



2011 FORTUNE CHINA CSR RANKING REPORT

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1 DISCUSSION

It is fascinating to think that a project of this kind, a ranking of China's top 100 CSR performers, would have been near impossible just four years ago. In 2006, the concept of corporate social responsibility (CSR) was still little understood within the Chinese business community. The number of Chinese companies issuing CSR reports stood at just 18. Fast forward to 2011 and that picture has begun to change. CSR practices are developing and for the first time in 2010, over 600 companies in China issued CSR reports (a 30-fold increase on 2006). In fact, with so many reporting companies to choose from today, it was regrettable we were unable to include more.

The domestic constituents of this year's ranking were among a growing group of large companies issuing CSR reports in China. Despite the large gap between the best and worst CSR reporters, CSR practices amongst Chinese companies are on the whole improving thanks to a raft of recent legislation and the spread of international and homegrown CSR standards. Two government-led initiatives - the SASAC's guidelines on CSR implementation in 2008 and the 2008 Shanghai Stock Exchange CSR guidelines for listed companies - have been particularly influential. Alongside these home-grown initiatives, the spread of international standards such as the UN Global Compact and Global Reporting Initiative (GRI) are helping companies to be more thorough in their CSR programs and reporting efforts. Over half of the domestic companies in this year's ranking, and all of the top 10, referred to a reporting guideline, many for the first time. Such initiatives have been instrumental in rising domestic CSR reporting and will likely continue to drive improvements in the future.

Beyond individual performances, this year's China CSR 100 ranking highlights a number of important developments. A clear message is that Chinese companies today are more transparent and responsive to the needs of their stakeholders than at any other time. The 'conventional' view of CSR, which saw it as a necessary cost of doing business (often synonymous with corporate philanthropy), is gradually being eroded and for a number of pioneering companies CSR is clearly an integral component of business strategy. Domestic companies are also embracing reporting best practices, such as independent assurance and discussion of materiality, in order to ensure that reporting is viewed as credible and simultaneously meeting the needs of report readers. Over a third of Chinese companies explained how they identified the most significant issues to the company and its stakeholders, while 7 of the top 10 companies had sought some form of assurance on their CSR reporting.

As some of the world largest and most respected companies, the multinational companies in this year's ranking scored well across the range of criteria, demonstrating a firm commitment to meeting the expectations of Chinese stakeholders. Cross-industry partnerships between multinational and



domestic companies, such as the joint Nokia, Motorola and China Mobile GreenBox program and BASF's 1+3 CSR program were promising trends which provide the opportunity for sharing of ideas and resources.

A focus on 'impact' is a key feature of good CSR reporting and as such the Fortune China CSR 100 rank pays particular attention to the CSR performance of companies in China. The best companies were those that supported their disclosures with local performance data, highlighting both achievements and shortcomings and setting out clear targets for future performance. For example, in terms of environmental management, multinational companies performed admirably with extensive disclosure on a range of key performance indicators as well as related targets. However, many multinationals' scores were undermined by insufficient local disclosure practices. Less than a third disclosed specific performance data for China, and only a quarter set out clear environmental targets for their China operations. A few companies, such as Royal Dutch Shell, Toyota, BASF and Unilever are leading the way with dedicated China CSR reports. This is an area we hope to see improve in coming years.

2 SECTOR LEADER BOARD

2.1 AIRLINES

There were 3 Chinese domestic Airline companies in the ranking. China Southern Airlines was the top performer in its sector, scoring well above the sector average in both the environment and social domain. The company's Green Flight program aims to reduce overall and per-passenger carbon emissions, to which end, the company has set itself strict targets to be achieved in coming years.

Sector Rank	Name	Country	Overall
1	China Southern Airlines Co., Ltd.	China	40.2
2	Air China	China	39.0
3	China Eastern Airlines	China	29.0
	Sector Average	China	36.1

2.2 AUTOMOBILES

Eleven percent of the companies from our ranking were from the automobile manufacturing sector, representing all major regions, China, Asia, Europe and the US. US automobile manufacturer, Ford, was the top overall performer within its sector; scoring above the sector average for its environmental performance and governance practices. One of Ford's strongest performance areas were its human rights and supply chain practices. To date, the company trained more than 180,000 of its suppliers' workers in human rights through outreach programs.

