

# ESG Evaluation for SSE 50 Index Constituent Stocks on Epidemic Control

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SynTao Green Finance

### 1. Purpose of the Evaluation

The Coronavirus epidemic has significantly influenced social and economic activities in China since the beginning of 2020, and it is like an extreme stress test for listed companies. In the short term, the outbreak of the epidemic will deteriorate companies' business development and financial performance. Under the extreme pressure, the behavior of listed companies can reflect their resilience against stress, which is an important component of risk management and sustainable development capabilities. Through analysis of the measures against the Coronavirus epidemic, more convincing facts on values, governance ability and relationship with stakeholders of listed companies can be recognized in a different scenario. Therefore, the ESG evaluation of companies under emergencies such as the Coronavirus epidemic can be a good supplementary of the overall ESG assessment.

To comprehensively evaluate measures taken by A-share listed companies against the Coronavirus epidemic, SynTao Green Finance has developed an ESG Epidemic Control Valuation model (ESG-ECV). It is hoped that the ESG-ECV results could provide a new perspective for financial institutions to evaluate listed companies.

### 2. Methodologies

#### 2.1 Indications System

SynTao Green Finance ESG-ECV is a two-level system with first-level indicators of Social (S) and Governance (G). The second level Social indicators include Employee, Supply Chain and Clients, Business Support and Donation. And the second level Governance indicators include Timeliness of Reaction and Information Disclosure. Controversy is also included as a negative indicator.

Table 1: Indicators of the Evaluation

1 <sup>st</sup> -level indicator	2 <sup>nd</sup> -level indicator	Issues
<b>Social (S)</b>	Employee	Health and safety and employees' rights, etc.
	Supply Chain and Clients	Supply chain support and client protection, etc.
	Business Support	Anti-coronavirus business support, etc.
	Donation	Donation of cash or in-kind, etc.
<b>Governance (G)</b>	Timeliness of Reaction	Timeliness of actions against Coronavirus epidemic
	Information Disclosure	Quality of relevant information disclosure
<b>Negative Indicator</b>	Controversy	Controversy related to Coronavirus

## 2.2 Weight Setting

As listed companies are influenced by the Coronavirus epidemic in different levels, they are separated into three categories, including positively affected, negatively affected, and not obviously affected. Accordingly, different weights are assigned to the three categories.

## 2.3 Sources of Information and Time Scope

Sources of information mainly include corporate self-disclosed information, news articles, industry associations, and NGO reports. All the information was collected by 13<sup>th</sup> February 2020.

## 2.4 Rating

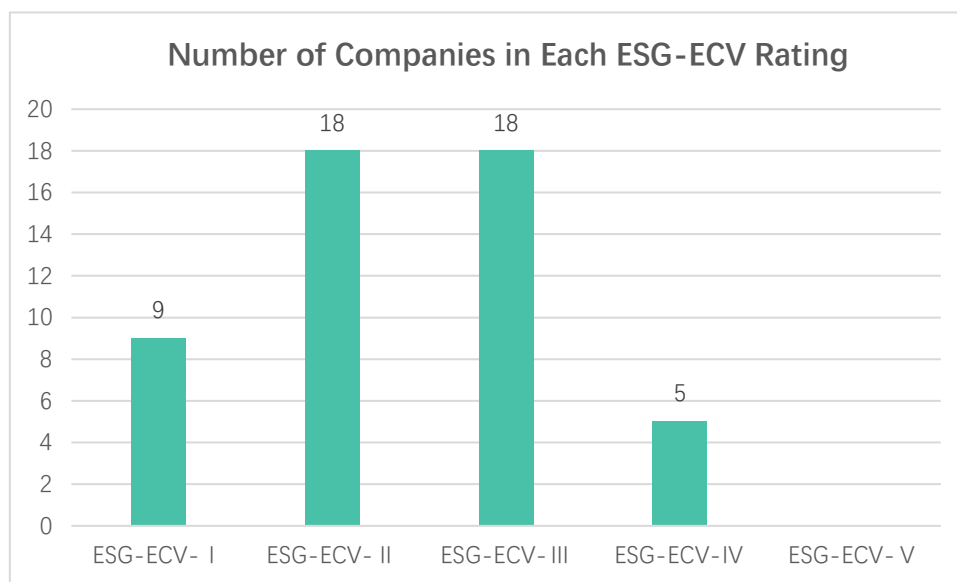
The rating of ESG-ECV is divided into five levels from high to low, ESG-ECV-I, ESG- ECV -II, ESG- ECV -III, ESG- ECV -IV, ESG- ECV -V.

