

Green Finance and ESG Development in China



Hong Kong · 26 Nov 2019

Guo Peiyuan
Chairman of SynTao Green Finance



Disclaimer



- The copyright of this document is owned by Beijing SynTao Green Finance Consulting Co., Ltd. with all rights reserved. No person may copy and/or publish any part of this document without the written consent of Beijing SynTao Green Finance Co., Ltd.
- Beijing SynTao Green Finance Consulting Co., Ltd. does not assume the role of legal, tax, accounting or investment advisor. This document neither contains nor constitutes any offer or solicitation for sales or purchase. Beijing SynTao Green Finance Co., Ltd. will not use the information shared in this document to arrange for any investment or introduce any investor.

About Us



SynTao Green Finance

- SynTao Green Finance is a leading consultancy providing professional services in **responsible investment, ESG data, green bond assurance, and green finance advisory**.
 - A founding member of the Green Finance Committee (GFC) of China Society of Finance and Banking
 - A signatory to the UN supported Principles for Responsible Investment (PRI)
 - The first China based Climate Bonds Standard (CBS) approved verifier
 - An observer organization of the Green Bond Principles launched by International Capital Markets Association (ICMA)
 - A member of the National Association of Financial Market Institutional Investors (NAFMII)
 - A certified consulting agency for UK Green Investment Bank in China
- SynTao Green Finance initiated China Social Investment Forum (China SIF), dedicated to a responsible capital market in China.
- SynTao Green Finance facilitates its clients to develop green finance solutions, mitigate ESG risks, seize green business opportunities, and create a sustainable future.



Products and Services

ESG Investment

- ESG Database for A-Share Market covering ESG data since 2012.
- ESG Controversy Profile – historical and real-time tracking
- ESG index and ESG rating
- ESG Due Diligence service

Green Finance

- Green Bond Assurance
- Impact and sustainable bond – Structure Design or Assurance
- Green Finance Policy Database

Advisory

- Advise on Green Finance Policy and System Set-up
- Green Credit training courses
- Commissioned study in Sustainable Finance
- Coordinate with international and domestic organizations (e.g. TCFD)

China SIF

- A China based NGO to promote Responsible Investment
- Annual China SIF Week and Summer Summit
- Seminars and Knowledge Sharing Activities