Sector Rank	Name	Country	Overall
1	Ford	USA	64.9
2	Daimler AG	Germany	61.2
3	Volkswagen	Germany	57.4
4	Hyundai Motor	South Korea	55.8
5	Honda Motors	Japan	54.5
6	Mitsubishi Corp	Japan	49.2
7	Toyota	Japan	49.0
8	Nissan	Japan	45.6
	Sector Average	N/A	54.7

SAIC Motor Corporation performed well in the social and governance domains, particularly in the area of product quality management. Part of its promotion of a “zero-defect” culture, the group and its subsidiaries launched 142 quality improvement programs in 2009 receiving awards from China Association for Quality and the Shanghai Municipal Bureau of Quality and Technical Supervision.

Sector Rank	Name	Country	Overall
1	Shanghai Automotive Group C	China	37.0
2	Dongfeng Motor Group Co., Ltd.	China	32.0
3	Foton Automobile Co., Ltd.	China	28.1
	Sector Average	China	32.3

2.3 BASIC MATERIALS

Comprising metal, mining and chemical companies, the basic materials sector had jointly the largest presence amongst ranked companies (16 of the total 100). Amongst the multinational companies in this sector, German chemical manufacturer, BASF, was the top overall performer. Besides its environmental efforts (BASF scored particularly well in its resource use management), the company was commended for its strong engagement with its supply chain partners and local communities. In 2009 BASF China implemented the second round of its flagship ‘1+3’ CSR program, providing training to help BASF partners to integrate CSR into their business operations. So far, the program has reached over 120 companies in China.

Sector Rank	Name	Country	Overall
1	BASF	Germany	66.7
2	Bayer	Germany	61.8
3	Dow China	USA	56.3
4	Posco	South Korea	52.0
	Sector Average	N/A	59.2

Of the 12 domestic companies in this sector, Baosteel was the top overall performer. Baosteel scored especially well in the area of Environmental Management. It was the first company to gain ISO14001 certification in the metallurgical sector in China, having established a comprehensive internal management system to achieve energy efficiency. Baosteel’s green procurement policy, which evaluates environmental management systems and certification among major suppliers, elevates Baosteel above many of its sector peers. In the future, Baosteel plans to incorporate “green procurement” as an indicator on which it assesses management performance.

Sector Rank	Name	Country	Overall
1	Baoshan Iron & Steel	China	55.3
2	Minmetals Development	China	53.0
3	China Shenhua Energy	China	52.6

4	China Coal Energy Company Limited	China	51.9
5	China Metallurgical	China	44.5
6	Shanxi Taigang Stainless Steel.	China	41.2
7	Aluminum Corporation Of China	China	41.2
8	Angang Steel Company Limited	China	38.9
9	Wuhan Iron And Steel	China	29.6
10	Hunan Valin Corporation	China	24.6
11	Jiangxi Copper Company Limited	China	22.7
12	Maanshan Iron & Steel	China	18.1
	Sector Average	China	39.5

2.4 CONSUMER ELECTRONICS

Consumer Electronics comprises 11 of the top 100 companies, 8 multinationals and 3 domestic companies. Among the multinationals, most companies in the sector were from Asia, with the exception of Phillips which is headquartered in the Holland. Toshiba was the sector leader, for amongst other things, its strong commitment to promoting sustainable consumption in China. In June 2009, Toshiba's energy-efficient refrigerators and washing machines were awarded by the Institute of Standardization in China energy-efficiency labelling management centre as a "2009 Energy Efficiency Labelling excellent enterprise" title. Toshiba also scored well for long term community commitment. Alongside the China Youth Development Foundation has set itself the target to build two Hope Schools every year. In 2009 Toshiba had surpassed that target, having built a total of 17 Hope schools throughout China, 7 more than its 2005 target.

Sector Rank	Name	Country	Overall
1	Toshiba	Japan	67.2

2	Samsung Electronics	South Korea	66.5
3	Sharp	Japan	63.5
4	Panasonic	Japan	62.6
5	Sony	Japan	60.4
6	Canon	Japan	54.0
7	Royal Philips	Netherlands	50.5
8	Sanyo Electric Co., Ltd.	Japan	49.4
	Sector Average	n/a	59.3

Among the three Chinese consumer electronics companies, GREE Electric Appliances ranked top in its sector. One of the world's largest air conditioner manufacturers, ranked on "Fortune Top 100 Chinese Listed Companies" for 8 consecutive years, the company showed a commitment to customer protection and community development. In 2009, GREE donated RMB 3 million for community health projects, and a further RMB 1 million for reconstruction of the disaster area farmers markets.

