Safeguarding People and the Environment in Chinese Investments

A GUIDE FOR COMMUNITY ADVOCATES

inclusive development international

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Inclusive Development International (IDI) is a human rights organization working to make the international economic system more just and inclusive. IDI supports and builds the capacity of grassroots organizations and affected communities to defend their land and human rights in the face of harmful trade, development and investment projects. Through research, casework and policy advocacy, IDI works to strengthen the human rights regulation and accountability of corporations, financial institutions and development agencies.

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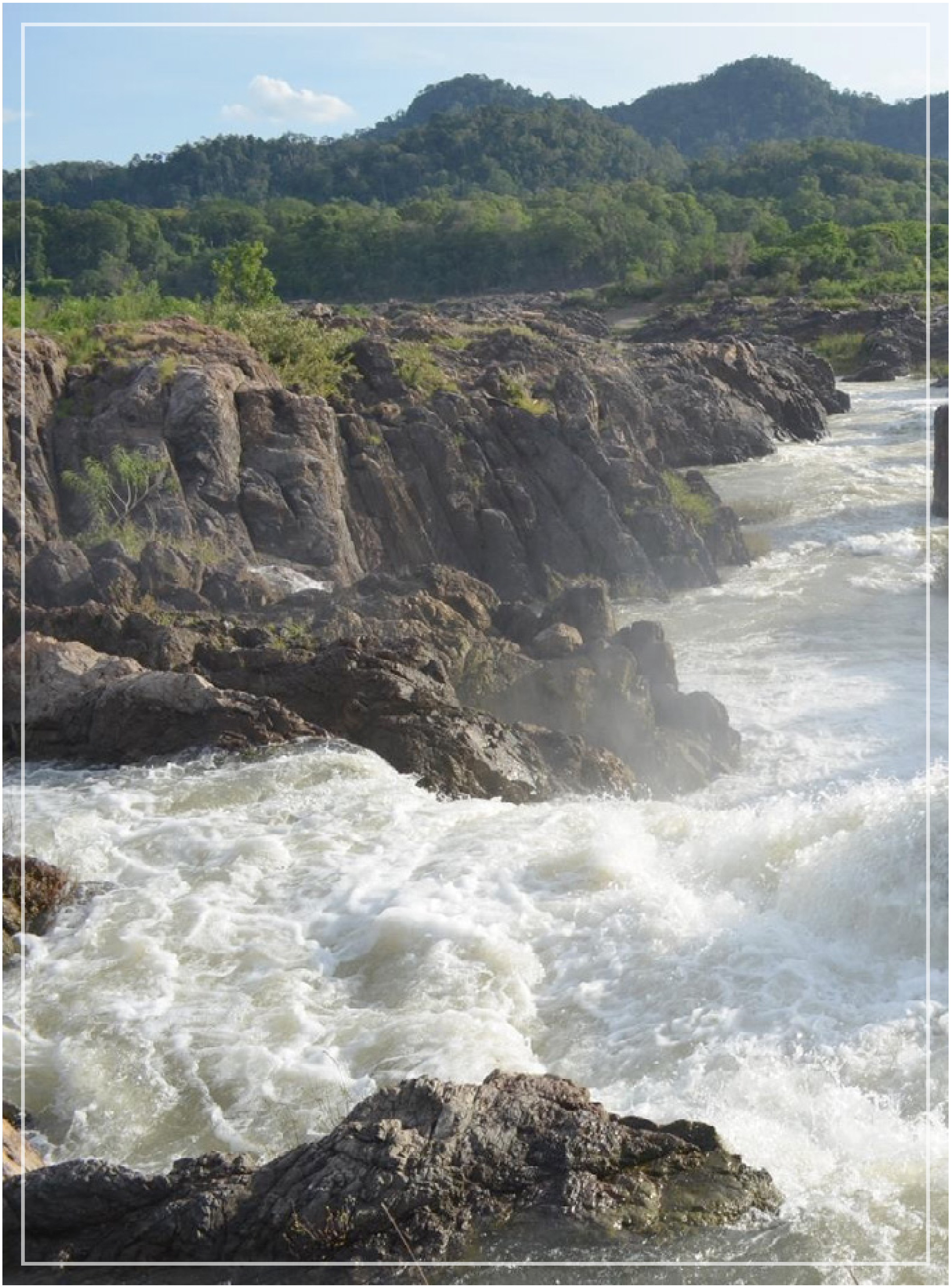

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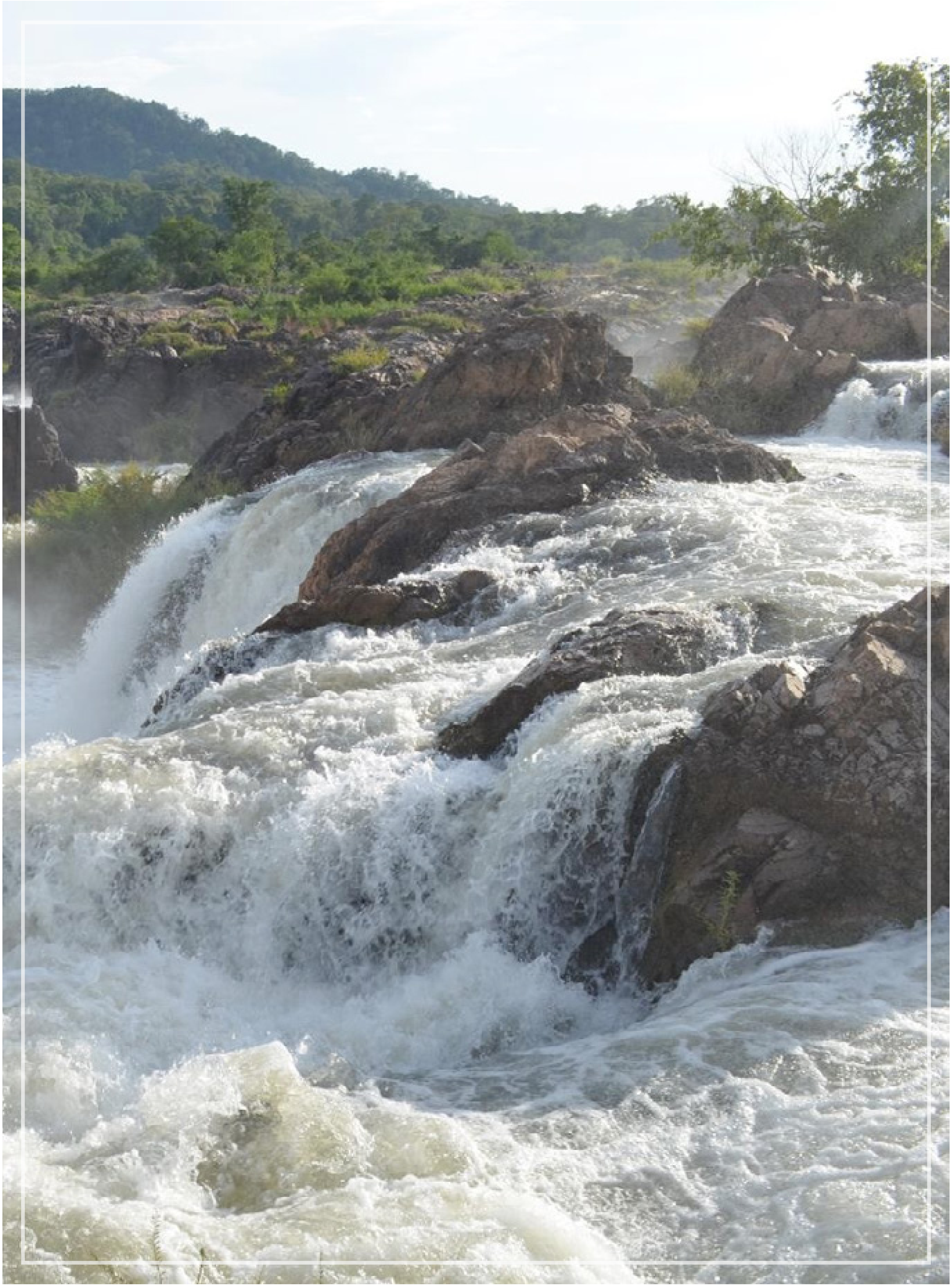


Introduction

Over the last 10 years, China has become one of the most important investors in the world. In 2015, official outbound investment flows from China reached a record high of almost US$146 billion,[1] second only to the United States.[2] This investment is reaching all corners of the globe, with Chinese companies and financial institutions active in both developed and developing countries on every continent. Chinese companies play various roles in overseas projects, from research and design to construction, development and operation. Chinese banks and investment funds make many overseas projects possible by providing loans, foreign currency, insurance and equity investments.

This investment is taking place in many sectors, including energy infrastructure, transportation, agriculture, manufacturing, real estate, construction, trade and many other areas. This investment brings with it numerous potential benefits, but also human rights, social and environmental risks. Communities that have been harmed by Chinese investments, and the civil society groups that seek to support them, often encounter difficulties obtaining project information and engaging developers and financiers to influence the project design, prevent harmful investments or seek redress after the fact.

In response to these issues, an increasing number of Chinese companies and financiers have begun to adopt environmental and social policies and guidelines for their overseas investments. Chinese state institutions and industry groups have also issued general guidelines and standards that apply to specific sectors and types of actors operating overseas. However, many of these guidelines are not well publicized, and the extent to which they are implemented is also not known.

This guide explains these guidelines and provides practical advice on how they can be used in advocacy with relevant Chinese actors and institutions.

The aim of this guide is to help civil society organizations and community advocates gain an improved understanding of Chinese investors and China-led finance institutions and the guidelines, policies and standards that apply to their overseas operations. It is hoped that the information and ideas contained here will help community advocates protect the rights of project affected people, and in cases where harm does occur, that remedies are provided.

1 MOFCOM et al (2016), 2015 Statistics Bulletin of China's Outward Foreign Direct Investment, Beijing: China Statistics Press

2 UNCTAD (2014), *UNCTADstat*, *http://unctad.org/en/Pages/Statistics.aspx*

The guide is broken into three main parts: context, actors and standards

- **Part 1 – Context** Provides a brief background on Chinese overseas investment and finance, discussing the "going out" strategy, the Belt and Road Initiative, and China's aid program.
- **Part 2 – Actors** Provides an overview of the key actors involved in Chinese overseas investment, including companies (private and state-owned) financiers and investors (policy banks, commercial banks, the multilateral Asian Infrastructure Investment Bank and investment funds) and state institutions and regulators.
- **Part 3 – Standards** Provides background on the development of Chinese social and environmental guidelines and policies related to overseas investment. This includes government policies applying to investment in general, as well as those that apply to state-owned enterprises, contractors and financial institutions. It also looks at policies related to specific sectors, including mining, hydropower and forestry.