## 2.5 Sample

The rating, at this stage, includes SSE 50 index constituent stocks updated in December 2019.

## 3. Rating Results

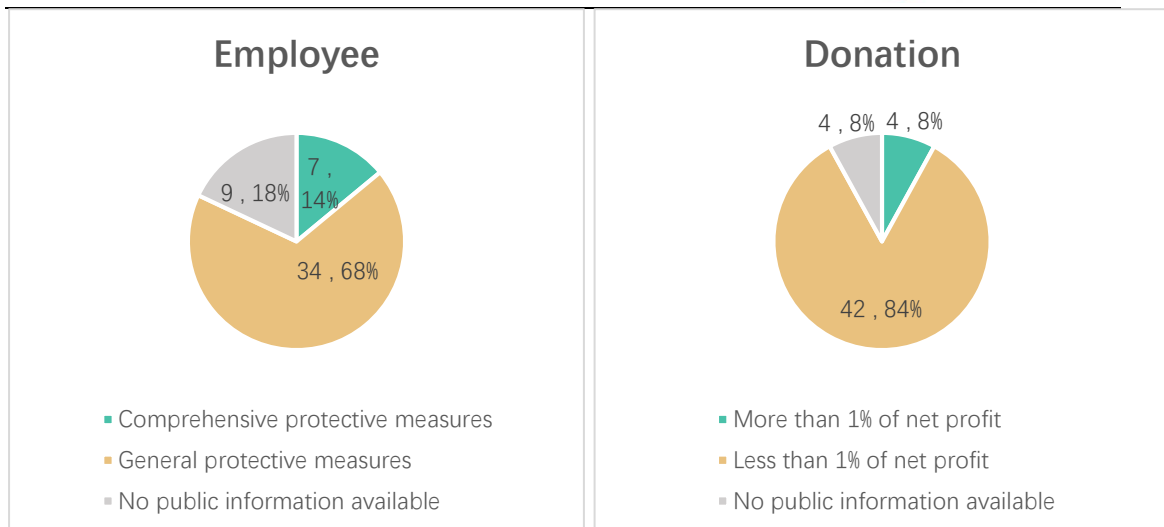
Among constituent companies of the SSE 50 index, 9 companies are graded ESG-ECV-I, accounting for 18%. Number of companies graded ESG-ECV-II and ESG-ECV-III are both 18, each accounting for 36%. Besides, there are 5 companies graded ESG-ECV-IV, accounting for 10%. And no companies are graded ESG-ECV-V. In general, SSE 50 A-share companies perform well during the Coronavirus epidemic.



