries, at 42.86% and 42.55% respectively.

<table>
<thead>
<tr>
<th>Industry</th>
<th>International aid</th>
<th>Job creation</th>
<th>Contribution to economic growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>9.57%</td>
<td>53.19%</td>
<td>42.55%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12.92%</td>
<td>59.81%</td>
<td>40.19%</td>
</tr>
<tr>
<td>Wholesale and Retail</td>
<td>2.74%</td>
<td>63.01%</td>
<td>41.10%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>8.97%</td>
<td>69.23%</td>
<td>37.18%</td>
</tr>
<tr>
<td>Information Transmission, Software and IT Services</td>
<td>5.88%</td>
<td>52.94%</td>
<td>33.33%</td>
</tr>
<tr>
<td>Culture, Sports and Entertainment</td>
<td>9.88%</td>
<td>45.68%</td>
<td>19.75%</td>
</tr>
<tr>
<td>Environmental Protection and Public Utilities</td>
<td>6.00%</td>
<td>52.00%</td>
<td>48.00%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>4.08%</td>
<td>48.98%</td>
<td>42.86%</td>
</tr>
<tr>
<td>Transportation, Warehousing and Post</td>
<td>7.84%</td>
<td>54.90%</td>
<td>29.41%</td>
</tr>
<tr>
<td>Production and Supply of Electricity, Heat, Gas and Water</td>
<td>14.81%</td>
<td>55.56%</td>
<td>18.52%</td>
</tr>
</tbody>
</table>

By type of business, private companies reported the highest disclosure rate in international aid at 23.43%; joint ventures had the highest rate in job creation and contribution to economic growth, at 67.74% and 41.94% respectively.

By industry, six disclosing companies were from the financial industry, the largest number of all industries; three were from the manufacturing industry; the real estate, wholesale and retail, and culture, sports and entertainment industries had two companies each.

By type of business, eight SOEs, six private companies, and one joint venture disclosed such information in 2019.

(9) Layoff: In 2019, 15 companies had mass layoffs, one fewer than in 2018. On the whole, the number fell between 2015-2019.

By industry, six disclosing companies were from the financial industry, the largest number of all industries; three were from the manufacturing industry; the real estate, wholesale and retail, and culture, sports and entertainment industries had two companies each.

By type of business, eight SOEs, six private companies, and one joint venture disclosed such information in 2019.
Conclusion and analysis of social contribution and charity

Charity is usually considered the third form of wealth distribution in society, for it is conducive to narrowing the wealth gap, improving the quality of life of the underprivileged, easing social tensions, and building a more cohesive and harmonious society.

There is a popular misconception that charity is something that should be undertaken by the government, businesses and rich people, which has impeded the development of charitable causes in China. In addition to six Chinese laws and regulations concerning charity and public welfare donations (i.e. Law on the Red Cross Society, Law on Donations for Public Welfare, Regulation on Registration and Administration of Social Organizations, Regulation on Registration and Administration of Foundations, Business Income Tax Law, and Regulation on the Implementation of the Individual Income Tax Law), the country’s first comprehensive law on charity, Charity Law of the People’s Republic of China, came into force on September 1, 2016. This legislation aims to raise the quality and transparency of charity work, protect the interests of concerned parties in charitable activities, and promote charitable causes in a systematic, professional and law-based manner in China.

Companies as important participants in charitable activities should understand the relationship between their engagement in charity and corporate value. Academic researchers have reached the following conclusions based on the empirical analysis of market environment, charitable donations and corporate value of A-share listed companies in China: (1) The more market-oriented a business environment is, the more likely charitable donations can boost a company’s corporate reputation or enable it to forge close ties with stakeholders, which in turn can increase its corporate value; (2) The better the market environment, the easier it is for companies to devote more efforts to managing philanthropic giving and generate more value from it; (3) The better the market environment, the more likely stakeholders will reward reputable companies or those in close ties with them, which makes corporate giving a highly rewarding tool; (4) The better the market environment, the more value there is in making charitable donations. It can be concluded that a company’s fulfillment of social responsibilities can bring benefits to itself and society as a whole.