Tips for Using this Guide

Map the project investment chain

If you are concerned about the impacts (or potential impacts) of a project, it is important to develop a clear understanding of which actors are behind it. Once you know which actors are involved, you can assess where the strongest pressure points are and what opportunities there may be for engagement and advocacy with Chinese and other key actors. IDI has developed an online guide on investment chain mapping and pressure point analysis, which can be found here: *https://www.followingthemoney.org*.

Document the project risks and impacts

It is vital that you gather evidence of the risks or impacts of the project. Without evidence of harm, your advocacy is unlikely to be effective. If you approach a company with concerns, but you have no evidence, it will be easy for the company to dismiss your claims. Likewise, if you approach a Chinese state institution regarding a project, that institution may request an explanation from the developer. Without evidence, the company will be able to dismiss your concerns as unfounded. IDI's Follow the Money website also includes a section on collecting evidence: *https://www.followingthemoney.org/chapters/#collecting-evidence*.

Assess legal compliance

One thing that almost all Chinese policies, regulations and guidelines for overseas investment have in common is that they call on companies and banks to respect local laws and regulations. For this reason, assessing legal compliance is very important. This is closely connected to evidence gathering and documentation, as discussed above. If you can identify and document breaches of local laws, you will be in a stronger position to call for the company, its financial backers and state institutions to take action.

Know which policies and guidelines apply

Chinese companies are subject to various requirements when operating overseas. These include Chinese and host-country law, the company's internal policies, and overseas investment guidelines. A quick reference chart is provided below that shows which Chinese investment guidelines apply to various types of projects and companies.

Read the guidelines

This guide provides an introduction to more than 30 policies, regulations and guidelines. It summarizes their content and extracts key articles that are especially relevant to the protection of land and natural resource rights. If you see a document that might be useful to you, we encourage you to read the full document yourself. Original Chinese documents and translations are available at *https://www.followingthemoney.org/chapters/chinesestandards/*.

Look out for new guidelines

Several new sectoral guidelines are currently being drafted by Chinese state institutions and industry groups. These include guidelines on rubber, palm oil, timber, infrastructure and agriculture. As and when they are released, we will update the electronic version of this guide.

Inform the companies about the guidelines

Although China now has many guidelines on overseas investment, it is apparent that many companies (and even state agencies) do not actually know that they exist. Some companies know they exist but are unsure exactly what is expected of them in terms of implementation. At the same time, more and more guidelines are being issued by various government agencies and industry groups. By referring to these documents when engaging with Chinese actors, civil society groups can play a role in raising awareness about overseas investment guidelines and pushing for their implementation.

Know that Chinese companies do care about their reputation

There is a common perception that Chinese companies do not care as much about their reputation and corporate image as Western companies. However, Chinese companies are increasingly aware of the image problem that Chinese investors have in some countries, and many are now taking steps to address this. This means that both quiet engagement with Chinese companies and more public advocacy, when used strategically, can be effective in influencing Chinese companies and their business activities.

Consider your tone and language when engaging with Chinese actors

Until recently, Chinese companies had no experience engaging with NGOs. As a result, many companies held negative opinions of NGOs, seeing them as politicized or anti-Chinese. These perceptions are still present today, but as China's civil society is developing and Chinese companies get more used to engaging with NGOs both inside and outside the country, opportunities for engagement are increasing. However, it is important to consider your tone and language when communicating with Chinese companies or state institutions. Language that is deemed too direct or aggressive is not likely to get a positive response. If you plan to write a letter, you should send it in your own language, English and Chinese, whenever possible.

Engage with a range of actors

If you decide to engage directly with a Chinese company and do not get a positive response, you should consider engaging with other concerned institutions. For example, you could consider engaging the commercial department of the Chinese embassy or consulate, the state institutions responsible for oversight of outbound investment, the company's headquarters, its financial backers, and so on. For example, if you send a letter to the local subsidiary responsible for a project, you could also copy the company headquarters, the Chinese embassy in your country, and the Ministry of Commerce in Beijing. Alternatively, you could write to all separately. You could also engage partner investors in a project, alongside the Chinese investor or financier. Investment chain mapping using *www.followingthemoney.org* can be helpful here.

Do not be discouraged if you receive no response

Engaging with Chinese companies, banks and authorities is not easy. They are often unfamiliar with dealing with NGOs and the public overseas. In most cases, communities and NGOs that have written to Chinese companies in the past have received no response. However, this is beginning to change. Chinese companies are starting to respond more positively to requests for dialogue. Also, just because you receive no reply does not mean that your concerns have not been heard. Letters will often be passed up through the company or government agencies and action may be taken behind the scenes. It is important to continue your advocacy, including with the government and other companies or banks that are involved, to keep the pressure on and make sure your advocacy messages are not ignored.

Explore Chinese company websites

Company websites are an important source of information. They can contain company background, reports and news updates, which may help you get a clearer understanding of the company's activities, structure and decision-making processes. Many Chinese companies operating outside China now have English-language websites. Some also have sites in other languages, including French, Spanish and Russian. Sometimes the Chinese-language website has more information and is more up to date. For this reason, you should also look at the Chinese-language site, using a translator if necessary (including online services like Google Translate).

Be aware of China's internet restrictions

Unfortunately, due to China's Internet restrictions, accessing Chinese websites from outside the country can be difficult at times. You may have to refresh the page multiple times. If a site will not open, try again another day. If you have access to a VPN (virtual private network), you can set your location to China and browse Chinese websites much more easily.

Only Chinese language documents are official

This guide refers to numerous Chinese policy documents, regulations and guidelines. You should keep in mind that the Chinese version is authoritative. English-language translations are a guide only.

Quick Reference Chart: Key Standards Applying to Chinese Overseas Investment

The following table provides an overview of the guidelines covered in this manual. If you are looking at a specific project, remember that several different guidelines may apply.

Policy/Law/Guidelines	Summary	Who does it apply to?	What type of project?
Page 31: Nine Principles on Encouraging and Standardizing Foreign Investment (State Council, 2006)	Basic principles guiding Chinese foreign investment. Includes principles related to social and environmental issues.	All Chinese companies investing overseas.	All types of overseas investment.
Page 32: Opinion on Encouraging and Standardizing Enterprises' Cooperation in Outbound Investment (State Council, 2007)	Basic principles guiding Chinese foreign investment. Includes principles related to social and environmental issues.	All Chinese companies investing overseas.	All types of overseas investment.
Page 32: Circular to Regulate the Overseas Investment and Cooperation of Chinese Companies (MOFCOM, MoFA & SASAC, 2008)	Calls on all relevant departments and companies to ensure that overseas projects are properly regulated and implemented.	All Chinese companies investing overseas.	All types of overseas investment.
Page 34: Provisions on Standardizing Competition in Foreign Investment and Cooperation (MOFCOM, 2013)	Regulates behavior of Chinese enterprises investing abroad, and aims to prevent business practices that cause unfair competition. Includes articles related to protection of people and environment and establishes a "credit record" system.	All Chinese companies investing overseas.	All types of overseas investment.
Page 34: Provisional Measures for Recording Bad Credit in the Fields of Outbound Investment and Cooperation and Foreign Trade (MOFCOM et al. 2013)	Additional provisions that add more detail on the implementation of the "credit record" system referred to in 2013 MOFCOM Provisions listed above.	All Chinese companies investing overseas.	All types of overseas investment.
Page 38: Guidelines to the State-owned Enterprises Directly Under the Central Government on Fulfilling Corporate Social Responsibilities (SASAC, 2007)	Basic guidelines to SOEs on improving CSR in overseas projects.	All central SOEs investing overseas.	All types of overseas investment.

Policy/Law/Guidelines	Summary	Who does it apply to?	What type of project?
Page 39: Guide on Social Responsibility for Chinese International Contractors (CHINCA, 2012)	Voluntary guideline covering issues including safety, employee rights, supply chain management, environmental protection, and community engagement.	Chinese enterprises involved in overseas contracting projects.	Contracting activities conducted overseas and activities conducted in China that support overseas contracting projects.
Page 41: Administrative Regulation on Contracting Foreign Projects (State Council, 2006)	Regulations governing corporate behaviors of Chinese companies contracting foreign projects, covering employee rights and environmental protection.	Chinese enterprises involved in overseas contracting projects.	Contracting activities conducted overseas and activities conducted in China that support overseas contracting projects.
Page 42: Guidelines for Environmental Protection in Foreign Investment and Cooperation (MOFCOM & MEP, 2013)	Joint guidelines calling on Chinese companies to apply environmental protection practices in foreign investment, fulfil social responsibilities, and promote sustainable development.	All Chinese companies investing overseas.	All types of overseas investment.
Page 45: Guidelines for Social Responsibility in Outbound Mining Investments (CCCMC, 2014)	Defines key principles of social responsibility, as well as minimum requirements related to issues including governance, human rights, environment and value chain management.	Chinese companies involved in the mining industry.	Overseas mineral exploration, extraction, processing and investment, including related activities such as mining-related infrastructure.
Page 50: Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (CCCMC, 2015)	Guidelines aim to align Chinese company due diligence with international standards, and provide guidance to companies on how to identify, prevent and mitigate the risks of directly or indirectly contributing to conflict, serious human rights abuses, and serious misconduct.	Companies involved at any point in the mineral supply chain, provided they are wholly – or majority – owned or controlled by a Chinese entity or individual.	Overseas mineral exploration, extraction, processing and investment.
Page 57: Guide on Sustainable Overseas Silviculture by Chinese Enterprises (SFA & MOFCOM, 2007)	Sets out key principles to be followed in order to achieve sustainable tree plantation projects.	Chinese companies engaged in tree plantation projects.	Overseas tree plantation projects.
Page 59: Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises (SFA & MOFCOM, 2009)	Basic guidelines on management of overseas forest plantation projects.	Chinese companies involved in overseas forest harvesting, wood processing and utilization, and other related activities.	Overseas forestry projects.