商道融绿上市公司ESG数据系统



绿色债券评估认证
方法体系 V1.2

2018年4月



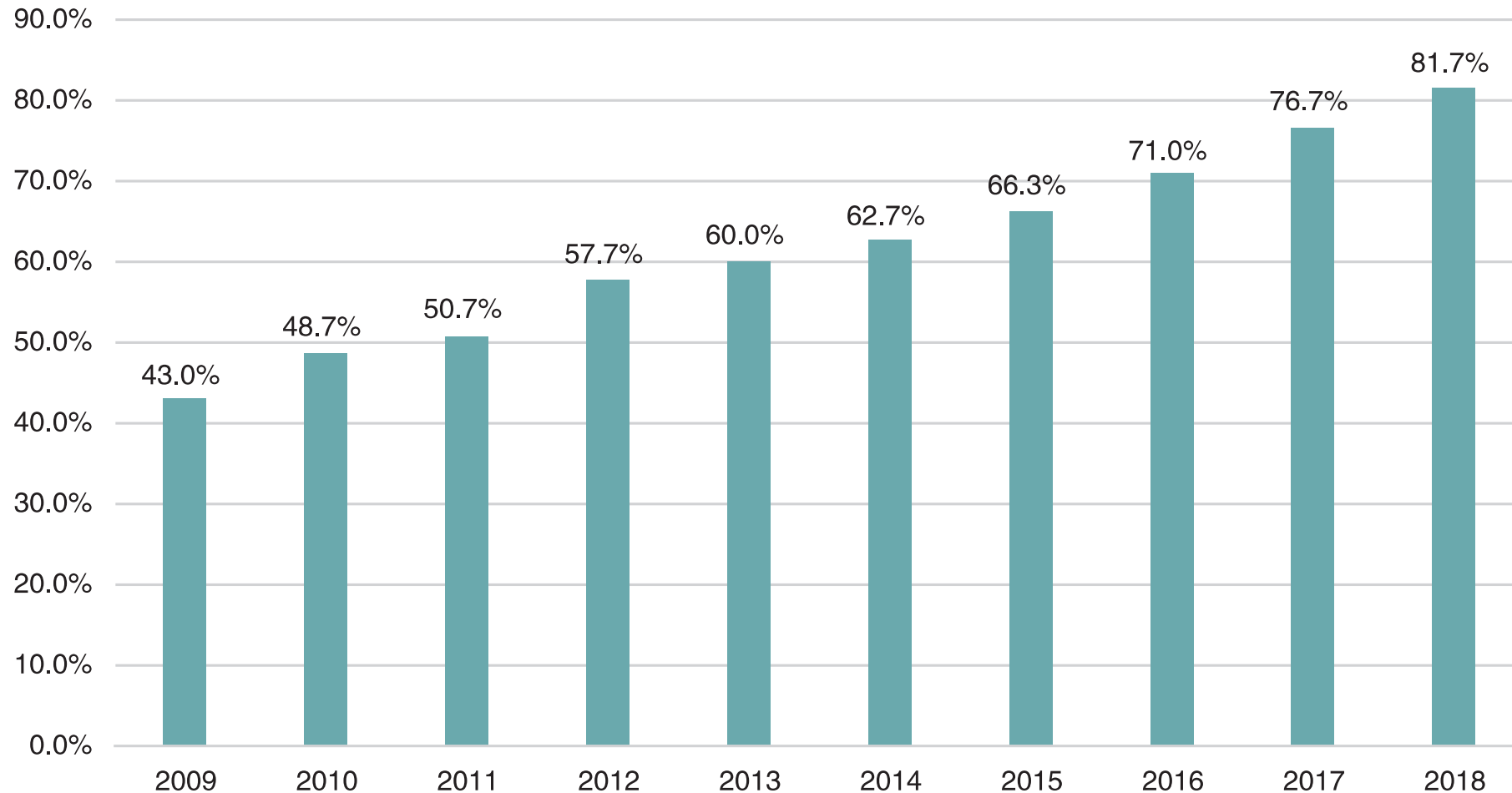
Regulations for ESG/Environmental Disclosure

Time	Title of Policy	English Translation	Issuing Body
2003	《关于企业环境信息公开的公告》	Announcement on the disclosure of corporate environmental information	MEE
2006	《上市公司社会责任指引》（已废止）	Guidelines on listed Companies Social Responsibility	SZSE
2007	《环境信息公开办法（试行）》	Measures for the Disclosure of Environmental Information(2007)	MEE
2008	《关于中央企业履行社会责任的指导意见》	Guidance on the Implementation of Social Responsibilities of Central Enterprises	SASAC
2008	《关于加强上市公司社会责任承担工作暨发布<上海证券交易所上市公司环境信息披露指引>的通知》	Notice on Strengthening the Social Responsibilities of Listed Companies and the Guidelines for the Environmental Information Disclosure of Listed Companies	SSE
2008	《<公司履行社会责任的报告>编制指引》	The Guidelines for the Preparation of the Report on Performance of Corporate Social Responsibility	SSE
2008	《关于加强上市公司环境保护督查管理工作的指导意见》（已于2016年7月废止）	Guidance on Strengthening Environmental Protection Supervision and Administration of Listed Companies	MEE
2008	《关于做好上市公司2008年年报报告工作的通知》	The Notification on Finishing 2008 Annual Report of Listed Companies	CSRC