As revealed by CSR reports of Chinese A-share listed companies in 2019, there was an increase in the number of companies making donations, engaging in charitable spending, and forms and areas of philanthropic activity, compared to previous years. Some companies not only participated in domestic charity initiatives, but also extended help abroad and played a philanthropic role in the international arena. In his book The Gospel of Wealth, Andrew Carnegie listed education as the first of the seven best areas for philanthropic giving. Statistics in recent years also show that Chinese A-share listed companies prefer to donate to the education sector. This can be explained by the following three reasons from the academic perspective: (1) The development of higher education has a significant positive spillover effect on the innovation capability of large and medium-sized industrial companies; (2) Universities’ investment in education and research, as well as their knowledge output have a positive spillover effect on the innovation capability of large and medium-sized industrial companies; (3) There is a positive correlation between the full-time equivalent of R&D personnel in large and medium-sized industrial companies and the innovation capability of these companies. This is why companies prioritize the education sector in philanthropic giving. In general, Chinese A-share listed companies have increased their investment in charitable causes, though with polarized performance. Only when companies incorporate philanthropy into their business and values, can they draw sustainable support from a sound social environment.
VIII. Analysis of indicator scores of CEIBS alumni companies

This part reviews the CSR reports disclosed by A-share listed companies run by CEIBS alumni who have attended CEIBS programs, including MBA, EMBA, Finance MBA, Global EMBA, Hospitality EMBA, Executive Education, and Entrepreneurial Leadership Camp.

In 2019, 81 CEIBS alumni companies disclosed CSR reports, representing 8.17% of A-share listed companies that disclosed CSR reports, up by 0.63% from the previous year. The number and proportion of alumni companies that disclosed CSR reports climbed from 2016 to 2019, reflecting the growing CSR awareness among CEIBS alumni companies.

By region, 58 (71.6%) alumni companies that disclosed CSR reports in 2019 were located in east China, 10 (12.35%) were from the west and 11 (13.58%) from central China; only two were in the north east.

By industry, the manufacturing industry contributed the largest number of alumni companies that disclosed CSR reports, which was 28, taking up 34.57% of the total; the culture, sports and entertainment sectors came in second with 13 (16.05%) companies; the wholesale and retail industry had 11 (13.58%) companies.

By type of business, private alumni companies took up the largest proportion at 60.49%, followed by SOEs at 34.57%, and joint ventures of 4.94%.

Statistics about the length of CSR reports of alumni companies remained stable from 2016 to 2019: the longest reports averaged 122 pages while the shortest ones 5 pages; the average number of pages hovered around 42 and the median around 35.
2019 Overall CSR Score of CEIBS Alumni Companies

Among the 81 alumni companies that disclosed CSR reports in 2019, the highest score was 90.69, the lowest 18.09, and the average 51, which was higher than 48.59, the average score of A-share listed companies in 2019.

By region, alumni companies in west China scored the highest on average, at 54.21; those in the east of the country averaged 51, in the center 48.72, and in the north east 47.98.

By industry, the pharmaceutical industry scored the highest at 68.06, followed by the production and supply of electricity, heat, gas and water industry at 55.48, and wholesale and retail at 54. The lowest-scoring industries were real estate, environmental protection and public utilities, and transportation, warehousing and post.

By type of business, joint ventures scored the highest at 69.05, followed by SOEs at 52.23, and private companies at 48.84.

By indicator category, the average score of CEIBS alumni companies in any of the seven CSR indicator categories was higher than the average of A-share listed companies that disclosed CSR reports in 2019.
Overall indicator score

In 2019, the average CSR indicator score was 48.59 (out of 100), which was 2.21 higher than the previous year and up by 4.76%. According to the statistics from 2016 to 2019, the score rose by the year, but remained at a fairly low level, which means the overall level of CSR disclosure has much room to improve.

By industry, the pharmaceutical industry scored the highest at 53.98 in 2019; the manufacturing industry came in second at 51.63, with an average annual increase of 7.8%; the production and supply of electricity, heat, gas and water industry came in third at 49.69, with an average annual increase of 7.11%; the culture, sports and entertainment industry scored the lowest at 40.43, but its score grew at an average annual rate of 13.74%.

By type of business, SOEs scored 48.34 in 2019, 1.34 higher than the previous year; private companies scored 48.44, up by 3.44; joint ventures scored 54.71, up by 3.71. The CSR scores for these three types of company all climbed steadily from 2016 to 2019.