Policy/Law/Guidelines	Summary	Who does it apply to?	What type of project?
Page 62: Occupational Health, Safety and Environmental Policy Statement (Sinohydro, 2013)	Brief statement on Sinohydro's commitment to provide a safe and healthy workplace.	Sinohydro International.	Sinohydro overseas projects.
Page 62: Sustainable Development Policy (Sinohydro, 2014)	Brief statement on Sinohydro's commitment to fulfill its corporate social responsibility.	Sinohydro International.	Sinohydro overseas projects.
Page 62: Statement of Ethical Principles (Sinohydro, 2014)	Sets out the ethical principles that govern Sinohydro operations.	Sinohydro International.	Sinohydro overseas projects.
Page 72: Social Responsibility Guidelines for the Chinese ICT Industry (CESA, 2012)	Promoting social responsibility in ICT industry, includes labor rights, environmental protection and community engagement (not focused on overseas projects).	Chinese ICT companies.	ICT projects.
Page 74: Green Credit Guidelines (CBRC, 2012)	Encouraging banking institutions to effectively identify, measure, monitor and control environmental and social risks associated with their credit activities.	Chinese banks.	Activities of Chinese banks in China and overseas.
Page 78: China Banking Regulatory Commission Opinions on Green Credit Implementation (CBRC, 2013)	Opinion calling on local branches to thoroughly implement the Green Credit Guidelines, and integrate the concept of green credit into operations.	Chinese banks.	Activities of Chinese banks in China and overseas.
Page 78: Guidelines on the Construction of Green Financial System (People's Bank of China, MoF, NDRC, MEP, CBRC, CSRC, CIRC, 2016)	Guidelines calling for further strengthening and expansion of China's green finance in order to promote increased investment in green industries and control investment in polluting projects.	Chinese banks.	Activities of Chinese banks in China and overseas.
Page 79: Guidelines for Environmental and Social Impact Assessments of the China Eximbank's Loan Projects (Eximbank, 2007)	Basic social and environmental standards for domestic and overseas lending. Covers issues including project evaluation, loan management and supervision, and EIAs.	Export-Import Bank of China.	All projects in China and overseas.
Page 86: AIIB Environmental and Social Framework (AIIB, 2016)	AIIB "safeguards" document, containing environmental and social policy, plus standards on assessment, resettlement and indigenous peoples.	AIIB and its clients.	All standalone AIIB financed projects.
Page 89: AIIB Public Information Interim Policy (AIIB, 2016)	Interim policy setting out basic information on what types of information the AIIB must disclose and how.	AIIB and its clients.	All AIIB financed projects.
Page 92: Social Responsibility and Environmental Protection Guidelines for Investments in ASEAN Region (CAF, 2014)	Details CAF's investment principles and procedure, performance standards, evaluation and performance monitoring and post-investment management.	Recipients of CAF investment.	All projects.

PART 1

CONTEXT

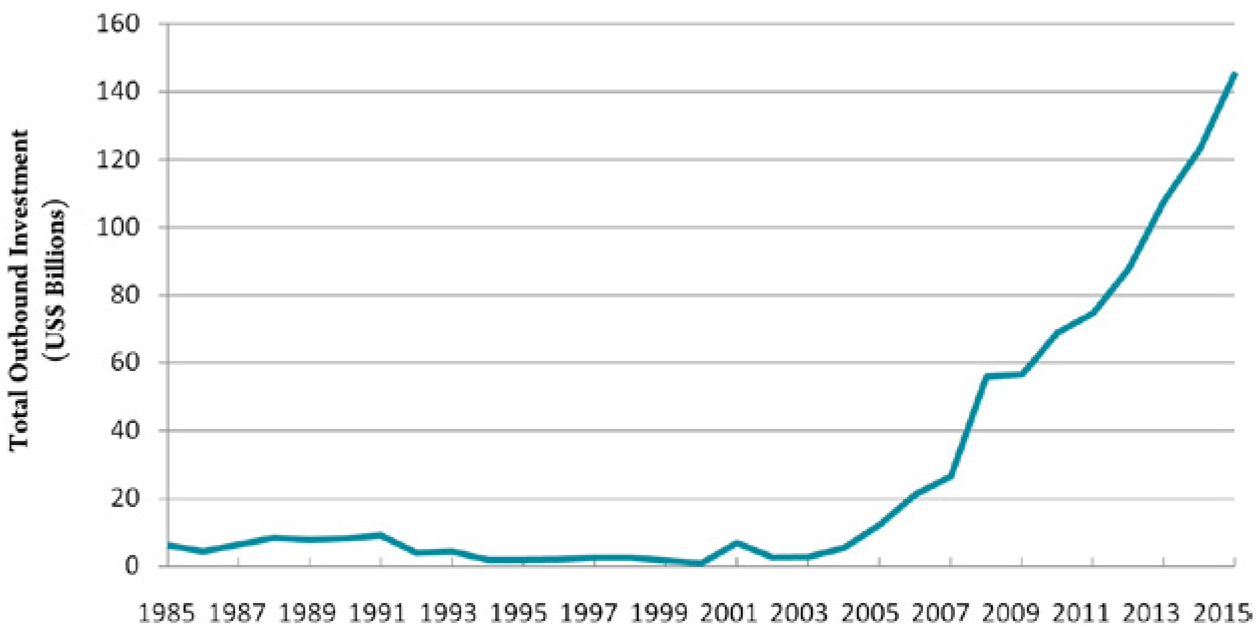
When looking at Chinese overseas investment projects, it is helpful to have an understanding of the overarching strategies that are driving that investment. This first section of the guide explains China's "Going Out" strategy, and looks at trends and motivations behind Chinese investment over the past 10 years. It also discusses the Chinese government's new Belt and Road initiative, which is likely to encouragwe a further increase in outbound investment in the coming years. Finally, the section discusses China's overseas aid.

Finance District, Shanghai (by Joan Campderrós-i-Canas)

China's "Going Out" Strategy

In the early 2000s, China adopted its "Going Out" strategy. Through this strategy, the government encouraged companies to invest in overseas construction projects, promote trade and export of products, services, and technology, and invest in the exploitation of strategic natural resources. The Chinese state has given strong support for outbound investment, providing financing (for example loans and subsidies), insurance, foreign currency, tax incentives and other services to support this investment. As a result, Chinese companies and financiers have become major actors across the world. Outbound investment has skyrocketed since the early 2000s and continues to climb each year, reaching almost US$146 billion in 2015.

Chinese Outbound Investment, 1985 – 2015



Source: UNCTAD (2014), MOFCOM (2016)

There are various motivations behind China's push to increase overseas investment. One goal is the acquisition of strategic resources and energy supplies. Chinese companies also seek to increase access to global markets and value chains, develop their technical capacities and expertise, and build companies that can compete in the global market. As China's economy has slowed down, the government has increased efforts to encourage companies to invest abroad.

China's domestic economic growth has been fueled by investment in industry and infrastructure. But as the economy cools, there is less demand for industrial outputs such as concrete, steel, glass and cement, and fewer contracts for construction companies and developers. The government has responded to this by encouraging Chinese companies to invest overseas, especially in transport, energy, telecommunications, construction and machinery.

In 2013, President Xi Jinping announced a new drive to promote this outbound investment in infrastructure and industry: the Belt and Road Initiative. This aims to increase regional connectivity, and will also facilitate further outbound investment by Chinese state-owned and private enterprises.

The Belt and Road Initiative

China's Belt and Road Initiative aims to increase interconnectivity between China and numerous other countries en route to Europe. The initiative promotes the development of transport, energy, trade and communications infrastructure, among other things. The initiative is a continuation of China's push to develop regional connectivity and trade routes, develop the international presence of Chinese companies, and increase access to global markets. In this sense, it can be seen as the next phase of the "Going Out" strategy.

The Belt and Road initiative consists of two main parts: the land-based Silk Road Economic Belt, and the oceanic 21st Century Maritime Silk Road. The overland Silk Road Economic Belt links China with Europe through Central and Western Asia and the Middle East. The Maritime Silk Road connects China to Europe through Southeast and South Asia and on to Africa. China's vision for the Belt and Road Initiative includes multiple economic corridors connecting these two routes.

The Route of the Belt and Road Initiative, from CCTV America (2015)

The Belt and Road Initiative has no formal membership and is not coordinated by a single body. However, China is encouraging its state-owned enterprises to invest in countries within the initiative's route, especially those companies that operate in industries that are operating overcapacity in China and companies specializing in infrastructure development. Private companies are also encouraged to increase investment in countries within the Belt and Road Initiative's geographical reach.

These projects will require billions of dollars in the coming years, and financing will come from a number of sources. Many financiers have announced plans to support this investment, including the two policy banks, China Development Bank and the Export-Import Bank of China; commercial banks such as Bank of China; equity funds including the Silk Road Fund; and various Chinese investment companies. The newly established Asian Infrastructure Investment Bank will also likely provide finance to projects within the Belt and Road Initiative. These institutions are discussed further later in the guide.

For more information on the Belt and Road Initiative, see Inclusive Development International's *Making Inroads* report: *http://www.inclusivedevelopment.net/making-inroads-chinese-infrastructure-investment-in-asean-and-beyond/*.

Chinese Overseas Aid

Official information on China's aid program is basic. According to the last official report published by China's State Council in 2014, over 50% of China's aid went to Africa, followed by almost 30% to Asia. Most Chinese aid has supported "public facilities" such as hospitals, schools, water supply and other public infrastructure, and "economic infrastructure projects," including transport, communication and power-supply projects. Chinese aid is dispersed using three main mechanisms:

- **Grants –** A gift of money, services or goods for a specific project that does not need to be re-paid;
- **Interest-free loans –** A loan that must be paid back during a specific period, but with no interest; and
- **Concessional loans –** A loan that must be paid back, but over a long repayment period and an interest rate that is below the market rate.

China's Ministry of Foreign Affairs plays an advisory role in China's aid program, while the Ministry of Finance is responsible for managing the foreign aid and multilateral aid budgets. The Ministry of Commerce implements the aid program through its Department of Aid to Foreign Countries.

Concessional loans are provided by China Eximbank and subsidized by the state. Most of China's aid now comes in the form of concessional loans. Projects financed by Chinese aid are often implemented by Chinese state-owned enterprises (both state-owned enterprises and the China Eximbank are returned to later).

China's foreign aid has increased considerably in recent years, but it is much smaller than Chinese outbound investment.