Graph 1: ESG-ECV rating results

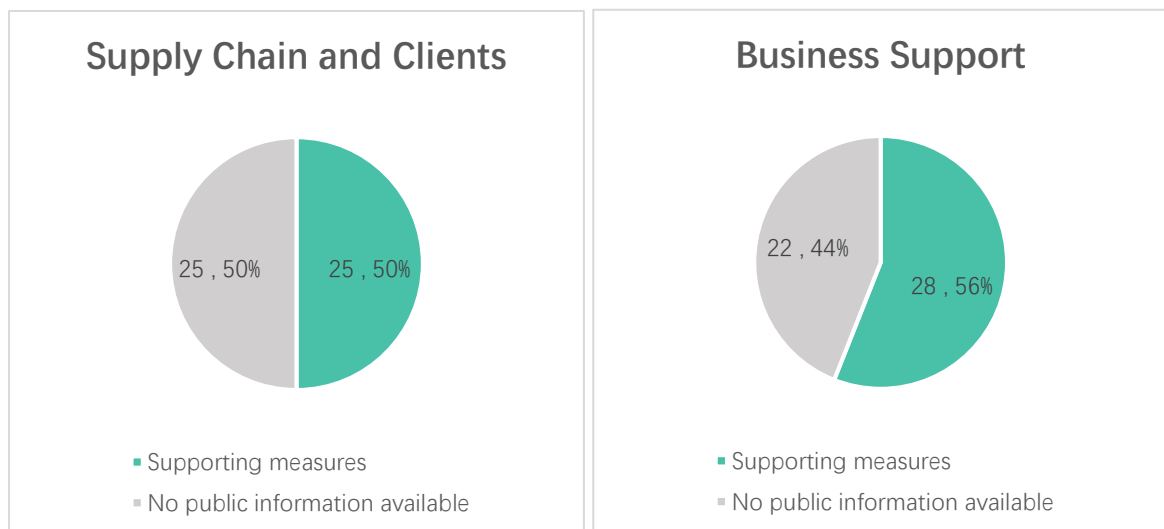
### 3.1 Social Indicators

In the assessment, almost all the 50 companies have taken actions in terms of Employee and Donation. SynTao Green Finance's analysis shows that 41 companies disclosed or had publicly available information on protective measures against employees, 7 of which disclosed comprehensive information including guidance documents, potential risk management, preventive and protective measures, record reporting mechanism, and flexible work arrangement. And 46 companies disclosed or had publicly available information on donations, 4 of which donated more than 1% of their net profit last year.



Graph 2 & 3: Statistics of Employee and Donation Indicators

In addition, more than half of the companies have taken actions in terms of Supply Chain and Clients and Business Support. According to SynTao Green Finance’s analysis, 25 companies disclosed or had publicly available information on measures supporting supply chain and clients. And 28 companies disclosed or had publicly available information on providing anti-Coronavirus business support.

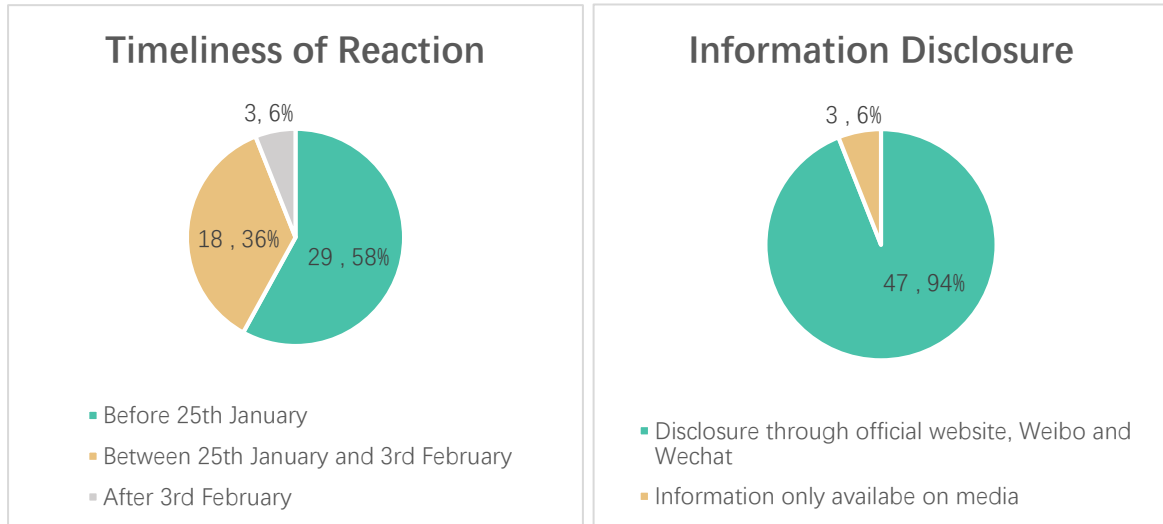


Graph 4 & 5: Statistics of Supply Chain and Clients and Business Indicators

### 3.2 Governance Indicators

In the assessment, most companies react quickly to the Coronavirus epidemic. 29 companies took actions before 25<sup>th</sup> January, and only 3 companies reacted on or after 3<sup>rd</sup> February. Other companies took actions between 25<sup>th</sup> January and 3<sup>rd</sup> February.

In terms of Information Disclosure, 47 companies disclosed their measures against Coronavirus epidemic through official website, Weibo and WeChat, while relevant information of the other 3 companies could only be available on media.



Graph 6 & 7: Statistics of Timeliness of Reaction and Information Disclosure Indicators

#### 4. Application of the Evaluation

The ESG-ECV results provide a medium-to-long-term indication of a company's development after the epidemic. In contrast, the Coronavirus epidemic imposes short-term influences on the financial performance of companies. A more comprehensive assessment of a company shall include both the financial evaluation and ESG non-financial evaluation. Companies who perform better during the epidemic are usually more capable to recover after the epidemic with relatively faster recovery speed.