By region, except for companies in west China where scores dipped slightly in 2019, companies in other regions reported rising scores from 2016 to 2019. In 2019, companies in east China scored the highest at 49.6 while those in the north east scored the lowest at 42.2. As for the growth rate of the score, companies in northeast China had the highest rate at 11.05%, followed by central China at 8.37%, east China at 5.53%, and west China at -0.64%.
In 2019, the indicator of responsibility for employees had the highest scoring rate at 68.59%, a mild increase from the previous year. Social responsibility management, social contribution and charity, and diversity and equal opportunities were the lowest-ranking indicators. The indicator of social contribution and charity recorded the biggest increase in scores with 4.62%. The detailed analysis is as follows:

<table>
<thead>
<tr>
<th>Indicator Category</th>
<th>2019 Scoring rate</th>
<th>2018 Scoring rate</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social responsibility management</td>
<td>38.49%</td>
<td>31.30%</td>
<td>7.19%</td>
</tr>
<tr>
<td>Company operations and management</td>
<td>44.75%</td>
<td>42.00%</td>
<td>2.75%</td>
</tr>
<tr>
<td>Product quality and innovation</td>
<td>49.73%</td>
<td>48.50%</td>
<td>1.23%</td>
</tr>
<tr>
<td>Responsibility for employees</td>
<td>67.64%</td>
<td>63.75%</td>
<td>3.89%</td>
</tr>
<tr>
<td>Diversity and equal opportunities</td>
<td>41.96%</td>
<td>40.13%</td>
<td>1.83%</td>
</tr>
<tr>
<td>Environmental responsibility</td>
<td>40.35%</td>
<td>38.54%</td>
<td>1.81%</td>
</tr>
<tr>
<td>Social contribution and charity</td>
<td>37.65%</td>
<td>34.89%</td>
<td>2.76%</td>
</tr>
</tbody>
</table>

In March 2019, the 2019 Report on the Work of the Government was released at the second session of the 13th National People's Congress held in Beijing. According to the report, more emphasis would be put on leveraging social forces and the focus of social governance would be shifted to community level; more effort would be invested into charity and public welfare, which would be conducive to the development of social organizations such as disaster relief organizations, education-related public welfare programs, and elderly care institutions, as well as poverty alleviation initiatives.

Preferential policies boosted the performance of A-share listed companies in terms of social contribution and charity in 2019. By type of business, joint ventures had the highest disclosure rate at 44.72%, followed by SOEs at 44.12%, and private companies at 39.63%. By region, East China had the highest rate at 43.29%, followed by West, Central and Northeast China, at 42.24%, 39.68% and 31.41% respectively. By industry, the financial industry reported the highest rate at 59.23%; the production and supply of electricity, heat, gas and water industry came in second at 49.68%; the culture, sports and entertainment industry had the lowest at 34.17%.
Top 50 with the highest overall indicator scores

Among the top 50 companies with the highest overall scores in 2019 (see the Exhibit), 31 were in the manufacturing industry, one fewer than 2018; four were in the information transmission industry, three more than the previous year; two were in the financial industry, down by three from the previous year.

Among the top 50, the number of SOEs remained at 28; the number of private companies increased to 17; three fewer joint ventures made it onto the list.

By region, 39 companies were located in east China, four fewer than the previous year; four were in central China, doubling that of the previous year; six were in the west, one more than 2018; one was in northeast China, the same as 2017.

On the whole, the average score of top 50 companies in 2019 was 78.16 (out of 100), significantly higher than the overall average of 48.59, up by 1.59% from 2018.
The economic value of CSR reports is a major concern for investors in the capital market. This research looked into this issue by constructing an investment portfolio according to the report information and checking its profitability. To be specific, the researchers classified companies based on CSR information: buying companies with the highest CSR scores and selling those with the lowest scores, and then examining the excess returns from this portfolio. The excess return was defined as the stock’s return in excess of the corresponding market index. For instance, the excess return of an A-share stock in the Shanghai Stock Exchange is its monthly return minus the Shanghai Composite Index. The accumulative excess return analyzed in this report is the total excess return during the eight months from May (after the report release) to the end of 2020.

The research examined 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 bought groups with the highest scores and sold groups with the lowest scores. Given that listed companies had to release their 2019 financial reports before May 2020, the researchers calculated the accumulative excess returns in the eight months between May and December 2020. The result was an annualized return rate of 17.66% (assuming cash dividends are reinvested). Moreover, this result remained unchanged when the samples were 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 for employees, diversity and equal opportunities, environmental responsibility, and social contribution and charity. The research found that the arbitrage portfolio can invariably yield positive accumulative returns whichever the indicator is adopted in classifying sample companies. 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 quality of a CSR report. After classifying the companies by this indicator score, the research found that social responsibility management had an obvious positive correlation with the accumulative excess return in eight months, and the annualized excess return rate was 19.46%.