Cambodia-China Friendship Bridge, Phnom Penh (by Xinhua News Agency)

PART 2
ACTORS

In order to understand the range of advocacy options available to communities affected by a project, it is essential to have an understanding of investment chains. By identifying the financiers, investors, companies, contractors, regulatory authorities and other relevant actors, you can gain a more complete picture of the project, the roles of the different stakeholders, and what options are available for engagement and advocacy. Crucially, once you know the actors that are involved in a project, you will also be able to identify what points of leverage may exist and what environmental and social policies or commitments apply. This part of the guide discusses the various actors that may be involved in a Chinese investment project. It is broken into three sections: companies, financiers and regulators.

Three Gorges Hydroelectric Dam, Hubei Province, China (Wikimedia Commons)

Actors Involved in Chinese Overseas Investment and Finance

A broad range of actors are involved in China's outbound investment and finance. This includes state bodies and regulators inside China, state-owned enterprises and private companies, banks, equity funds, investment companies, and insurers. This part of the guide looks at three groups of actors: companies, financiers and regulators.

- **Companies** – For those people that are impacted by an investment project, the company (or companies) operating on the ground are usually the most visible actor in the investment chain. China's state-owned enterprises are very active across the world, as are private Chinese enterprises of all sizes, from globally recognized corporate brands to small companies and individual investors. Companies may play the role of project owners, developers or operators. In some cases, a project owner may be responsible for all aspects of the project. In other cases, they may sub-contract work to other companies – this is especially common in very large and complex projects, such as a hydropower dam. Companies may work alone or in a joint venture with others.
- **Financiers and investors** – China's overseas investment is made possible by financing and investment from various institutions. This includes China's policy banks, such as China Development Bank and China Eximbank; major commercial banks, such as Bank of China; and equity funds like the China-ASEAN Investment Cooperation Fund. In the case of some very large projects, groups of financiers may work together to provide financing.
- **Regulators** – Regulations on outbound financial flows have been relaxed in recent years, which has facilitated the increase in overseas Chinese investment. However, a number of state actors still play a role in the process of approving and recording outbound investment, conducting oversight, and promoting improved standards. These include high-level government bodies such as the State Council and National Development and Reform Commission, the ministries for commerce and environmental protection, and industry regulators such as the China Banking Regulatory Commission.

Practical Advice: Mapping Investment Chains

It is important to know which actors are relevant to your case in order to identify the guidelines that may apply, and what potential pressure points may exist. A pressure point is an actor that is responsive to advocacy and has the ability to influence decision-making on the ground. Inclusive Development International has developed resources that you can use for mapping investment projects and identifying pressure points. These can be found at: *https://www.followingthemoney.org*.

The diagram that follows illustrates the range of actors that can be involved in an investment project, and the varied roles that they may play. It will be useful to keep this in mind as you read this section of the guide.

Stung Tatay Hydropower Station – Koh Kong province, Cambodia

The Stung Tatay hydropower project is in Koh Kong province, southwest Cambodia. It cost more than US$500 million to build and has a generating capacity of 246 megawatts. The investment chain connected to this project involves a large number of actors, most of which are Chinese.

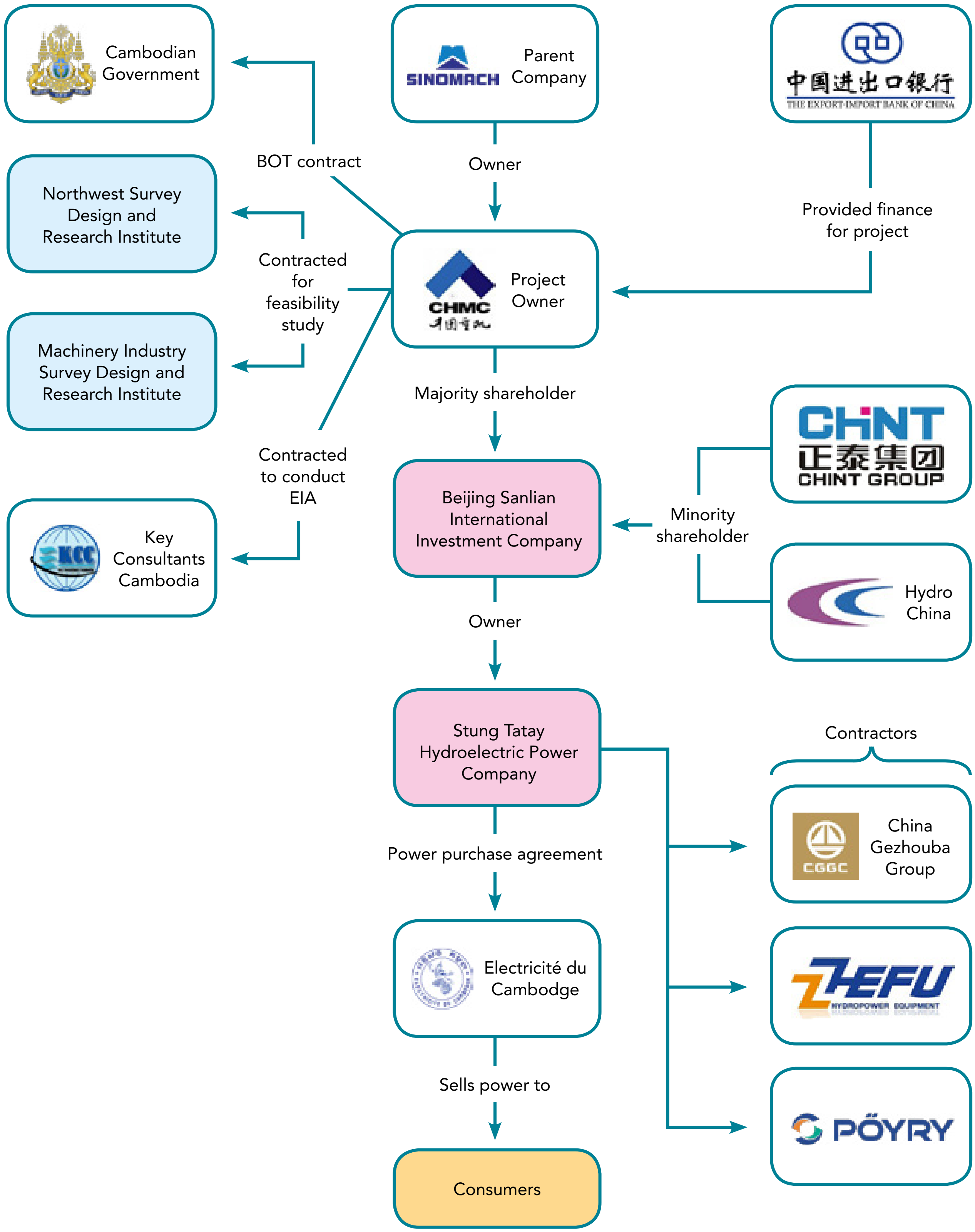
The project developer is a Chinese company called **China National Heavy Machinery Corporation (CHMC)**. This company is owned by a major Chinese state-owned enterprise called **China National Machinery Industry Corporation (SINOMACH)**.

CHMC signed a Build-Operate-Transfer (BOT) agreement with the **Cambodian government** for this project. Under this agreement, CHMC is to build the project within five years, and then operate it for 37 years. After this, the project is handed over to the Cambodian government to operate. The **Export-Import Bank of China** provided a commercial loan to finance the project.

A joint-venture company was set up by CHMC to develop this project. This joint-venture company is called **Beijing Sanlian International Investment Company.** CHMC is the majority shareholder in this company. State-owned **Hydrochina** and the private company **CHINT Group** own minority shares. Beijing Sanlian registered a local company to manage the Tatay hydropower project. This local company is called **Stung Tatay Hydroelectric Power Company**. Power from the project is sold to Cambodia's state power company, **Electricité du Cambodge**, which then sells power to consumers.

Northwest Survey Design and Research Institute (a subsidiary of Hydrochina) and **Machinery Industry Survey Design and Research Institute** (a subsidiary of SINOMACH) were hired to conduct the feasibility study for the project. Other SINOMACH-owned companies were contracted to work on other specific parts of the project. Several external companies were also sub-contracted. This includes:

- **China Gezhouba Group Corporation –** A Chinese state-owned company, contracted to construct the dam walls, tunnels and power plant.
- **Zhefu Group –** A private Chinese company, supplied machinery including turbines for the power plant.
- **Pöyry –** Finnish company Pöyry provided monitoring and inspection of design, quality control, materials and dam safety during the construction period.
- **Key Consultants Cambodia –** A Cambodian company was hired to conduct the environmental impact assessment (EIA).



Cambodian Government
Parent Company
SINOMACH
中国进出口银行
THE EXPORT-IMPORT BANK OF CHINA
BOT contract
Owner
Provided finance for project
Northwest Survey Design and Research Institute
Contracted for feasibility study
Project Owner
CHMC
Machinery Industry Survey Design and Research Institute
Majority shareholder
CHINT
正泰集团
CHINT GROUP
Contracted to conduct EIA
Beijing Sanlian International Investment Company
Minority shareholder
Key Consultants Cambodia
KCC
Hydro China
Owner
Stung Tatay Hydroelectric Power Company
Contractors
China Gezhouba Group
CGGC
Power purchase agreement
Electricité du Cambodge
ZHEFU
HYDROPOWER EQUIPMENT
Sells power to
PÖYRY
Consumers

Chinese Companies

Various types of Chinese companies are active overseas in a broad range of sectors. China's state-owned enterprises are very active across the world, as are private Chinese enterprises of all sizes, from globally recognized corporate brands to small companies and individual investors.

State-Owned Enterprises

China has tens of thousands of state-owned enterprises. Of these companies, just over 100 are "central" state-owned enterprises, which means they are under the supervision of the central state agencies in Beijing. Central state-owned enterprises are massive, employing thousands of staff across China and the world, and their assets and project portfolios are often huge.

China's largest overseas investment projects are often implemented by central state-owned enterprises. These enterprises are under the supervision of the State-owned Assets Supervision and Administration Commission, which in turn is under the authority of the State Council. A list of all central state-owned enterprises is provided in the appendix of this guide.

In addition to the central state-owned enterprises, there are also thousands of sub-national level state-owned enterprises. These companies range in size, from small operations active in a single area, to large companies with projects inside and outside China. Sub-national state-owned enterprises come under the authority of provincial and local departments of the State-owned Assets Supervision and Administration Commission.

As of 2015, China's top 10 companies in terms of overseas investment stock were all state-owned enterprises.