Compared with the conventional ESG evaluation of listed companies, the ESG evaluation under emergencies is considered as a sample of company performance under extreme stress. The combination of the two results provides a more comprehensive assessment of a company's ESG performance. In the next stage, SynTao Green Finance will expand the scope of evaluation samples and conduct a comparative study of the relationship between the regular ESG performance and the ESG-ECV performance of listed companies to further improve the ESG assessment process with a more comprehensive perspective.

**Appendix: Rating Results**

ESG-ECV Rating	Company	Stock Code
ESG-ECV-I	China United Network Communications Limited	600050.SH
	Sany Heavy Industry Co.,Ltd	600031.SH
	Longi Green Energy Technology Co., Ltd.	601012.SH
	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	600196.SH
	Shanghai International Airport Co., Ltd.	600009.SH
	China Railway Group Limited	601390.SH
	China Construction Bank Corporation	601939.SH
	Agricultural Bank of China Limited	601288.SH
	Petrochina Company Limited	601857.SH
ESG-ECV-II	Ping An Insurance(Group) Company of China, Ltd.	601318.SH
	Bank of China Limited	601988.SH
	China Merchants Bank Co.,Limited	600036.SH
	China Life Insurance Company Limited	601628.SH
	China Shenhua Energy Company Limited	601088.SH
	The People's Insurance Company (Group) of China Limited	601319.SH
	China Pacific Insurance (Group) Co., Ltd.	601601.SH
	Bank of Communications Co.,Ltd.	601328.SH
	Industrial Bank Co.,Ltd.	601166.SH
	Jiangsu Hengrui Medicine Co.,Ltd.	600276.SH
	New China Life Insurance Company Ltd.	601336.SH
Huatai Securities Co.,Ltd	601688.SH	
ESG-ECV-II	China Railway Construction Corporation Limited	601186.SH
	Industrial and Commercial Bank of China Limited	601398.SH
	China Petroleum & Chemical Corporation	600028.SH
	China Minsheng Bank	600016.SH
	China Shipbuilding Industry Company Limited	601989.SH
	Kweichow Moutai Co.,Ltd.	600519.SH
ESG-ECV-III	San'an Optoelectronics Co.,Ltd	600703.SH
	CRRC Corporation Limited	601766.SH
	SAIC Motor Corporation Limited	600104.SH
	China Fortune Land Development Co., Ltd.	600340.SH

	China State Construction Engineering Corporation Limited	601668.SH
	Shanghai Pudong Development Bank Co., Ltd.	600000.SH
	Anhui Conch Cement Company Limited	600585.SH
	Wanhua Chemical Group Co.,Ltd.	600309.SH
	CITIC Securities Company Limited	600030.SH
	Hongta Securities Co.,Ltd.	601236.SH
	China Everbright Bank Company Limited	601818.SH
	Poly Developments and Holdings Group Co., Ltd.	600048.SH
	Guotai Junan Securities Co. Ltd.	601211.SH
	China Molybdenum Co., Ltd.	603993.SH
	Shandong Gold Mining Co.,Ltd.	600547.SH
	Foxconn Industrial Internet Co., Ltd.	601138.SH
	Air China Limited	601111.SH
	Inner Mongolia Yili Industrial Group Co.,Ltd	600887.SH
ESG-ECV-IV	China International Travel Service Corporation Limited	601888.SH
	Haitong Securities Company Limited	600837.SH
	Haier Smart Home Co., Ltd.	600690.SH
	WuXi Apptec Co., Ltd.	603259.SH
	China Securities Co., Ltd.	601066.SH



SynTao Green Finance is a professional consultancy in China, focusing in providing green finance solutions and responsible investment services. With both international perspective and rich local experiences, we provide ESG data analysis and rating, green bond verification, research and consulting in responsible investment and green finance. SynTao Green Finance has developed a constructive relationship with Chinese and International authoritative organizations.

SynTao Green Finance is a founding member of the Green Finance Committee (GFC) of China Society of Finance and Banking, and a signatory to the UN Principles for Responsible Investment (PRI).

SynTao Green Finance also initiated China Social Investment Forum (China SIF), devoting to a responsible capital market in China.

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