2010	《上市公司规范运作指引》	The Guidelines on Standard Operating of Listed Companies	SZSE
2011	企业环境报告书编制导则	Guideline for Drafting on Corporate Environmental Report	MEE
2014	《环境保护法》修订稿	Environmental Protection Law (Revised in 2015)	MEE
2014	《企业事业单位环境信息公开办法》	Measures for the Disclosure of Environmental Information of Enterprises and Public Institutions(2014)	MEE
2015	《生态文明体制改革总体方案》	Overall plan of ecological civilization system reform	The State Council
2015	《中小板上市公司规范运作指引》	Guidelines on Standard Operations of Small and Medium-Sized Boards of Listed Companies	SZSE
2016	《构建绿色金融体系的指导意见》	Guidelines for Establishing the Green Financial System	PBoC, MoF, NDRC, ME E, CBIRC, CSRC
2017	《重点排污单位名录管理规定（试行）》	Regulations for Key Pollution Discharge Units (Trial)	MEE
2017	《公开发行证券的公司信息披露内容与格式准则第2号--年度报告的内容与格式（2017年修订）》	Standards for the Content and Formats of Information Disclosure of Companies Publicly Issuing Securities No.2 - Content and Formats of Annual Reports(Revised in 2017)	CSRC
2018	《上市公司治理准则》修订版	The amended Code of Corporate Governance for Listed Companies in China("Code")	CSRC
2018	《绿色投资指引（试行）》	Guidelines for Green Investment	AMAC