Sector Rank	Name	Country	Overall
1	Gree Electric	China	39.7
2	Midea	China	32.7
3	TCL	China	31.4
	Sector Average	China	34.6

2.5 OIL & GAS

In the Fortune 2010 CSR ranking there were 5 companies from the Oil and Gas sector (3 domestic and 2 multinationals). Ranking leader, Royal Dutch Shell, is a true pioneer of CSR reporting in China. In 1999 Shell issued the first local sustainability report of any company in China, and has continued doing so ever since. As part of its commitment to promoting wealth creation in China's developing regions, Shell's Happy Flower Project aims to help women in rural areas develop handicraft businesses and bridge the gap between them and major retailers. This pioneering effort has benefited more than 20,000 women so far.

Sector Rank	Name	Country	Overall
1	Royal Dutch Shel	UK/Holland	67.5
2	BP	UK	58.9
	Sector Average	N/A	63.2

*N.B. the sector average is the product of just two companies.

Amongst the high scoring Oil & Gas sector, Sinopec stood out for its commitment to managing its resource use and the promotion of a recycling economy. In 2009 Sinopec's investment in the environment amounted to RMB 3.2 billion.

Sector Rank	Name	Country	Overall
1	SINOPEC	China	56.3
2	CNOOC	China	39.0
3	Petrochina	China	37.4
	Sector Average	China	44.2

2.6 PERSONAL & HOUSEHOLD GOODS

The Household and Personal Goods sector comprised of just 5 companies, all from the multinational set. Unilever was the top performer within this sector and also in terms of promoting sustainable consumption. As the largest buyer of tea in the world, Unilever works closely with the Rainforest Alliance to ensure the sustainability of the tea it sources. In China, Unilever has continued its commitment to sustainable agriculture. In 2009, Unilever China, UK retailer Tesco, and Huangshan Municipal People's Government joined forces to promote sustainable agriculture in the city, building an eco-friendly production, processing, and supply base for tea and other environmentally-friendly products.

Sector Rank	Name	Country	Overall
1	Unilever	UK/Netherlands	61.4
2	Nestle	Switzerland	59.0
3	Procter & Gamble	USA	58.9
4	Kimberly-Clark	USA	52.7
5	L'Oréal	France	52.4
	Sector Average	N/A	56.9

2.7 FINANCIALS

There were a total of 8 financial companies, however no multinational financial firm has made to the ranking population due to the marginal scales of their operations in China. Unsurprisingly, the sector performed very well in terms of corporate governance practices. China Construction Bank was the sector leader, showing strong performance in the environmental and social domains. In 2007, China Construction Bank has launched the "Green Credit" program to support renewable energy, corporate pollution prevention and energy saving measures. The scale of the Green Credit program has been steadily increasing in the years since, totaling RMB 181 billion in 2009.

Sector Rank	Name	Country	Overall
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1	China Construction Bank	China	47.3
2	Bank Of China Limited	China	45.3
3	Bank Of Communications	China	42.9
4	China Ping An Insurance	China	40.8
5	CITIC Bank Corporation Limited	China	40.8
6	ICBC	China	40.5
7	Vanke Co., Ltd.	China	38.1
8	China Merchants Bank Co., Ltd.	China	35.8
9	China Minsheng Banking Co., Ltd.	China	32.4
10	China Pacific Insurance	China	29.5
11	China Life Insurance Company	China	28.8
	Sector Average	China	38.4

2.8 INDUSTRIALS

The Industrials sector includes companies in a range of diverse categories, from electronic equipment manufacturers, to industrial engineering and transportation. There were 16 companies in this sector, 9 domestic companies and 7 multinationals. GE was the best in its sector among the multinational companies. The company was strong in all domains, especially in environmental areas owing in part to its universally acclaimed product initiative, ecomagination. In 2009, ecomagination product revenues have grown 6%, reaching \$18 billion, and representing 28% of GE's product revenue. The company's new product line, healthymagination, launched in May 2009, shows the company's strong commitment to the promotion of customer health and wellbeing.

Sector Rank	Name	Country	Overall
1	GE	USA	66.6

2	3M	USA	58.7
3	ABB	Switzerland	55.6
4	Hitachi	Japan	48.7
5	Marubeni Corporation	Japan	43.8
6	Mitsui	Japan	43.6
7	Itochu	Japan	43.3
	Sector Average	N/A	51.5

COSCO was not only the best in its sector but also best performing Chinese company overall. COSCO joined the UN Global Compact on Jan. 25th 2005, and has been filing an annual CSR report ever since. From 2008 COSCO Group began to adopt six-sigma strategic-mapping approach to improve its CSR reporting practices. COSCO Group's CSR reporting received GRI A+ rating consecutively in 2007 and 2008.

