

Initiative to benefit everyone

Through the Belt and Road, China seeks common development for all nations, to build a community of shared future

By ZHOULI

Over the past four decades since the reform and opening-up policy was launched, China has made brilliant achievements in both economic development and opening-up. The country's social productivity and comprehensive national strength have risen significantly, and its status and influence in regional and world affairs have increased remarkably.

All these achievements are based on its long-cherished philosophy of peaceful development. China has a profound historical and cultural foundation for peaceful development.

Adhering to peaceful development and opening-up for mutually beneficial and win-win cooperation has been written into China's Constitution, and this has become an established national development principle.

Since the founding of new China, especially since the introduction of its reform and opening-up policy, Chinese leaders have solemnly declared on many occasions that

China will never seek hegemony no matter how developed it becomes.

China has never asked other countries to follow or "copy" its development model or other specific practices. It is China's belief that world peace and common development can only be based on mutual respect, mutual cooperation, mutual learning and mutual trust.

So, it upholds the right approach to justice and interests, and it is actively building a global partnership network by expanding areas of common interest with other countries and promoting the building of a new type of international relations based on mutual respect, equality and win-win cooperation.

In a message for the commemoration of the International Day of Peace, which is observed on Sept 21, President Xi Jinping emphasized that China is firmly committed to peaceful development and will always be a contributor to global development and a maintainer of the international order.

Over the past five years, China has put forward the Belt and Road Initiative for greater connectivity among countries, economies and

regions, and launched fruitful cooperation, with many countries effectively enhancing mutual friendship and trust, and bringing people's hearts and minds closer.

China has actively participated in the discussion, design and reform of the global governance system involving multilateral organizations such as the United Nations, G20 economies, the Shanghai Cooperation Organization and BRICS (which comprises Brazil, Russia, India, China and South Africa). It has also handled various disputes through consultations, and tried to resolve issues through dialogue with utmost sincerity and patience.

The fragile world economic growth needs new impetus, development needs to be more balanced, and the gap between rich and poor needs to be bridged.

However, the Donald Trump administration of the United States, with its "America first" fixation, has adopted an extremist policy in a bid to strengthen the US' hegemony and by means of power politics is brushing aside the established rules of international cooperation and bypassing the UN and

other international organizations.

Under various excuses, it has launched rounds of unilateral sanctions and containment measures upon Russia, China, and Iran — even its allies — intensifying geopolitical hot spot issues, causing disruption to the global supply, industry and value chains, and creating a severe drag on the nascent global economic recovery.

What the US government has done has interrupted economic globalization, destroyed the existing international order and governance system, tainted the international political and economic ecology, and brought about many uncertain, unstable and unpredictable factors to the whole world.

This goes against the consensus among other countries that uphold multilateralism rather than unilateralism, free trade rather than protectionism, and mutual benefits rather than beggar-thy-neighbor gains.

The Belt and Road Initiative is an effort to unite and rally the international society to build a new type of international relations and promote the building of a community with a shared future for mankind.

It is designed to not just bridge geographical space, but to be a common development platform for all countries willing to participate in the process of globalization.

The Belt and Road Initiative and the proposal that countries work together to build a community of shared future for mankind dovetail with the goals and tasks set out in the UN 2030 Agenda for Sustainable Development adopted in 2015.

As a result, the two initiatives have received a positive response from the international community and have been included in some official UN documents.

China's ongoing efforts to implement the "innovative, coordinated, green, open and sharing" development concepts, advance the supply-side structural reform, and work together with other countries to advance the Belt and Road Initiative will bring the world more opportunities, and it wishes to work together with other countries to promote peace and common development.

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Path to ESG reporting

Ethical investment is not new. It has come into existence for more than two hundred years. It began as a negative screening by churches and religious groups to prohibit investment in businesses involved in arms, tobacco, pornography and gambling. During the 1970s, the scope of 'arms' has widened to include some chemical companies. A lot of ethical investment funds boycotted those chemical companies because of their supply of chemicals to the US government for military purposes.

Over the past 30 years, investors have not only applied negative screening on those investee companies, but they have also adopted positive investigation process in choosing investment targets. Methodologies on scorings have been developed for different industries.