Disclosure Status



Proportion of CSI300 Constituents Released CSR Reports

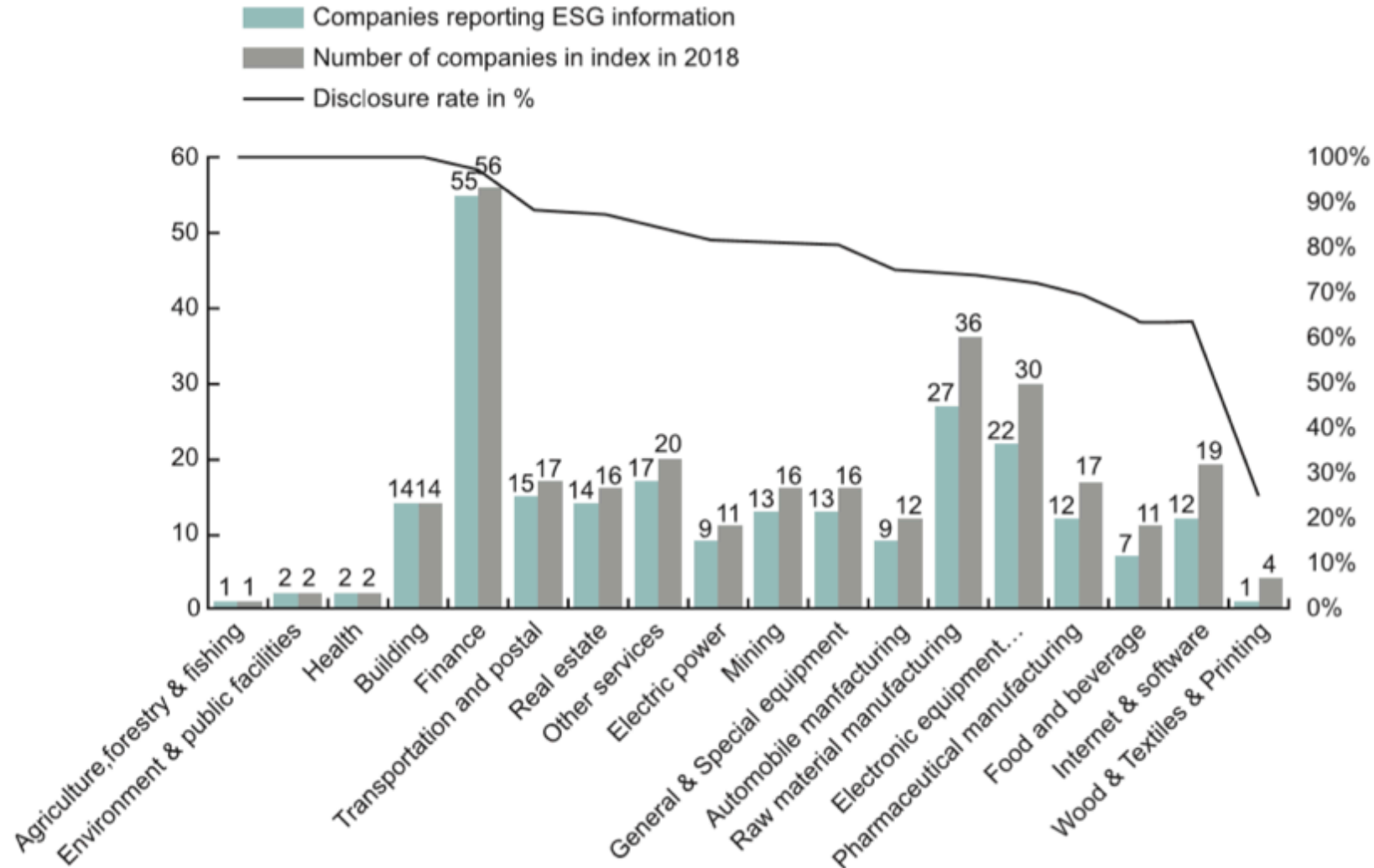


Data source: SynTao Green Finance, SynTao Co., Ltd. MQI database

Disclosure Status



Industry Distribution for CSI300 CSR Reports



Data source: SynTao Green Finance, SynTao Co., Ltd. MQI database

What indicators are being disclosed?

TYPE	TOPIC	FREQUENCY OF USE
Governance: Average disclosure rate 66.3%	Compensation of directors	97.4%
	Ratio of average compensation of employees and CEO compensation ³⁶	97.7%
	Separation of President and CEO	97.6%
	Diversity of board of directors	75.8%
	Independence of board of directors	97.2%
	Independent remuneration panel	82.9%
	Independent audit committee	88.4%
	Independent nominating committee	86.4%
	Thematic committees ³⁷	80.5%
	Unqualified audit report	95.2%

40.4%

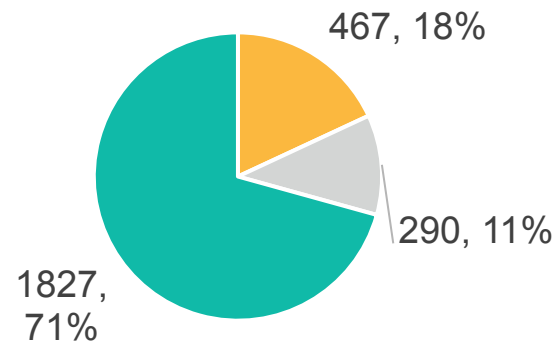
TYPE	TOPIC	FREQUENCY OF USE
Environmental management: Average disclosure rate 44.6%	Environment management system certification	49%
	Environmental management objective	81.6%
	Policies on energy conservation and renewable energy application	77.7%
Environmental data: Average disclosure rate 35.2%	Energy consumption and conservation	39.4%
	Tailpipe emission and reduction	38.9%
	Wastewater discharge and reduction	46.4%
	Hazardous waste discharge and reduction	36.3%
	Waste recycling	39.9%
Social: Average disclosure rate 28.9%	Number of employees receiving vocational training each year and duration	66.1%
	Donation	88.7%
	Prohibition of forced labour	32.6%
	Prohibition of child labour	32.3%
	Anti-discrimination	41.7%
	Number of female employees	35.5%
	Occupational health and safety	85.4%
	Fatality rate	54.7%
	Lost time rate in accidents	38%