Sector Rank	Name	Country	Overall
1	COSCO	China	64.1
2	China Railway Construction	China	41.4
3	Datang International	China	41.1
4	China Communications Construction	China	39.9
5	China State Construction Engineering	China	27.1
6	China Railway Group Limited	China	23.9
7	China North Vehicle Co., Ltd.	China	23.7
8	Shanghai Electric Group Co., Ltd.	China	35.2
9	China South Locomotive Co., Ltd.	China	21.8
	Sector Average	China	31.3

2.9 TECHNOLOGY

Technology companies comprised 10% of all the companies in our ranking, including 8 multinational companies and 2 domestic technology companies. Globally, technology companies performed well across all domains, with Chinese companies in this sector scoring particularly well in the social domain. Dell’s strategic vision is to reduce the cost and complexity of IT, providing affordable and user-friendly solutions for its customers. Dell China’s pioneering YouthConnect is a good example of how Dell has aligned its CSR efforts with its strategy and corporate expertise. YouthConnect projects help improve the computer literacy of young people in rural parts of China, providing technology and skills to improve standards of teaching and encourage digital technology based education in China. Dell’s YouthConnect program has helped more than 10,000 Chinese students so far.

Globally Dell scored top marks for its labor practices and supply chain policies. With the help of its Global Diversity Council, the company has a strong commitment to promoting diversity and inclusiveness with its employees, business partners and customers. For its effort, Dell has been awarded a perfect score on the Corporate Equality Index for six consecutive years.

Sector Rank	Name	Country	Overall
1	Dell	USA	67.6
2	Intel Corporation	USA	67.0
3	Ricoh Co., Ltd.	Japan	58.8
4	Hewlett & Packard	USA	55.6
5	Asustek	Taiwan	54.3
6	Acer	Taiwan	54.0
7	Accenture China	USA	50.4
8	Alcatel-Lucent	France	49.0
9	IBM China	USA	48.6
	Sector Average	N/A	56.2



Lenovo was a role model for CSR practice amongst Chinese private companies. Lenovo has been devoted to developing green products for nearly a decade. In 2002, it launched the Kaitian 6800 PC which pioneered PC miniaturization design in China, which used less than 50 percent of the materials than traditional PCs. Today over 90% of Lenovo’s notebooks, workstations and monitors are ENERGY STAR™ qualified products. Lenovo’s green product strategy focuses on climate, eco-friendly materials, recycling, energy and packaging. Lenovo Think Centre A61e is the smallest and most energy efficient desktop computer to date.

Sector Rank	Name	Country	Overall
1	Lenovo Group Limited	China	62.0
2	ZTE Corporation	China	41.5
	Sector Average	China	51.8

2.10 TELECOMMUNICATIONS

There were 8 Telecommunication companies in this year’s Fortune CSR ranking, 5 multinational companies and 3 domestic. Telecommunication companies, both multinational and Chinese ones, scored well in the environment domain. Nokia demonstrated a clear commitment to climate change through participation in environmental initiatives such as the WWF’s Climate Savers program and the UN Global Compact’s Caring for Climate Change Initiative. Nokia is proactive in raising customer’s environmental awareness. Its 2008 survey showed that the main obstacle to recycling was a simple lack of awareness on the part of consumers. In 2009, it launched campaigns across the world, collecting a total of 373 tons of e-waste including 4.7 million mobile phones.

Sector Rank	Name	Country	Overall
1	Nokia	Finland	65.8
2	Motorola	USA	60.3
3	Ericsson	Sweden	56.3
4	LG	South Korea	55.3

3	Siemens	Germany	52.3
	Sector Average	N/A	58.0

In China, Nokia, Motorola and China Mobile launched a cross-sector partnership to encourage people to recycle their old phones. Known as the China Greenbox Project, the initiative collected more than 20 ton of e-waste in 2009 alone. Such cross-sector partnerships, show companies taking the lead in promoting sustainability amongst their customers, and particular relevant with China's forthcoming waste electrical and electronic equipment (WEEE) regulations, expected in 2011.

Sector Rank	Name	Country	Overall
1	China Mobile Limited	China	62.5
2	China United Telecommunications	China	32.4
3	China Telecom Corporation Limited	China	20.6
	Sector Average	China	38.5

China Mobile has supported the government focus on economic development in rural areas and agricultural modernization through the provision of new products and services. The company set up a rural information network that became a primary source of agricultural, market and business information in rural communities, established new pricing structures that were affordable in rural communities and expanded its network to the most remote areas of China. Expansion in rural areas has become a key factor in China Mobile's growth strategy – indeed, during around 50% of its new customers came from rural areas.

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