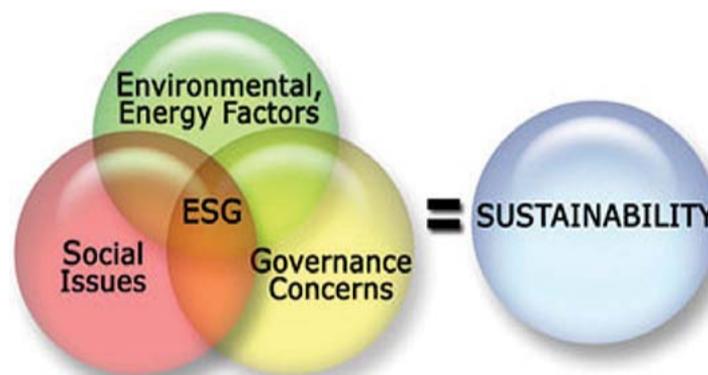
Some investors may ask, "Can ESG report help us to spot good companies?" Before we answer this question, let's consider what information we can get from a typical financial report. A financial report can provide us with detailed financial figures, which describe the consequences of a company's operation but not the causes. It can only reflect what has happened, but not why it happened. A financial report only provides one perspective of its performance and offers limited guidance for future actions. In some extreme cases, financial reports may harm the interest of both shareholders and customers by encouraging managers to pursue



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short-term financial performance through irrational decisions.

Voice to request for non-financial but meaningful information disclosure has become stronger and stronger. But one may ask, what kind of information is worth reporting? What kind of information is suitable for reporting? Can it be quantified? Can it be measurable? Can it be comparable? Convergent thinking has gradually developed around the whole world. In 2017, EU issued new guidelines on non-financial reporting. The principles and contents build largely on frameworks such as Carbon Disclosure Project, Climate Disclosure Standards Board, OECD Guidance on Supply Chain, Eco-Management and Audit Scheme, Global Reporting Initiative, ISO 26000, Guidance for Responsible Agricultural Supply Chain, etc. Among these



reporting frameworks, the main areas of focus are on environment, society and employment, human rights, anti-corruption and bribery. It's crystal clear that an ESG report includes almost all the main non-financial indicators that investors or stakeholders are eager to know.

Conventionally, investors may make their investment decisions based on financial indicators such as PE ratio, PB ratio, NAV, gross profit, net profit, etc. Non-financial indicators provide them with a totally different perspective to understand the investment value of different companies. For examples, the environmental performance of a company may reflect its potential conflict with the local community. A company's employment policy may reflect its potential risk in terms of the conflict with internal trade union. If we find a company has an extremely high

turn-over rate without a reasonable explanation, the company may be on the verge of collapse and it is not reflected in the financial report. If a company has an extremely high injury or death rate, poor occupation safety and health management is an obvious conclusion that we can come up with.

Many investors find that non-financial indicators, which have been totally ignored in the past, are in fact as important as financial indicators in every respect. Future development on the content and format of ESG report has become a hot topic not only among romantic environmentalist or social activists, but also sophisticated investors.

Ascent Partner recently has conducted a study on 20 companies, from 4 different stock exchanges, that failed in the last 10 years. We studied their non-financial performances right before their failure and

the findings are both astonishing and exciting. Amongst the 20 companies, 4 were exposed to substantial environmental risks. 15 suffered from abnormally high turnover rate. 6 of them involved in product quality scandals and 2 involved in court cases on corruption. 4 of them registered high accident rate. 16 of them just did not care about the development of internal staff. 9 of them did not have any policy on IP protection. Furthermore, 19 of them were spotted to have provided misleading information in their annual reports.

Hence, it is important to disclose non-financial information and figures in order to allow investors to make sensible decisions. For example, one of the companies we researched on is a listed agricultural company which was suspended from 2012 to 2016. Simply looking at its financial report, one may not be able to spot the problems. However, if one did have a chance to take a closer look into non-financial information such as the farmland infrastructure, biological asset, one could find the devil in the detail. Any person with a discerning eye can see the trick if he learns that the organic greens supplier has a total of 400,000 mu of farmland but only 1000 mu of farmland accredited.

ESG report will be the wave that changes the eco-system of the commercial world. In coming years, we can definitely see more and more request on non-financial information from different stakeholders.