China's Top 10 Overseas Investors up to 2015[3]

	Company	Main Area of Operations
1	China Mobile Communications Corporation	Telecommunications
2	China National Petroleum Corporation (CNPC)	Oil and gas
3	China National Offshore Oil Corporation (CNOOC)	Oil and gas
4	China Petrochemical Corporation (Sinopec)	Oil and gas
5	China Resources Co. Ltd.	Trade
6	China Ocean Shipping Company (COSCO)	Shipping and logistics
7	China Merchants Group	Transport, finance, real estate
8	China State Construction Engineering Corporation	Construction
9	China National Chemical Corporation (ChemChina)	Chemicals and fertilizer
10	China Minmetals Corporation	Mining and processing

A number of state-owned enterprises have listed subsidiaries on the Shanghai, Hong Kong and international stock exchanges in order to attract private capital and increase opportunities to invest overseas. Many central state-owned enterprises now have websites in both Chinese and English (and sometimes other languages of countries where they have operations). Many now also publish annual reports, and, in a few cases, sustainability reports. Several state-owned enterprises have also signed up to global good practice initiatives such as the United Nations Global Compact. In addition, the State-owned Assets Supervision and Administration Commission has issued basic guidelines, which encourage state-owned enterprises to improve corporate social responsibility practices when operating overseas.

Private Enterprises

In the past, state-owned enterprises dominated Chinese outbound investment, but the number of private companies investing overseas is growing rapidly. In terms of value, overseas investments by private companies are generally smaller than those of state-owned enterprises, with only a few private companies ranking within China's top 20 overseas investors.

Companies of various sizes are investing outside China. This includes large enterprises such as Huawei Technologies, the world's largest maker of telecommunications equipment, all the way down to individual investors engaging in a single overseas project, such as a plantation, mine or factory.

[3] Ministry of Commerce et al (2016), 2015 Statistics Bulletin of China's Outward Foreign Direct Investment, Beijing: China Statistics Press

Although state-owned enterprises and large private enterprises are the most visible Chinese overseas investors, there are many thousands of smaller Chinese companies active overseas. Smaller companies can be difficult to identify, and there is often very little public information regarding their structure or their operations.

Practical Advice: Look Out for Joint Ventures between State-Owned Enterprises and Private Companies

It is now becoming more common for state-owned enterprises to partner with private companies – both Chinese and non-Chinese. For example, the Chinese state-owned aluminum company CHINALCO was involved in a major joint venture with the British-Australian multinational company Rio Tinto in the African nation of Guinea. This project also received investment from the World Bank's private sector arm, the International Financial Corporation (IFC).

In cases like this, there may be additional opportunities for you to engage with Chinese actors through their joint-venture partners, who may be more familiar with communicating and developing a dialogue with civil society groups and the public.

Comparing Chinese SOEs and Private Companies

State-Owned Enterprises	← Larger Private Enterprises	Smaller →
Profit-driven, but also strongly influenced by state policy and directives.	Profit-driven, market-oriented.	Profit-driven, market-oriented.
Directly under the oversight of the state. Senior executives appointed by government.	Market focus means private firms may be more dynamic than state-owned enterprises.	Minimal or no state influence.
Dominate key sectors, including energy, mining, oil and gas, telecommunications, and shipping.	Accountable to shareholders, investors and board of directors.	May invest in a single project, e.g. plantation or small-scale mine.
Many now have websites in English (and other languages of countries where they are active).	Limited state influence over investment decisions.	Many operate in border areas, investing in projects for export to China or purchasing products from local producers.
Website may include annual reports and corporate social responsibility/ sustainability statements.	Often have websites in English, especially if investing overseas.	Unlikely to do environmental and social due diligence on their project or local partners.
Increasingly aware of reputational risks, but still investing in high-risk projects.	Website may include corporate social responsibility/sustainability statements.	Very small companies investing in resources, e.g. small-scale mining, are frequently operating in violation of local regulations.
Beginning to work in joint ventures with private companies.	May post annual reports and sustainability reports, especially if the company has publicly listed subsidiaries.	Usually no website in English, often no Chinese website.
Major state-owned enterprises are signing on to voluntary human rights, social and environmental initiatives such as the UN Global Compact.	Becoming concerned about image and corporate brand.	Tend to not be concerned about company reputation.
In the process of reform. Opening to private investors, including foreign investors.	In some cases, may work in joint ventures with state-owned enterprises.	Activities are sometimes informal; investment may not be registered exiting China or entering host country.
Facing greater scrutiny since the start of China's crackdown on corruption.	The state is increasingly encouraging private enterprises to go out and invest overseas.	Unlikely to make reports public. Often limited transparency and access to information.

Source: Adapted from Grimsditch, M. (2015), The Role and Characteristics of Chinese State-owned and Private Enterprises in Overseas Investments, Friends of the Earth US

Chinese Financiers and Investors

China's overseas investment would not be possible without the billions of dollars in financing provided by Chinese financial institutions. This includes China's policy banks, commercial banks and investment funds. In addition, the China-led Asian Infrastructure Investment Bank became operational in 2016. Although it is a multilateral institution, it is included below as China has led its development and holds a large majority of the bank's shares. Several of the institutions discussed here have environmental and social guidelines or have made commitments to responsible investment. This is discussed in Part 3.

Policy Banks

China has three policy banks: China Development Bank, the Export-Import Bank of China (China Eximbank) and the Agricultural Development Bank of China. As policy banks, their role is to support the policy objectives of the Chinese government. China Development Bank and China Eximbank are major financiers of Chinese companies going out and have supported large-scale investments across the world.

国家开发银行
CHINA DEVELOPMENT BANK

China Development Bank provides medium to long-term financing for activities and projects that align with China's national economic strategy. The bank plays a major role in facilitating China's overseas investment. Among the projects that have received financing from the bank are the China-Myanmar gas pipeline, the Vung Ang coal power plan in Vietnam, Stung Atai hydropower dam in Cambodia, a major port development in Sri Lanka, and the Las Bambas copper mine in Peru.

中国进出口银行
THE EXPORT-IMPORT BANK OF CHINA

China Eximbank was established to promote and facilitate the export and import of Chinese products, assist Chinese companies in offshore contracting and outbound investment, and promote international economic cooperation and trade. Like China Development Bank, China Eximbank is a major financier of Chinese overseas investment.

Most of China Eximbank's lending is commercial, but the bank is also responsible for China's concessional lending, which accounts for the majority of China's overseas aid. China Eximbank has provided financing to projects including the Kamchay hydropower dam in Cambodia, Port Qasim coal plant in Pakistan, and an oil refinery in Kazakhstan. In 2015, the bank signed a major deal with state-owned China Railway Corporation to support its overseas expansion.

Both China Development Bank and China Eximbank have internal social and environmental guidelines in place, although only China Eximbank has published them.

Commercial Banks

China's commercial banks are also active overseas, especially the "Big Four," which includes Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Agricultural Bank of China.

中国工商银行
INDUSTRIAL AND COMMERCIAL BANK OF CHINA

中國銀行
BANK OF CHINA

中国建设银行
China Construction Bank

中国农业银行
AGRICULTURAL BANK OF CHINA

All four of the major commercial banks are connected to high-profile overseas projects, including the Shwe gas pipelines in Myanmar (Industrial and Commercial Bank of China, Bank of China, and China Construction Bank), the Belinga iron ore project in Gabon (Bank of China), and the Rio Blanco copper mine in Peru (Bank of China, China Construction Bank, and Agricultural Bank of China).

Other Chinese commercial banks are also active overseas, but on a smaller scale. To date, only one Chinese bank has signed up to the Equator Principles, which is a voluntary framework for commercial lenders to use as a benchmark for their own internal social and environmental policies. The only Chinese bank to adopt these principles is the Industrial Bank (not to be confused with Industrial and Commercial Bank of China). Industrial Bank is not a major overseas investor.

Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) is a multilateral investment bank that was initiated by China in 2013. The bank was officially launched in January 2016 and began to announce projects soon after. As of late 2016, the bank had 57 members and a total authorized capital of US$100 billion. China holds the largest share in the bank and at the time of writing held over 28% of voting rights. The AIIB is headquartered in Beijing and will focus on financing infrastructure projects in Asia, including energy and power, transportation, telecommunications, agriculture, urban development and logistics, among others.

AIIB | ASIAN INFRASTRUCTURE INVESTMENT BANK

Most of the projects announced by the bank so far are co-financed with other well-established financial institutions. For example, AIIB is co-financing an urban upgrade project in Indonesia with the World Bank and co-financing a highway in Pakistan with the Asian Development Bank. The AIIB has developed an environmental and social framework for its operations, and has several other basic policies in place that are likely to be updated as the bank develops.

For more information on the AIIB, see Inclusive Development International's *Making Inroads* report: *http://www.inclusivedevelopment.net/making-inroads-chinese-infrastructure-investment-in-asean-and-beyond/*.

Investment Funds

An important source of financing for China's overseas investment are state-backed investment funds. Various funds are active across the world, including in Africa, Latin America, Russia and Asia. The money in these funds usually comes from the China Development Bank, China Eximbank and other state-backed institutions and investors. These funds differ from banks as they tend to invest in equity in projects or companies by purchasing shares rather than providing loans.

Examples of Chinese-Backed Investment Funds

Fund	Country/Region Active	Value
Silk Road Fund	Belt and Road countries	US $40 billion
China Insurance Investment Fund	China and OBOR countries	US $48 billion
China-ASEAN Investment Cooperation Fund	ASEAN region	US $1 billion
China-Africa Development Fund	Africa	US $5 billion
Russia-China Investment Fund	Eurasia	US $4 billion
China-CEE Fund	Central and Eastern Europe	US $3 billion
South-South Cooperation Fund	Global South	US $2 billion

This is just a selection of the many Chinese state-backed investment funds currently operating around the world. The examples of the Silk Road Fund and the China-ASEAN Investment Cooperation Fund are expanded further below.

The Silk Road Fund was established in 2015 to support investment in countries within the Belt and Road Initiative. It focuses on major infrastructure projects and projects that improve connectivity. In its investment principles, the fund states that it strives to promote environmentally friendly and sustainable development, and that it "respects international standards and norms, and follows the laws and regulations of China and the host countries."[4] However, it is unclear what, if any, systems are in place regarding social and environmental impact assessments, prevention and mitigation.

