

JD.com

JD.com has demonstrated its effort to improve its governance and ESG reporting in recent years. The company separated the chair and CEO roles earlier this year and released its first ESG report that focused on its ESG commitment, including climate change mitigation.

Company overview

Founded by Qiangdong (Richard) Liu in 1998, JD.com is a leading Chinese 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 580 million annual active customers, offering a wide selection of products through its website and mobile applications.

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Our engagement

As part of our ongoing dialogue on governance and shareholder rights with JD.com, we raised our expectation for the separation of the roles of CEO and chair of the board. This was raised in conjunction with the escalation of our engagement following the scandal regarding the alleged misconduct of JD.com's founder in 2018. We questioned if the company had a succession plan for the roles of CEO and chair which were held by the founder, Mr Liu, as part of board composition discussions in 2018. During a meeting in early 2021, we raised our concerns again with the company about succession and the possibility of separating the chair and CEO roles, and questioned the company on the future role of its founder.

Engagement objectives:



Environment:

Disclosure in line with TCFD recommendation



Governance:

Separation of chair and CEO

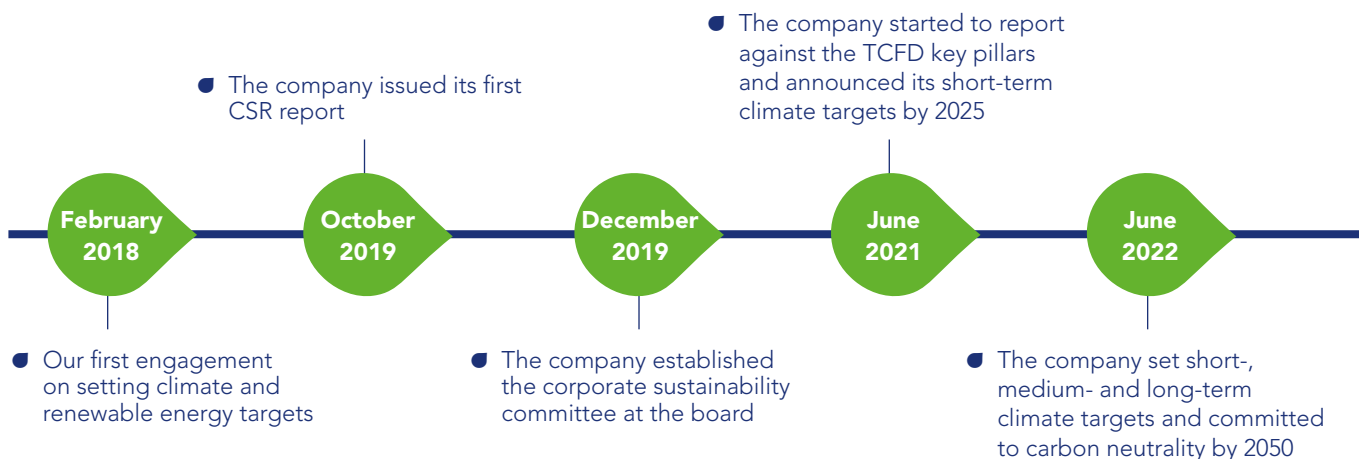
Sustainable Development Goals:



On climate-related disclosure, we engaged with the company in early 2021 on our expectation for the release of a Task Force on Climate-related Financial Disclosures (TCFD) report. This is important given that there has been an increase in market pressure and expectation following the Chinese government's publication of the 14th five-year plan in 2020 and commitment to carbon neutrality by 2060. In late 2021, we continued our discussion with the company with a greater focus on climate change and our expectation on disclosure that included targets for greenhouse gas emissions reduction. We shared with the company some examples of TCFD reporting in China and reiterated our expectation on its disclosure.

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EOS engagement timeline



Changes at the company

The company announced in early 2020 that the founder and combined chair and CEO, Mr Richard Liu, had stepped down from his key roles, including his roles on the board of JD.com's subsidiary companies. The company acknowledged our concern and stated that Mr Liu had been focusing on development of younger management for JD.com. We welcomed the announcement therefore, made by JD.com in 2021, that Mr Liu will be stepping away from the operational role and Mr Xu will be his replacement as CEO. In 2022, the company formally announced that Mr Liu had stepped down from the CEO position but remained as chair of the board. We welcomed the change made by the company on its board composition by separating CEO and chair of the board, and appointing its first female independent board director last year. We continue to encourage the company to consider board refreshment as well given the long tenure of the independent directors.

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On climate change, we were pleased that the company had incorporated climate-related disclosure in its first ESG report which was released in 2021. Within the report, JD.com incorporated Scope 1, 2, and 3 emissions figures along with reporting in line with the TCFD that included scenario analysis. The company has also set science-based targets for its subsidiary, JD Logistics, committing to reduce its absolute Scope 1, 2 and 3 greenhouse gas emissions by 50% by 2030, however it is yet to set science-based targets for JD.com itself.

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Next steps

We recognised that the company has made improvements in its corporate governance and minority shareholder rights in recent years. However, we continue to engage on other aspects of minority shareholder rights, including its multi-share class structure, and we will continue to encourage the company to adopt a 'one share, one vote' structure, as well as hold director elections at its AGM. On climate change, we will continue to encourage JD.com to obtain science-based targets for its emissions reduction.



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



Haonan Wu
Engagement
EOS

Federated Hermes

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Why EOS?

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