Market moving toward ESG investing

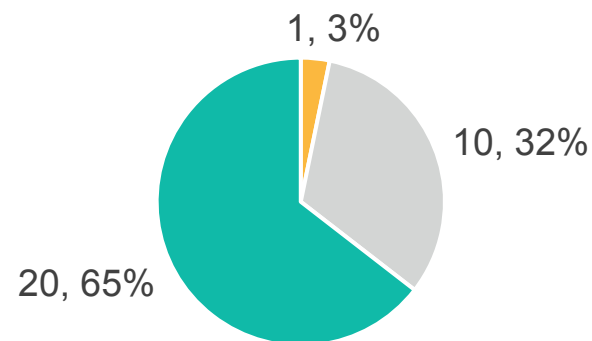


UN PRI in China

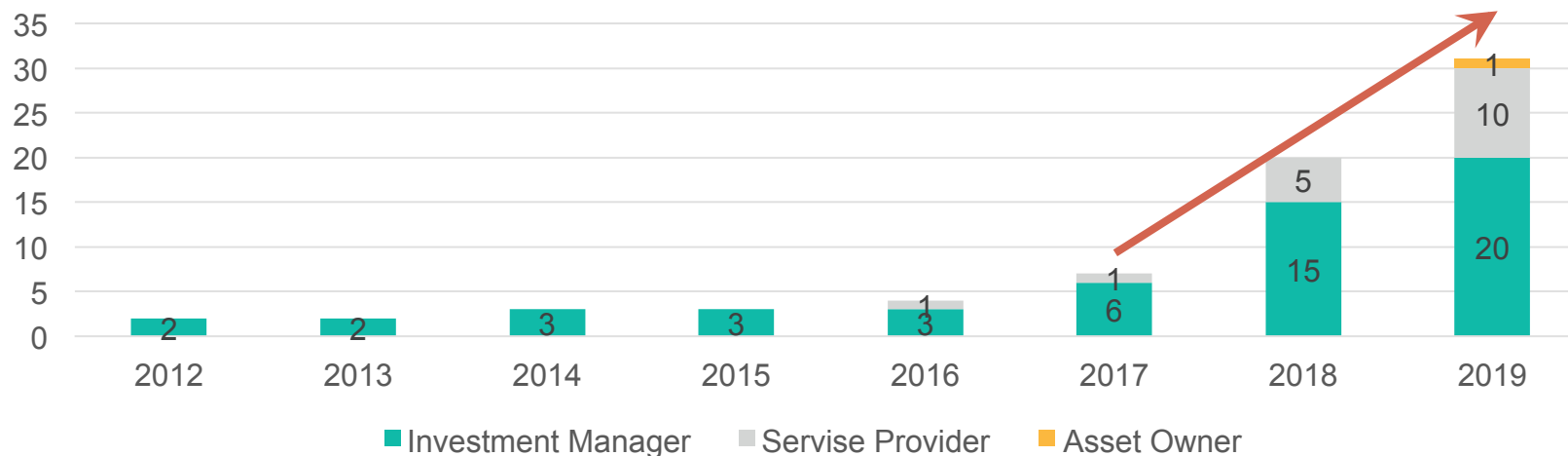
Breakdown of Global Signatories



Breakdown of Chinese Signatories



Chinese Signatories from 2012-2019



Data source: Principle for Responsible Investment(PRI) <https://www.unpri.org>, as of Sep, 18th, 2019

A Comparison of ESG Rating Frameworks

Dimension	Vigeo-EIRIS	MSCI	Oekom	Sustainalytics	GES International
Rating	-- to ++	AAA to CCC	A+ to D-	0 - 100	n/a
Dimensions	38 sustainability criteria in six domains of analysis: - human resources, human rights at the workplace, - environment, - business behaviour, - corporate governance, and - community Involvement.	37 key issues, in ten themes: - climate change, natural resources, pollution/ waste, - environmental opportunities, - human capital, product liability, - stakeholder opposition, - social opportunities, - corporate governance, - corporate behaviour.	100 sector-specific criteria in 2 categories: - Social: staff and suppliers, society and product responsibility, corporate governance and business ethics. - Environmental: environmental management, products and services, eco-efficiency.	Min 70 sector-specific issues per industry in the categories: E – operations, supply chain, products & services; S – employees, supply chain, customers and community & philanthropy; G – business ethics, corporate governance and public policy.	Screening violations against ten dimensions: - community involvement, - corp governance, customer/ product environment, health and safety, human rights, labour practices, social, environm. and ethical risk, stakeholder engagement, supply chain responsibility
Emphasis	80% Qualitative Human/ Labour rights	Quantitative performance measures	50% Quantitative / 50% Qualitative	50% Quantitative / 50% Qualitative	Norm based screening and engagement
Benchmarks	Applying a wide variety of public and international standards	Using industry performance benchmarks	Applying a variety of public and international standards	Using industry performance benchmarks and some public standards.	Applying a wide variety of public and international standards
Values vs. Value-based	Values-based	Value-based	Values-based	Hybrid	Values-based

Source: Authors (2018). Information pooled from publicly available information on corporate websites, in corporate reports and other public company sources.

