

Reasons for Choosing CCB?

Southern Weekly released its 2020 China Corporate Social Responsibility List on July 30, 2021. The list contains an overall top 300 list and sector-specific lists for banking, internet and real estate business. China Construction Bank(CCB) ranked No.2 in the top 300 list with 80.60 points, up by 11 notches over last year, and ranked No.1 in the banking list for the second time in a row.

The China Corporate Social Responsibility List, initiated by *Southern Weekly*, is not only an appraisal by core features such as financial payback, but also a comprehensive appraisal by economic value, social value and environmental value created by enterprises. During the 18 years since the List was first released, social responsibility scores of enterprises went up and down on the List and some enterprises were eliminated for events which had critical negative impact on them. CCB is worth of attention for not only ranking on top of the sector list but also keeping going up in the overall top 300 list.

As the China Corporate Social Responsibility List only reflects the evaluation by domestic press, we can take a look at ratings on CCB by international institutions. Among all international institutions that conduct corporate social responsibility rating, the ESG rating of MSCI is representative and well received by the market. In December 2020, MSCI released its new round of ESG ratings, and CCB's rating was upgraded from BBB to A, making the bank the only large financial institution who was rated A in the Chinese banking industry.

Rome is not built in a day. Behind the steady upgrade in the domestic and international ratings lay CCB's constant improvement of CSR work and CSR performance effect. In particular, under the guidance of the New Finance Concept, CCB's CSR work has stepped into a new era.

New Finance reshapes new dimensions of CSR

Finance is the core of modern economy and is a crucial driver for economic and social development. The understanding of social responsibilities by banking institutions should adapt to the economic and social development and the results of CSR performance should align with its social influence.

However, traditional financial services cannot meet the demands of the high-quality economic development in the new era, represented by the ignorance of needs of low-income customers like the general public and micro and small enterprises and catering to only the investment payback requirements of shareholders, the inadequate control of potential risks in operation for pursuit of short-term performance, the diversion of financial resources from real economy to other fields for the blind pursuit of new forms of business.

The inadequate functions of financial services inevitably result in the gap of CSR performance effect of banking institutions and public expectations. The groups with limited access to financial services could not fully feel the inclusiveness of finance, while the financial resource allocation and macro-control functions are not well leveraged in economic and social functioning.

Obviously, the banking institutions should deepen the CSR awareness and adjust financial services under new requirements of the new era. CCB proposed the concept of “Embrace New Finance”, and has elaborated and enriched the New Finance Concept. In terms of values, CCB believes that New Finance establishes a people-centric financial development philosophy, pursues value of people-first, finance inclined to kindness, and integrated profit and goodness, facilitates finance to return to the origin of serving the real economy, and realizes the transformation from capital-oriented to people-oriented operation and from serving customers to serving users. The people-centric philosophy responds to people’s aspiration for a better life in a better way. In methodology, the Bank needs to deliver financial services from the perspectives of a social responsibility bearer and with the focus of a financial expertise provider, rebuild the financial “water conservancy project”, and aim at addressing social pain points and challenges. In institution positioning, it should fully understand that banking institutions should focus on and serve the people rather than being high above the masses. During business operation, New Finance should fully embody the features of inclusiveness, sharing and technology. Specifically, inclusiveness requires banking institutions to make financial services fairer and more accessible; sharing requires banking institutions to open up platform resources and output institution capability to make finance the infrastructure serving economic and social development; and technology refers to combine finance and modern technology to improve capability and efficiency of financial services.

The New Finance Concept reshaped CCB’s understanding of banking institutions’ social responsibilities and significantly changed the values and strategic orientation of CCB’s CSR work. The first is that CSR performance has become the endogenous culture gene, value pursuit and self-awareness in action. The second is that the CSR work logic has shifted from meeting internal work requirements to satisfying social needs and expanded to participating in social governance. The third is that priorities of CSR work have been confirmed as serving and building better life through completely fulfillment of social responsibilities.

Expanding the border and sticking to the origin

Cognition determines action. Under the guidance of the New Finance Concept,

CCB embarked on a new journey of CSR work, constantly expanded the CSR performance boundary of banking institutions and deepened the awareness of CSR performance.

In 2018, CCB initiated “Workers’ Harbor” to open up outlets to the public and provide places for couriers and food-delivery workers, sanitation workers and taxi drivers who work outdoor to heat food, take a comfortable break, drink water, get electric devices charged and go to restroom. This unremarkable arrangement provided convenience for tens of thousands outdoor workers and led to the spillover effect of advocating for upward and good. CCB clients and non-profit organizations cooperated with CCB to build “Workers’ Harbor+” and enrich “Workers’ Harbors” with anti-fraud seminars, health lectures, reading sharing, judicial popularization and voluntary services. Some harbors even stepped outside outlets to deliver services in communities and the countryside.