Another equity fund created in recent years is the China-ASEAN Investment Cooperation Fund. The fund targets investments in infrastructure, energy and natural resources in ASEAN (Association of Southeast Asian Nations) countries. The fund was established with an initial US$1 billion but has a target of raising US$10 billion. The International Finance Corporation (IFC) holds a share in the fund and contributed US$100 million (or 10%) of its initial funding. This means that the fund is required to apply the IFC's Environmental and Social Performance Standards across its investments. In 2014, the fund also issued its own social and environmental guidelines.

4 Silk Road Fund (2015), *Scope of Investment Principles*, Silk Road Fund website. *http://www.silkroadfund.com.cn/enweb/23798/23805/index.html* (accessed December 2016)

Regulation and Oversight of Chinese Overseas Investment

A number of government institutions play a role in the approval and management of China's overseas development finance. This includes the State Council and other high-level bodies such as the National Reform and Development Commission and the State-owned Asset Supervision and Administration Commission.

The Ministry of Commerce is the lead ministry in charge of promotion and oversight of outbound investment, and the China Banking Regulatory Commission is responsible for oversight of the banking sector. Various other entities, including the Ministry of Environmental Protection have played a role in developing guidelines for overseas investment. These institutions are summarized in brief below.

State Council

- China's most senior administrative body. Led by the prime minister.
- Includes heads of all ministries and major government agencies.
- Must approve overseas investments worth over US$2 billion and that involve "sensitive" countries, regions or industries.

National Reform and Development Commission

- Responsible for developing and implementing strategies related to national economic and social development.
- Must approve overseas investments worth more than US$1 billion and that involve "sensitive" countries, regions or industries.

State-owned Asset Supervision & Administration Commission

- Under the State Council, responsible for oversight of state-owned enterprises.
- Responsible for guiding reform of state-owned enterprises.
- Issued guidelines promoting improved corporate social responsibility by state-owned enterprises.

Ministry of Commerce

- Responsible for formulating strategies, guidelines and policies for developing trade and international economic cooperation.
- The ministry and its local departments must *approve* projects in "sensitive" countries, regions or industries. Other investments only require *registration* with the ministry.

China Banking Regulatory Commission

- Responsible for developing the rules and regulations for the supervision of China's banking institutions.
- The commission has issued the Green Credit Guidelines, which include provisions for Chinese banks' overseas financing.

Ministry of Environmental Protection

- Responsible for domestic environmental protection issues.
- Has no formal approval or monitoring role for overseas investment
- However, issued joint guidelines with the Ministry of Commerce on environmental performance of Chinese companies overseas.

Chinese Chamber of Commerce for Metals, Minerals and Chemicals

- Under authority of the Ministry of Commerce.
- Issued guidelines on social responsibility in overseas mining and guidelines on mineral supply chain due diligence.
- Currently developing guidelines on overseas rubber investment.

State Forestry Administration

- Responsible for domestic administration of China's forestry.
- Responsible for issuing two guidelines on overseas forestry projects.
- Currently involved in the development of a new guideline on overseas timber investment.

Local Chinese Embassies

- Embassies in host countries play the role of facilitating Chinese investment through their Economic and Commercial Affairs Office.
- Embassies are also responsible for coordinating and managing aid projects.

The institutions summarized above are referred to in the next section, which looks at key standards and guidelines that apply to Chinese companies and financiers involved in overseas projects.

PART 3
STANDARDS

Social and environmental safeguards are meant to protect people and ecosystems from the negative impacts of investment projects. Safeguards are policies, standards and systems that developers, investors and financiers implement to prevent and mitigate the negative impacts of their business activities. Safeguards should be implemented during the entire project cycle, from identification, design and preparation, through development and operation, to the closure of a project.

Chinese companies and financiers often lack strong institutional policies to deal with social and environmental issues. However, this is beginning to change. China's policy banks have adopted internal social and environmental policies. Several Chinese companies have made commitments to operate in a responsible manner when operating overseas, and some have signed on to international principles and standards. Importantly, Chinese state institutions have recognized the need for improved social and environmental standards in overseas investments and in recent years have issued several guidelines.

The policies and guidelines adopted to date lack detail, and none have grievance mechanisms (with the exception of the AIIB), but they can still be used in advocacy by communities seeking to protect their rights and the environment. This section of the guide covers some of the key Chinese social and environmental guidelines and policies currently in place.

Rubber plantation, Rattanikiri Province, Cambodia (by Inclusive Development International)

The Development of Standards for Chinese Overseas Investment

China's outbound investment increased rapidly from around 2004. With encouragement and backing from the state, thousands of companies began to invest overseas in a wide range of projects. During this period, Chinese companies and financiers faced a steep learning curve. Many companies with limited or no experience operating overseas became involved in major projects in countries with which they were not familiar. While some have implemented overseas projects without major problems, others were unprepared for or unable to deal with issues that emerged. This has led to social and environmental harms, conflict with local people, and other problems, all of which caused reputational – and sometimes financial – damage to Chinese investors.

In response, the Chinese government and industry groups have taken steps to develop standards for companies and financiers operating overseas. Basic guidelines now exist that have application to overseas investment in general, as well as the operations of state-owned enterprises. More specific guidelines have been issued on environmental protection, mining and forestry. These guidelines touch on issues such as impact assessments, resettlement, public participation and legal compliance.

Many of the standards applying to Chinese overseas projects are basic. They are a relatively recent creation and will take time to become established, understood and implemented. Civil society groups and community advocates can push for these standards to be strengthened, followed and enforced. This section of the guide looks at some of the main standards and guidelines that apply to Chinese overseas projects and highlights key articles relevant to ensuring respect for, and protection of, land and natural resource rights. All the guidelines and policies referred to below can be found online at: *https://www.followingthemoney.org/chapters/chinesestandards/*.

Practical Advice: Using Chinese Standards

Some of standards that apply to Chinese overseas investment are very basic and contain limited detail, whereas more recent guidelines are much more thorough and refer to globally recognized principles. What almost all have in common is that they are not accompanied by grievance and enforcement mechanisms, which makes it difficult for affected communities to hold the investors accountable.

This does not mean the standards are not valuable. Most of the guidelines discussed below have been drafted or approved by Chinese ministries and other high-level government institutions. Others have been drafted by industry groups or voluntarily adopted by companies seeking to improve their reputation and practices. The development of these guidelines indicates that the Chinese government wants to improve the standards of overseas projects and the image of Chinese investors. By referring to these guidelines, you can strengthen your position when engaging with Chinese actors and when conducting advocacy on Chinese projects.

If you find that a Chinese company, investor or financier has failed to follow the relevant guidelines or policies:

- You can refer to the standards and raise concerns directly with the company, bank or fund either in a meeting or in writing.
- You can refer to the standards in communications with the relevant Chinese state institutions (see Part 2 of the guide and below).
- If you do not get an adequate response, you could consider publicizing the information, through the media or a report, in order to draw public attention to project harms and the failure of actors to respect the standards.

General Principles Applying to all Overseas Investments

Over the past decade, the Chinese government has issued a number of policy documents that call for improved implementation of all overseas investment projects. Although they often lack detail and do not define key terms, they are important because they are issued by senior institutions, indicating high-level support for improving standards in overseas investment.

Nine Principles on Encouraging and Standardizing Outbound Investment (2006)

The State Council is China's highest administrative body. It is chaired by the prime minister and includes the heads of all ministries and major state institutions. In 2006, it released a set of nine principles related to overseas investment. These principles include:

- Upholding the values of mutual respect, equality and mutual benefit, as well as "win–win cooperation";
- Complying with local laws and regulations;
- Committing to protect the legal rights and interests of local employees;
- Paying attention to environmental resource protection;
- Caring for and supporting the local community and people's livelihood; and
- Creating a friendly environment for public opinion and preserving China's corporate image and reputation.

Although basic, these principles contain several important commitments to social and environmental responsibility. These principles are expanded in subsequent policy documents from the State Council and other institutions.

Practical Advice: Analyze Project Compliance with Local Laws and Regulations

The Nine Principles are reflected in many other policies and documents related to China's outbound investment. Almost all of the standards, policies and guidelines discussed in this guide include the requirement that Chinese projects are implemented in a way that is *at least* in compliance with local laws and regulations.

For this reason, it is very important to analyze project compliance with the laws of the host nation. If you can clearly demonstrate that a project is in violation of local regulations, you will be in a stronger position to advocate for the project to be brought into compliance or for other remedial actions to be taken.

Opinion of the State Council on Encouraging and Standardizing Enterprises' Cooperation in Outbound Investment (2007)

The Nine Principles mentioned above were expanded in an opinion released by China's State Council in 2007. An opinion is not law, but it provides guidance on how laws and policies should be implemented. This opinion focusses mostly on encouraging and facilitating Chinese overseas investment, but it states throughout that Chinese companies must manage risks appropriately, and includes the following important guidance:

> ***Article 2(1)*** *Balance the relationship between safeguarding national interests and promoting common development. Enterprises should adhere to national interests, safeguard economic security and speed up their own development, while abiding by local laws and regulations, fulfilling the necessary social responsibilities, safeguarding the legitimate rights and interests of local employees and paying attention to the protection of environmental resources, promoting mutual benefit and common development (with the host country), and establishing a good international image.*

Circular to Regulate the Overseas Investment and Cooperation of Chinese Companies (2008)

In 2008, the Ministry of Commerce, the Ministry of Foreign Affairs, and the State-owned Assets Supervision and Administration Commission (the body responsible for regulating Chinese state-owned enterprises) issued a joint circular on the regulation of outbound investment. Circulars do not have legal effect, but as discussed elsewhere in this guide, these three institutions play important roles in the approval and monitoring of overseas investment, and the circular is therefore an important document.

The circular acknowledges that as Chinese investment has increased, problems have also emerged, including labor disputes, conflicts with employees, environmental issues, and quality and safety problems. It therefore calls on all relevant departments and companies to ensure that overseas projects are properly regulated and implemented. Some key principles are summarized below:

- **Firmly uphold the ideology of "mutual benefit and development" –** This includes compliance with both Chinese and host-country law related to investment, in particular laws on environmental protection, labor and employment, project bidding, safety, and other relevant issues.
- **Deal appropriately with labor issues –** Provide employees with wages, benefits and working conditions that are in accordance with relevant laws and working contracts; develop communication channels with employees; and actively respond to their legitimate demands.
- **Fulfilling social responsibility –** Companies should understand and respect local customs and religious practices, and make efforts to improve relations with local people.

- **Penalties for illegal activities** – Companies that violate relevant laws and regulations that result in serious consequences shall be punished by the Ministry of Commerce, the Ministry of Foreign Affairs, and the State-owned Assets Supervision and Administration Commission. These punishments include warnings, publishing notice of criticism, suspension or revocation of business licenses, and other penalties, depending on the seriousness of the violation.