Overview

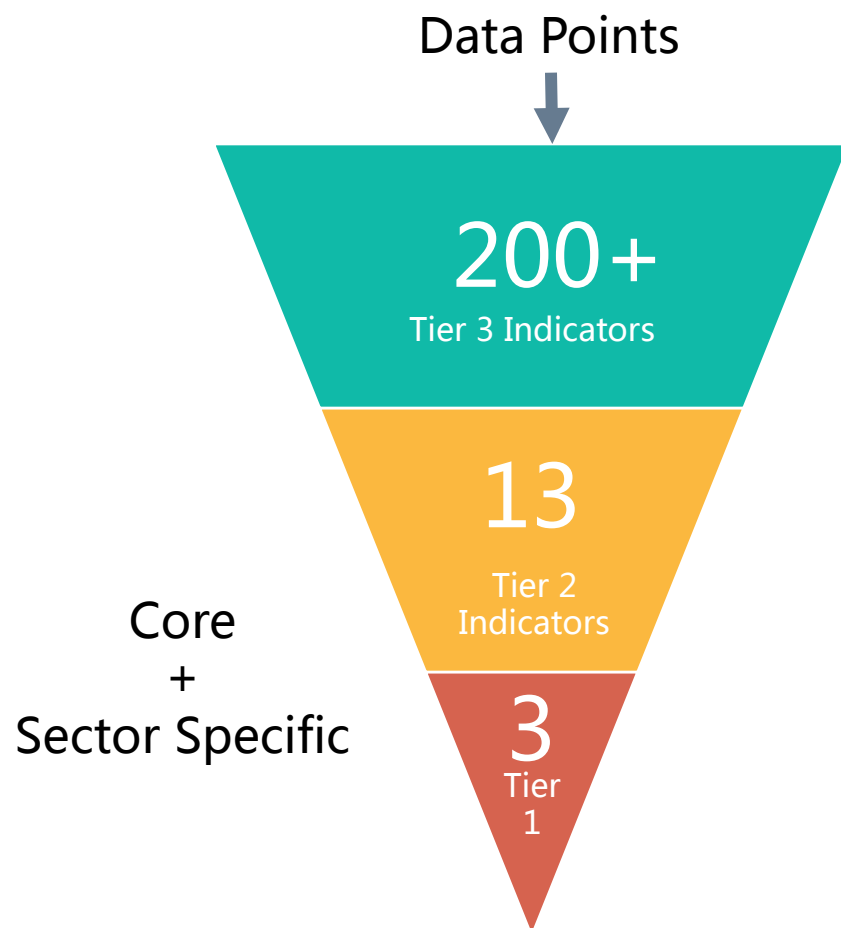
STGF ESG Evaluation Framework

- Rating: A – D ,
- Indicator: 60-70 per company
- General + Industry specific indicators
- Qualitative vs Quantitative
- Standard: International / Domestic
- Drive: Values vs Value
- Source : Public information

characteristic

- Sustainable development capability as an anchor
- Indicators aligned with international practice
- Materiality analysis fits in China market
- Higher level of distinguishing
- Deeper access to information in Chinese
- Rating based on solid research