While ensuring normal business development, CCB opened its resources to upper limit to serve social needs. This embodied the sustainable development philosophy of sharing through collaboration between enterprises and society, which is also reflected in the “Financial Literacy Promotion” training service launched by CCB. In addition to providing specialized training for employee, the training service also served society, especially popularizing financial knowledge among micro and small business owners, individual business owners, students and farmers to enhance the competency of the public to study, understand and apply finance. Training was conducted in not only classrooms, but also in the fields of countryside.

Changes occur quietly. The CSR performance obviously uplifts social public welfare. No matter in providing convenience for outside workers or improving the financial literacy, CCB targets at the general public rather than direct stakeholders. This expands the border of CSR performance by enterprises, creates new possibilities for CSR performance and innovation. Acting for the benefits of others will benefit oneself in return. CCB received heartfelt praise from the public – Financial institutions can be close to the people and not high above to reach.

Expanding boundary is not eliminating the boundary. For banking institutions, the essence of serving the real economy never changes no matter how the CSR performance form is innovated and how the border is expanded. This is the priority social responsibility for any banking institution. Slightly differently, CCB extends actions to support the real economy from large sectors and customers to small ones and strengthened financing support for micro and small business owners, individual business owners and farmers. This is exactly the concentrated embodiment of the New Finance Concept advocated by CCB,

which enables all social members to receive financial services fairly.

The Bank created “CCB Huidongni” APP to solve the conundrum of difficult and costly SME financing of micro and small businesses. The Bank built more than 600,000 “CCB Yunongtong” service sites in rural areas across the country, and solved the “last mile” problem for financial services in rural areas to provide effective financial support for rural revitalization. It also developed the “Mingonghui” financial product to ease the financing difficulty of companies and address pain points in migrant workers’ wage payment. Aiming at needs and pain points of financial disadvantaged groups represents a change of service philosophy and also the responsibility of a state-owned bank.

Extending services to lower-tier markets did not affect CCB’s status as an important bank in China, but gave a human touch to the aloof finance within people’s traditional recognition. CCB’s deepening of New Finance Concept that aligns corporate development with society development and treats meeting public needs as business targets has broadened working plans, expanded businesses, consolidated the operation foundation and improved the tenacity of development. In the last year, under the circumstances of increasing uncertainties in global economic development and broad pandemic effect, CCB registered improving operating indicators. As at the end of 2020, CCB’s balance of inclusive finance loans reached RMB1.45 trillion, ranking first in the market in terms of both balance and increment. CCB’s digital inclusive model has become the basic blueprint for the PBC to set up standards for inclusive financial business. In terms of retail banking, CCB had over 700 million individual customers, which means out of every two Chinese there is one CCB customer.

Advanced Responsibility Management

The concept of responsibility needs to be implemented in practice, and responsibility practice needs to improve performance through scientific management.

In the process of advancing CSR development, CCB has formed a set of refined responsibility management system and working methods, which, on the whole, cover such initiatives as organizational leadership, strategy implementation, training and communication, and information disclosure. The responsibility management of CCB has been improved through the value pursuit led by the senior management, the in-depth bank-wide consensus and practice, and the scientific and refined responsibility management system.

With regard to the organizational structure of CSR, CCB established the Environmental, Social and Governance Promotion Committee under the senior

management this year in addition to the Related Party Transaction, Social Responsibility and Consumer Protection Committee under the Board of Directors, further strengthening its CSR and ESG management. Under the unified leadership of relevant committees of the Board of Directors and the management, all departments of the Head Office and branches are responsible for advancing the implementation of CSR strategy and ESG management and integrating them into operational management, which ensured the orderly progress of the Bank's fulfillment of social responsibilities.

In terms of strategy implementation, CCB is committed to integrating the CSR strategy of "serving the public, promoting people's livelihood and low-carbon, being environmentally friendly and delivering sustainable development" into operational management, customer services and product innovation, advocating and practicing "building a better society and sharing a better life", and deepening the Bank's understanding of promoting CSR strategy and fully fulfilling social responsibilities. Meanwhile, the Bank advocates and practices public welfare in the spirit of "translating the responsibility of serving the public interests into businesses while calling for involvement of employees, customers and institutions", so that corporate public welfare is not limited to corporate actions, but joint efforts of employees, customers and institutions, so as to make concerted efforts to realize cooperation among multiple parties.