(2) Classification by Company Operations and Management: This part includes five indicators: (1) strategic cooperation and sharing, (2) anti-bribery and anti-corruption, (3) business integrity, (4) accounting irregularities, and (5) financing disputes. The comprehensive evaluation of corporate governance paves the way for a company’s further development. After classifying the companies by this indicator score, the research found the portfolio yielded an annualized excess return of 11.52%.

(3) Classification by Product Quality and Innovation: This part includes quality management, customer satisfaction, patents, 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 this indicator score, the research found the portfolio yielded an annualized excess return of 18.73%.

(4) Classification by Responsibility for Employees: Responsibility for employees represents the company’s exclusive investment in employees. Employees constitute a cornerstone for the company’s development. A strong sense of responsibility for employees will contribute significantly to the company’s development in the long run. After classifying the companies by this indicator score, the research found the portfolio yielded an annualized excess return of 5.04%.

(5) Classification by Environmental Responsibility: This part includes environmental benefit, reduction in three types of waste, circular economy, green office, etc. After classifying the companies by this indicator score, the research found the portfolio yielded an annualized excess return of 11.72%.

(6) Classification by Social Contribution and Charity: This part includes donations, charitable activities, contribution to education, etc. After classifying the companies by this indicator score, the research found the portfolio yielded an annualized excess return of 11.04%.
### Appendix: 2019 Top 50 Companies by CSR Report Scores

<table>
<thead>
<tr>
<th>No.</th>
<th>Stock Code</th>
<th>Abbreviated Company Name</th>
<th>No. in the previous year</th>
<th>No.</th>
<th>Stock Code</th>
<th>Abbreviated Company Name</th>
<th>No. in the previous year</th>
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According to the Announcement on Work Concerning the 2008 Annual Statements by Listed Companies published by Shanghai Stock Exchange in December 2008, mandatory CSR disclosure is required for three types of companies, i.e. sample companies incorporated in the SSE Corporate Governance Index, companies issuing foreign shares on international boards, and financial companies.


The uncertainty and volatility brought on by the Covid-19 pandemic has triggered new changes unseen in a century. It is crucial to delve into how companies cultivate the ability to constantly adapt to changes emerging in these turbulent times. The word “resilience”, which is frequently mentioned, has also inspired us to think deeply about companies’ sustainable development.

Considering the reconstruction of the market order and landscape in the new era, companies will thrive only when they know how to coexist with nature and advance social progress. This raises a high bar for their role and responsibility. Business leaders will need to assume more social responsibility than in any previous era. Since its inception more than 26 years ago, CEIBS, which has nurtured numerous cohorts of business professionals, has evaluated business success not only on wealth accumulated, but also on social value created. Based on the positioning statement of “China Depth, Global Breadth”, the School delivers CSR education that provides alumni with inspiration and intellectual support so that they can make steady and sustained progress.

The 2021 CEIBS Corporate Social Responsibility White Paper is the culmination of the insights from both CEIBS faculty and alumni. This White Paper presents forward-looking perspectives and insight into tools that will be needed in the future, written and designed by professors from CEIBS. For example, Prof. Lydia J. Price proposes a “resilience toolkit” aimed at driving management decision-making and action for business development and industrial progress. This White Paper also recounts the experiences of CEIBS alumni companies that managed to tap into their respective expertise and resources to help prevent and fight the epidemic, whilst ensuring continuity of operations and production, demonstrating their resilience and responsibility.

This year marks the fourth consecutive year that the School has released a white paper on corporate social responsibility. We are grateful to the leadership of CEIBS for their unwavering support and strong encouragement that has made this work possible. We also thank the Case Center, Alumni Relations Office, Marcom Department, and Translation Department for their indispensable help during the compilation of this paper.

We are especially indebted to the CEIBS Alumni Association for ardently advocating CSR concepts and practices, providing a broad array of CEIBS solutions and suggestions, and performing the responsibility of a business leader. Our thanks also go to alumni companies, such as JD Logistics, Fosun International, Sanquan Food, and We Serve Hospital for proactively practicing social responsibility across a spectrum of industries and fields, contributing a wealth of CSR case materials, and showcasing excellent CSR practices and results.

The release of this White Paper coincides with the month of April and the beginning of spring, bringing with them the promise of new life, vigor and resilience. I hope that his paper serves as a fresh departure for deeper cooperation, aimed at leading the way and breaking new ground in the field of CSR.

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Case Researcher, CEIBS Case Center
April 2, 2021