Approval and Monitoring of Chinese Overseas Investment

Several state institutions play a role in approving and monitoring China's overseas investment. This includes the National Development and Reform Commission and the Ministry of Commerce.

Institution	Role
National Development & Reform Commission	Must approve overseas investments worth over US$1 billion and which involve "sensitive" countries, regions or industries. Other projects only require recording by the Commission.
Ministry of Commerce	Must approve projects in "sensitive" countries, regions or industries. Other investments only require recording by the Ministry of Commerce.

Practical Advice: Engaging with Authorities Responsible for Approval and Monitoring of Overseas Investment

If you have concerns about a project that has not yet begun development, it may be useful to send a message to the National Development and Reform Commission and the Ministry of Commerce, as there may be an opportunity to influence the decision to approve or reject a project. When projects concern sensitive areas or industries, there may be more leverage to influence the decision. Sensitive countries and regions include those that are subject to sanctions or experiencing war or other conflicts. Sensitive industries include telecommunications, projects affecting transboundary water resources, large-scale land development, power transmission and mass media.

Once a project has been approved, it is less clear what influence these institutions may have. However, if you engage in communications with Chinese companies, banks or regulators, it is still important to inform the National Development and Reform Commission and the Ministry of Commerce in order to draw their attention to the project.

Provisions on Standardizing Competition in Foreign Investment and Cooperation (2013)

In 2013, the Ministry of Commerce issued the Provisions on Standardizing Competition in Foreign Investment and Cooperation. These provisions apply to all Chinese companies operating overseas or providing contracting services for foreign projects.

The provisions prohibit companies from engaging in unfair competition by paying bribes or reducing worker's wages. They also require compliance with local law, respect for local customs, fulfilment of corporate social responsibility, preservation of the environment, and protection of the local labor force.

The provisions stipulate that the Ministry of Commerce and all other relevant ministries will maintain a "credit record" of any violation of this regulation. A negative rating can disqualify companies from benefiting from investment-related state support in the future.

Practical Advice: Poor Overseas Performance May Harm a Company's Future Business Opportunities

If Chinese companies become involved in problematic projects overseas and do not adequately address impacts and conflicts that arise, they may receive negative credit ratings. This can impact their future investments, and could mean that they are no longer eligible for state loans, subsidies, tax incentives or other investment-related support when they invest overseas.

You may be able to use this to your advantage by referring to the provisions issued by Ministry of Commerce in your communications with the company. Companies may be more willing to address concerns if they fear that their future business will suffer. You can also alert the Ministry of Commerce and other relevant ministries, through the Chinese embassy or consulate in your country, if the company fails to adhere to the provisions.

Provisional Measures for Recording Bad Credit in the Fields of Outbound Investment and Cooperation and Foreign Trade (2013)

The Ministry of Commerce issued additional provisions jointly with eight other ministries and departments that add more detail on the implementation of the "credit record" system. These are called the Provisional Measures for Recording Bad Credit in the Fields of Outbound Investment and Cooperation and Foreign Trade. Under these measures, the following activities, among others, can result in the entry of a bad credit rating for any Chinese company investing overseas:

Article 4(1)(i) *[excerpts]*

(2) *Non-respect of local practices and customs, religions, and lifestyle, which results in conflicts with local people;*

(3) *Non-compliance with manufacturing, technical, and health standards, which results in accidents;*

(4) *Non-compliance with local labor laws, which result in labor disputes;*

(5) *Damage to local ecological environment, threats to local public safety;*

(8) *Other acts in violation of local laws and regulations.*

Bad credit incidents should be recorded in the country where those incidents occur. Embassies and consulates in host countries should establish systems for collection and reporting of information in relation to the credit recording system within their jurisdiction. This information should be fed back to the Ministry of Commerce and the other ministries signed on to this measure (**Article 6**).

Practical Advice: Engaging with Chinese Embassies, Consulates and Chambers of Commerce

In cases where communities want to raise concerns regarding a Chinese project, the local Chinese embassy or consulate can be a first point of contact. Embassies play an important role in facilitating outbound investment through their Economic and Commercial Affairs Office.

You can raise concerns to the embassy in writing and request a written response and/or meeting to discuss these concerns further. You could request additional information on a project or ask the embassy to facilitate a meeting with the company. In cases where serious harms have resulted from a Chinese project, affected people could also submit a formal complaint to the embassy.

You may also wish to approach the Chinese Chamber of Commerce if a branch has been established in your country. Chambers of commerce play an important role in facilitating investment.

With both embassies and chambers of commerce, you may have communication challenges due to language barriers. In the past, these institutions had few staff capable of speaking local languages or English. These institutions also have limited experience engaging with the public and with civil society. This is beginning to change though, and there are examples of embassies and chambers responding to requests for information and meetings, and in some cases even reaching out to civil society to meet and discuss concerns.

Guidelines for State-Owned Enterprises

China's state-owned enterprises (SOEs) play a major role in outbound investment and are often involved in the largest overseas projects. In general, it can be very difficult to obtain information from Chinese SOEs or to receive responses to requests for meetings. These enterprises tend to engage directly with host-country governments and local business partners, and often do not engage effectively with local communities and civil society.

This approach can lead to problems. Several very high-profile and expensive overseas projects have run into conflict with local people and become associated with human rights abuses and other negative social and environmental impacts. In a few cases, approved projects have been stalled or even suspended due to local opposition. This has led the Chinese government to pay more attention to the way SOEs operate overseas.

Pressure is growing on SOEs to improve their efficiency, increase profits and operate in a more transparent way. In recent years, the Chinese state has also encouraged SOEs to improve standards in overseas projects, and has called on central SOEs to improve corporate social responsibility. You may be able to reference these guidelines in your advocacy if you are looking at the operations of a SOEs.

Central SOEs are under the oversight of the State-owned Assets Supervision and Administration Commission. The commission issued the guidelines discussed below, conducts audits of SOEs and has the power to inspect overseas projects. If you are concerned about the conduct of an SOE, it may be useful to share these concerns with SASAC and request intervention.

State-owned enterprises often come under more scrutiny than private enterprises due to their connections to the Chinese state. If an SOE is connected to problems overseas, this can reflect badly on the Chinese government. For this reason, Chinese policies on overseas investment place extra requirements on state-owned enterprises. For example, the Circular to Regulate the Overseas Investment and Cooperation of Chinese Companies (discussed earlier) states that central state-owned enterprises should play an "exemplary role." It adds:

> *Central state-owned enterprises are the backbone of foreign investment and cooperation. Their good practices and operations not only represent the overall strength and image of China, but also significantly affect the healthy development of outbound investment and cooperation. Therefore, central enterprises should further enhance the sense of social responsibility, to set an example for law-abiding, honest, credible, energy-efficient and environmentally friendly, people-centred corporate behaviors that contribute to the building of a harmonious enterprise, and to strive to be the role model for outbound investment.*

Practical Advice: Find out if the Company is State-owned or a Private Enterprise

It is important to know whether the company you are monitoring is private or state-owned (including a subsidiary of a state-owned company).

Just because a company is very large or investing a lot of money in a project, it does not necessarily mean that it is state-owned. SOEs receive a lot of support from the Chinese state in securing overseas contracts, but private companies are also encouraged by the state to go overseas. In some cases, Chinese government delegations may be accompanied by executives of both state-owned and private companies. This sometimes leads to private companies being misidentified as SOEs.

Doing an online search is usually the easiest way to find out a company's background. If the company has a website, look for annual reports or the "About Us" page, which will usually indicate if the company is state-owned. If you cannot find a company website, searching other online resources may be useful. Also, the inclusion of "China," "Chinese," "National" or "State" in the company name can be a good indicator that the company is state owned, for example, China National Petroleum Corporation. If a company name includes the name of a province, it may be a provincial SOEs, for example, Wuhan Iron and Steel Group.

Guidelines to State-owned Enterprises Directly Under the Central Government on Fulfilling Corporate Social Responsibilities (2007)

The State-owned Assets Supervision and Administration Commission released guidelines in 2007 that call on central state-owned enterprises to fulfil their corporate social responsibilities. The guidelines lack detail, but include some important commitments. The guidelines state, among other things:

- Central SOEs should be responsible to stakeholders and the environment and strike a balance between company growth, social benefit and environmental protection.
- Central SOEs should comply with regulations and laws, public ethics, commercial conventions, and trade rules.
- Large SOEs should take the lead in energy saving and emission reduction; should invest more in environmental protection; and should strive to lower pollution while increasing efficiency and output.
- Central SOEs should attach great importance to corporate social responsibility in their working plan and daily business activities and strive to establish a corporate culture with corporate social responsibility at the center.

Practical Advice: Communicating with the State-owned Assets Supervision and Administration Commission

Central SOEs are under the supervision of the central government in Beijing. There are more than 100 central SOEs (see list in appendix). If you wish to raise concerns about a project owned by one of these enterprises, you may consider writing to the State-owned Assets Supervision and Administration Commission in Beijing, and request intervention.

SOEs from the provincial level and below are supervised by local offices of the State-owned Assets Supervision and Administration Commission. If the company you are looking at is a sub-national state-owned enterprise, you can write to the central State-owned Assets Supervision and Administration Commission and request that they inform the relevant local branch of the commission. The guidelines above relate to central SOEs. However, you may still reference them in communication with provincial SOEs and commission branches, which are also required to encourage SOEs under their jurisdiction to fulfill their corporate social responsibilities.

It is unlikely that you will receive any response from the State-owned Assets Supervision and Administration Commission. However, by communicating with this institution, your concerns will hopefully be recorded and could lead to additional scrutiny by the commission in future evaluations of the company or project in question.

Guidelines for Contractors

Chinese companies are not only active as project developers, they also provide billions of dollars of contracting services every year. This may include, for example, design work, construction, equipment supply and logistics (such as shipping). Companies providing overseas contracting services include China State Construction Engineering, China Railway Group, and China Gezhouba.

Guide on Social Responsibility for Chinese International Contractors (2012)

The China International Contractors Association has over 1,300 members, including China Railway Group, Powerchina, Shanghai Construction Group, Bank of China and the Export-Import Bank of China.[5] In 2012, the association released its Guide on Social Responsibility for Chinese International Contractors. This non-binding document provides guidance for Chinese international contractors on "establishing social responsibility systems, advancing social responsibility management, disclosing social responsibility information, and continuously improving social responsibility performance" (**Article 1**).