In terms of training and communication, CCB on the one hand strengthened internal training on CSR management line to enhance the professionalism of CSR management of the Bank. It expanded cooperation with relevant specialized institutions and carried out special training on CSR such as ESG information disclosure, green finance and inclusive finance to improve the awareness and understanding of the whole staff on CSR. On the other hand, the Bank actively responded to international initiatives such as TCFD (Task Force on Climate-related Financial Disclosure) and enhanced cooperation and exchange with international institutions.

In terms of information disclosure, CCB has published the CSR report for 16 consecutive years to disclose information on corporate performance to stakeholders, and the reports disclose a wealth of performance data. To ensure the quality of the data, the report has been authenticated by a third party. In addition, CCB has set up a CSR information column on its official website, which facilitates investors, think tanks and rating agencies to keep abreast of its CSR efforts. Whether it is the CSR rating system established by *Southern Weekend* or the MSCI ESG Rating, the CSR information publicly disclosed by enterprises is an important reference.

Insights and Suggestions

The New Finance Concept has consolidated the awareness of CSR in the financial industry, and the New Finance practices have confirmed that the CSR performance of enterprises and their own sound development go hand in hand and complement each other.

In practice, CCB fulfills its CSR not only by making donations, but by tapping into the potential of finance to do good, fulfilling its social responsibilities comprehensively in its operation and management, continuously solving pain points and difficult problems, and better serving the high-quality development of economy and society. In this process, the traditional customer marketing and customer services are integrated into the development philosophy of sharing through collaboration and win-win cooperation, the social value of employees is explored and highlighted, customer needs are better served and met, and the Bank wins development opportunities.

CCB's social responsibility work has progressed step by step in expanding its boundaries and adhering to its origins from concept remodeling, strategy promotion to practice innovation and management enhancement. CCB's social responsibility practice is of great significance for banking institutions to carry out CSR management and improve their CSR performance.

First, CSR efforts need to adapt to the changing circumstances. CSR is in dynamic development. With the different stages of economic and social development, the relationship between enterprises and society and the public's demands on corporates' CSR performance also differ. Therefore, enterprises need to update the CSR concept in time and carry out innovative practices accordingly.

Second, long-term efforts should be made in CSR work. The CSR work in the banking industry started relatively early. CCB, as the first listed state-owned large commercial bank, started its efforts earlier in this regard. The Bank has persisted to CSR work from releasing the first CSR report in the industry in 2007 to ranking top in the industry now. All enterprises should be ready for long-term CSR work. In the face of the new situation of economic and social development, enterprises need to be more determined to fulfill their social responsibilities, and a sound foundation of responsible governance and the CSR practices will serve as powerful tools for them to cope with various challenges in the future.

Third, CSR management needs supporting mechanisms. As a specialized work, CSR management requires systematic supporting mechanisms, including organizational structure, rules and regulations, knowledge management, communication and dissemination, etc. The CSR survey and evaluation on banks conducted by *Southern Weekly* showed that 48% of the

50 banks evaluated did not formulate special plans on CSR, and 38% of them did not establish CSR-related posts. There is still much room for improvement of CSR management in the banking industry.

Business operation is always in dynamic state, and so is CSR performance. No company can claim to fulfill its social responsibilities perfectly, and CCB is no exception.

The CSR survey and evaluation on banks conducted by *Southern Weekly* showed that compared with other industries, banks generally had an early start in CSR management and relatively standardized information disclosure, but there was still room for improvement. With the target of striving to achieve carbon peak by 2030 and carbon neutrality by 2060 and the ESG responsible investment requirements, it is worth looking forward to how the banking industry can effectively develop green finance. As strong financial regulation continues to take effect, banks' operation still needs to be more compliant. In addition, it is also worthwhile for large banking institutions to learn from the practices of large domestic and foreign enterprises to set their own corporate welfare foundations or special funds and promote the specialization and refinement of public welfare and charity.

“Financial vitality drives economic vitality and financial stability ensures economic stability; while economic prosperity leads to thriving finance and strong economy guarantees strong financial strength.” General Secretary Xi Jinping’s remarks reveal the dialectical relationship between finance and the real economy, as well as the essence and duty of finance to serve economic and social development. In the face of the Chinese people’s aspirations for a better life in the new era, the financial industry should play a greater role. CCB also looks forward to more practices in fulfilling its responsibilities to explore the way for the coordinated and healthy development of finance, economy and society.