

JD.com



Dialogue with EOS has allowed us to be better informed about global best practice in ESG and consider investor priorities.

Andrew Wang, Investor Relations, JD.com, Inc.

JD.com published its first ESG report in April 2021 and its second sustainability report in June 2021. It also held its first shareholder meeting in June 2021 with appointment of its first female board director. EOS is pleased with its changes and continues to engage with the company on furthering improvements on ESG issues.

Background

Since its initial public offering (IPO) in 2014, although JD.com had released a corporate sustainability report up until 2018, it had not issued a standalone ESG report or held an annual shareholder meeting. This was partly because there was no specific requirement from NASDAQ or the Securities and Exchange Commission to disclose ESG information, and US-listed companies that are registered in the Cayman Islands are not legally required to hold shareholder meetings.

The lack of shareholder rights, lack of diversity on a male-dominated board and limited detailed ESG disclosure were key concerns for EOS at Federated Hermes. Engagement was initially challenging due to a lack of wider market pressure in the region. However, following the scandal regarding alleged misconduct of JD.com's founder in 2018, EOS stepped up its engagement on governance, board composition, female diversity and inclusion.

Company overview

Founded by Qiangdong (Richard) Liu in 1998, JD.com is a Chinese leading supply-chain-based technology and service provider listed on NASDAQ and SEHK.

It is one of the largest e-commerce companies in the world with over 500 million active customers, offering a wide selection of products through its website and mobile applications.

Engagement objectives:



Governance:

Board composition – gender diversity
Establish annual shareholder meetings

Sustainable Development Goals:



Timeline

2017

- EOS began engagement on shareholder rights/holding shareholder meetings and lack of board diversity.

2018

- JD.com noted our concerns on board diversity and a lack of structure on feedback processes for minority shareholders but remained resistant to change.

2019

- The company acknowledged our concern again that the board lacked diversity.
- JD.com indicated that it was planning to hold a shareholder meeting later that year.

2020

- JD.com was unresponsive to our requests for engagement.

2021

- Personnel changes at JD.com allowed us to resume our engagement.
- JD.com held its first shareholder meeting.
- The company appointed its first female board director and published its first ESG report and second sustainability report.

Our engagement

EOS began engaging with JD.com on shareholder rights in December 2017. We explained that holding an annual shareholder meeting allows minority shareholders to vote and elect independent directors aligned with their interests, in addition to voicing concerns and questions directly to the company.

We also raised our concerns on board composition, lack of diversity, lack of a structured feedback process and lack of ESG disclosures in March 2018. We intensified our engagement with the company by reiterating our concerns in September 2018, which were acknowledged. In addition, we urged the company to consider setting a plan and clear process to identify the right combination of skills and experience for board directors.

Between 2018 and 2020, we had eight interactions with the company focusing on shareholder rights, diversity and ESG disclosure. We recommended the company provide an explanation of how human capital management, diversity and inclusion are linked to its core values and culture, along with quantitative and qualitative disclosure on diversity and inclusion. We shared best practice examples of disclosure focused on governance and culture, diversity and inclusion and organisation health, safety, and wellbeing.

Changes at the company

The company acknowledged our concerns over the lack of diversity first raised in 2018, during positive engagement in January 2019. The company informed us that prior to the IPO, it looked for a female director, but the candidate decided not to pursue the opportunity.

The company expressed that it was considering holding a shareholder meeting after we raised the issue in 2017. It also told us it would use the best practice ESG disclosures we shared and seek to apply global ESG reporting standards to its first standalone ESG report.

After the engagement with a senior executive in April 2021, the company published its first ESG report at the end of the month, covering topics discussed in our engagement. We welcomed its disclosure on corporate governance structure, data privacy and cybersecurity management, and commitment to achieve decarbonisation. The reports meet international standards, and we expect further disclosure on human capital management and employee turnover rates. The company also confirmed its arrangements for its first annual general meeting on 23 June, in line with our request. In addition, we welcomed the appointment of its first female director to the board this year, a good step towards improving board diversity, in line with our expectations.

Next steps

We welcome the improvements made by JD.com and continue to encourage further disclosure on ESG topics including plastic recycling, climate change, human capital management, diversity and inclusion and its dual share structure.



Haonan Wu
Engagement
EOS



This case study has been reviewed by JD.com to ensure a fair representation of EOS work carried out and changes made at the company.



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Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

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