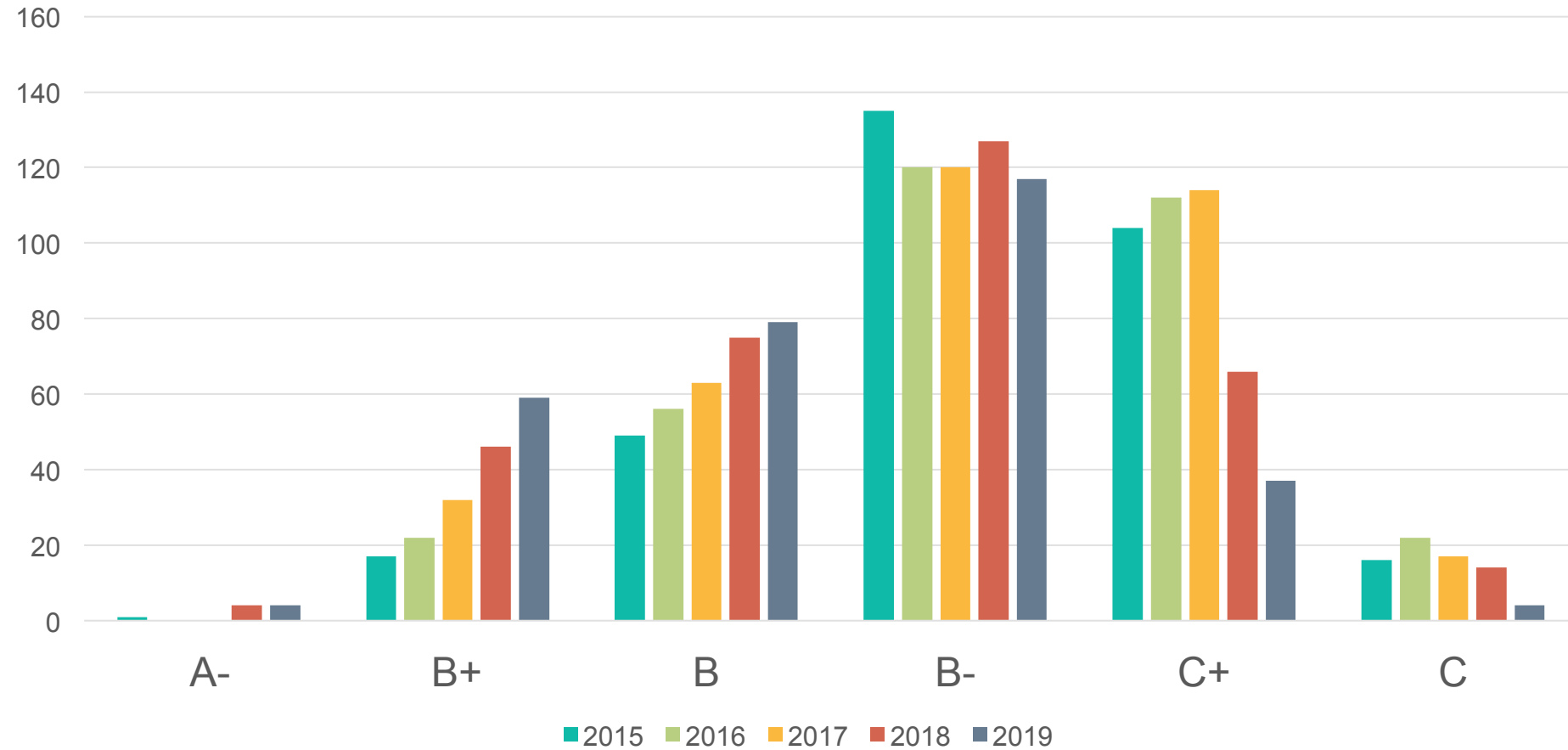
ESG Rating Framework



Tier 1	Tier 2	Tier 3 (examples)
E Environmental	Environmental Management	Environmental Management System Certification, Water Conservation Objective, Green Product (Service) and Revenue
	Environmental Disclosure	Energy Consumption and Conservation, Waste gas Emission and Reduction
	Environmental Controversies	Negative Incidents regarding Water Pollution / Air Pollution / Solid Waste Pollution
S Social	Employee	Freedom of Association, Anti-Discrimination
	Supply Chain	Responsible Supply Chain Management
	Community	Community Communication
	Product	Fair Trade Product, Genetically Modified Food
	Philanthropy	Enterprise Foundation, Donation
G Governance	Social Controversies	Negative Incidents regarding Employees / Clients / etc.
	Business Ethics	Whistleblowing Policy, Overseas Tax Payment
	Corporate Governance	Board Diversity, Auditor Independence
	Governance Controversies	Negative Incidents regarding Business Ethics / Corporate Governance

ESG Rating Distribution of CSI 300 Constituents

(2015-2019)

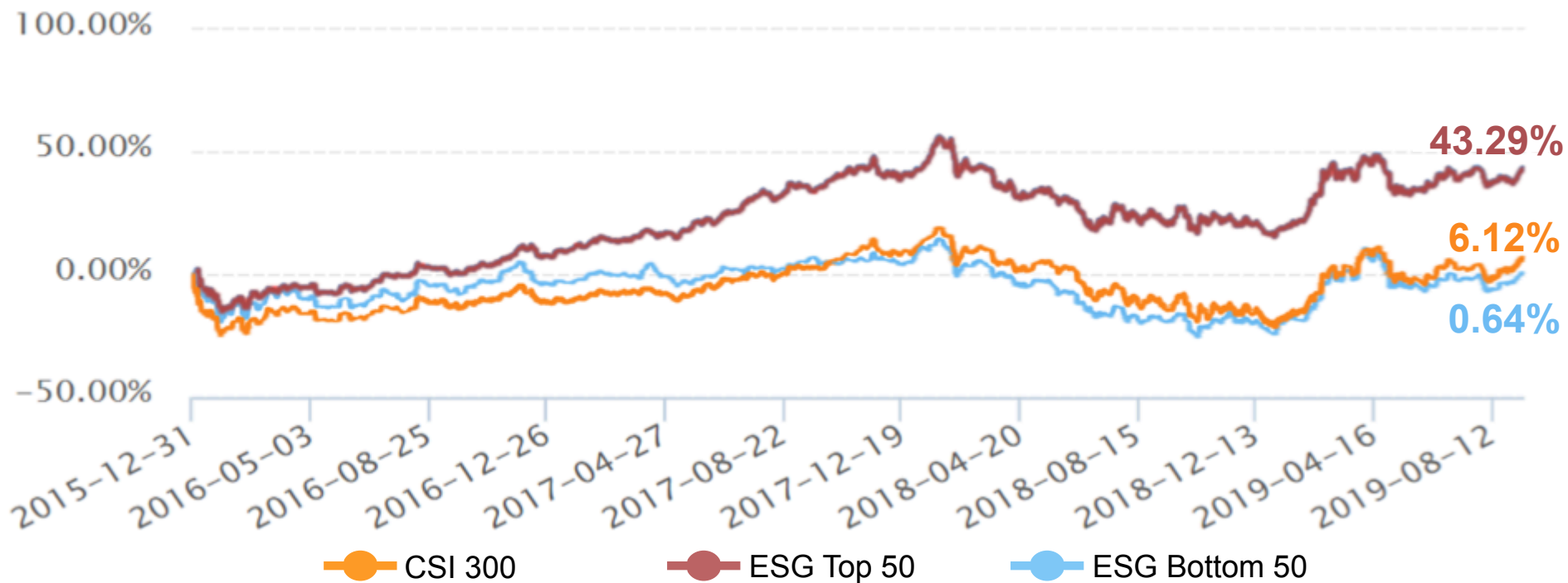


Data source: SynTao Green Finance A-share ESG Database

Can ESG bring excess return?



ESG 50 Index vs CSI300



	Net Worth Growth	Average Yield	Standard Deviation	Sharpe
ESG Top 50	43.29%	1.16%	4.30%	0.2405
CSI 300	6.12%	0.70%	4.77%	0.1211
Diff.	37.18%	0.46%	-0.47%	0.1194

Data source: SynTao Green Finance A-share Database, Choice, as of Sep, 10th, 2019

THANK YOU

Finance for Good

✉ guopeiyuan@syntaogf.com

🌐 www.syntaogf.com

📍 Room 1408, Tower C, Vantone Center, A6 Chaowai Avenue, Chaoyang District, Beijing, 100020, China

商道融綠
SynTao Green Finance