The guide states that social responsibility requires Chinese contractors to consider the expectations of stakeholders, including employees and local communities, in decision-making and activities. It also states that contractors should take responsibility for their impacts on the economy, society and the environment in a transparent and ethical way. In order to do this, contractors should abide by the following principles (**Article 2**):

- **Observe laws and regulations –** Observe laws and regulations of the host country or region and relevant regulations of the Chinese government, and follow internationally recognized business practices.
- **Respect stakeholders –** Engage in stakeholder communication and incorporate all reasonable expectations and requirements of stakeholders into corporate activities.
- **Operate transparently and behave ethically –** Disclose public decisions and activities that significantly impact local society, the economy, and the environment, and conduct corporate activities according to the requirements of ethical behavior.
- **Sustain mutual development –** Promote the economic and social progress and environmental protection of the host country, and realize mutual development with the local community.
- **Continuously improve performances –** Fulfill social responsibility according to the appropriate development stage and practical situation of the enterprise, and continuously improve social responsibility performance.

[5] CHINCA website, *http://en.chinca.org/aboutchinca/932.jhtml*

Practical Advice: Utilizing the Contracting Guidelines

The China International Contractors Association guideline is voluntary, and although it includes a self-assessment form for enterprises to rate their own performance, the association has no role in evaluating members. The role of the association is limited to promoting social responsibility, and it does not appear that members can be reprimanded or expelled from the association if they fail to maintain standards.

However, you may consider communicating concerns to the association if you believe that the conduct of a Chinese contractor is falling below the standards promoted by the association. You could consider requesting that the association raise the problems with the contractor or facilitate dialogue between the community and contractor. The association's website includes a contact form: *http://en.chinca.org/*.

Chinese real estate construction contracted to CSCEC, Phnom Penh, Cambodia (By Inclusive Development International)

Administrative Regulation on Contracting Foreign Projects (2008)

While the contractor association's guidelines are voluntary, the State Council's Administrative Regulation on Contracting Foreign Projects is binding on companies providing overseas contracting services for construction. This regulation states:

> ***Article 4*** *[I]n contracting foreign projects, entities shall safeguard national interests, public interests … shall abide by the law of the country or region where the construction project is located, stick by the contract, respect the local customs and habits, protect the ecological environment and promote the local economic and social development.*

This is an important provision, as Chinese companies play a huge role in global construction contracting. As shown in the investment chain of the Stung Tatay hydropower dam in Part 2 of this guide, a single Chinese-led infrastructure project may include multiple Chinese contractors. Chinese firms also provide contracting services to companies and agencies from other countries, as well as multilateral institutions like the World Bank. For this reason, it is important to be aware of their activities and to hold them to account if their conduct does not meet the standards expected of them. If you are concerned about the conduct of a Chinese company that is providing contract work for an overseas project, you may consider referencing the above article in both communications with the company, industry groups and state entities.

Environmental Protection Guidelines

After several years of development, China's Ministry of Commerce and Ministry of Environmental Protection issued the joint Guidelines for Environmental Protection in Foreign Investment and Cooperation in 2013. These guidelines apply to all Chinese companies operating overseas and cover important issues, including environmental impact assessments, pollution monitoring, communication with local people and public consultation.

Practical Advice: The Importance of the Ministry of Commerce

China's Ministry of Commerce plays a central role in outbound investment. All overseas investment by Chinese companies must be reported to and recorded with the ministry or its local departments. In addition, investments in sensitive areas must be approved by the ministry. The ministry plays a major role in developing policies and regulations for overseas investment. It has a department that is specifically responsible for overseas investment, the Department of Outward Investment and Economic Cooperation. It also plays a key role in China's aid program, through its Department of Aid to Foreign Countries.

If you have concerns about the way a Chinese company is implementing an overseas project, or if you have concerns regarding a project funded through China's aid program, you may consider communicating this with the Ministry of Commerce via a letter directly to the ministry in Beijing, or via the local Chinese embassy. As discussed here, the ministry has jointly issued guidelines on environmental protection in overseas investment. If you believe these guidelines are not being followed, this can be a useful entry point for communicating with the ministry.

Guidelines for Environmental Protection in Foreign Investment and Cooperation (2013)

The joint guidelines on environmental protection apply to all Chinese companies engaged in overseas investment projects. They are intended to guide companies to apply environmental protection practices in their foreign investment, fulfil their social responsibilities, and to promote sustainable development.

The guidelines go beyond environmental issues and also make clear that companies should respect local religions, traditions and customs. This is especially important in cases where projects affect indigenous peoples or ethnic minorities. Chinese companies are also expected to respect workers' rights and promote development in the areas where they are investing.

> ***Article 3*** *In their active fulfilment of the environmental protection responsibilities, companies are called upon to respect the religious beliefs, cultural customs and ethnic traditions of the local communities in the host country, to protect the legal rights of the workers, to provide training, employment and reemployment opportunities to the local residents, to promote the harmonious development among the local economy, environment and communities, and to cooperate under the principle of mutual profits and benefits.*

As mentioned earlier, a fundamental requirement of all outbound Chinese investment is that companies respect local environmental laws and regulations. This is reinforced in the Environmental Protection guidelines.

> ***Article 5*** *Companies should understand and abide by the laws and regulations on environmental protection in the host country. The projects that companies invest to construct and operate should apply for related permit on environmental protection from local government in accordance with the laws and regulations of the host country.*

Conducting an environmental impact assessment is a crucial step in any development project with environmental or social risks. Environmental impact assessments must be conducted to determine if a project is viable and, if it is, to assess what measures need to be taken to prevent or mitigate harm to people and the environment. The guidelines also encourage companies to monitor impacts throughout the full life-cycle of the project.

> ***Article 8*** *Companies should conduct environmental impact assessment regarding its development, construction, production and operation activities according to the laws and regulations of the host country, and take reasonable measures to mitigate the potential negative impact according to the result of the assessment*
>
> ***Article 9*** *Companies are encouraged to take full consideration of the impact of their development, construction, production and operation activities over social environment such as the historical or cultural relics, sceneries and local traditions and customs and to take reasonable measures to mitigate potential negative impacts.*

A common concern raised regarding Chinese companies is that they do not communicate well with local communities. Some companies do not see this as their role, while others lack the capacity to communicate well with local communities due to a lack of experience, as well as language and cultural barriers. However, the guidelines make clear that companies need to engage with and consult local people, and offer basic suggestions on how to do so.

> ***Article 20*** *Companies are called upon to establish the communication methods and channel of its environmental social responsibilities, to actively strengthen the connection and communications with the local communities and their organizations. They could host workshops and symposiums to seek opinions and advice about the environmental impact of its construction projects and operation activities in accordance with the laws and regulations of the host country.*

Practical Advice: Using the Environmental Protection Guidelines

The joint Environmental Protection guidelines include some important articles related to legal compliance, environmental protection, communication, and respect for local cultures and beliefs. As with most of the guidelines included in this manual, they lack mechanisms for enforcement. However, the Ministry of Commerce, which issued the guidelines, is one of the most powerful institutions responsible for promoting, approving, recording and monitoring outbound investment.

If you believe that a Chinese investment project is failing to comply with the guidelines, communicating this to the Ministry of Commerce may be useful. The Ministry of Environmental Protection is not a leading agency in terms of overseeing outbound investment. However, as it is co-author of the environmental guidelines, it is also important to share concerns with this ministry, which has an interest in tracking their implementation.

The guidelines state that in addition to contributing to environmental protection, they aim to build a good foreign image of Chinese companies and to support the sustainable development of host countries (**Article 1**). In communications with investors and the ministries, communities may also consider stressing the negative impact a project is having (or may have) on both the company and on China's image more broadly.

The Salween River, Myanmar (by International Rivers)

Mining Guidelines

One of the top targets for Chinese overseas investment is the mining industry. Investments in mining are usually high risk, especially in countries with weak regulatory systems. In 2014, the Chinese mining industry published its first sector-specific guidelines for investment in overseas mining projects. Guidelines on due diligence in mineral supply chains were published in 2015.

Guidelines for Social Responsibility in Outbound Mining Investments (2014)

Guidelines for overseas mining projects were issued by the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC), a body under the authority of the Ministry of Commerce. These guidelines have a broad scope, and apply to all overseas mineral exploration, extraction, processing and investment projects, including related activities such as mining-related infrastructure development, in which Chinese companies have invested.

CCCMC 中国五矿化工进出口商会
China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters

The CCCMC guidelines were developed with support from the German government. In addition to reflecting existing Chinese state guidelines on outbound investment, they also take into account the principles of the United Nations Global Compact as well as other international standards and initiatives. The mining guidelines are currently the most detailed and comprehensive guidelines published on Chinese overseas investment, and contain many articles that could in theory provide protection for people and the environment in and around Chinese mining projects. The guidelines are broken into three parts:

- **Chapter 1 –** Sets out the guiding principles of social responsibility, which are described as the "spirit" of the guidelines.
- **Chapter 2 –** Sets out in detail the requirements of social responsibility for outbound mining investments. This includes eight "social responsibility issues" that companies are expected to follow.
- **Chapter 3 –** Sets out approaches, measures and pathways for implementing the requirements set out in Chapter 2. The footnotes provide additional explanatory information on specific issues and reference international standards.

Practical Advice: Using the Guidelines for Socially Responsible Mining

As mentioned above, the mining guidelines are more detailed than any other Chinese investment guidelines. They cover many issues, including respect for law and human rights, environmental protection and communication. This provides a strong basis on which to assess a Chinese company's conduct. The guidelines have a broad focus, and they apply to all stages and associated facilities of a mining project, not just extraction activities. These guidelines are therefore relevant if you are concerned about a Chinese company that is involved in exploration or processing, as well as companies that are involved in related investments, such as providing machinery or developing infrastructure, such as roads or ports to support a mine.

These guidelines could potentially be a powerful tool if you are seeking to engage with Chinese companies, financiers or regulators regarding concerns about a mining project. The following pages provide simplified tables of key principles and issues included in the guidelines. You may wish to use this as a guide when you are assessing the conduct of a specific company. You should refer to the original version of the guidelines for full details. They are available in Chinese, English, French and Spanish.

Kostolac Coal Mine, Serbia, expansion supported by China Eximbank (by CEE Bankwatch Network)

Guidelines for Social Responsibility in Outbound Mining Investments: Guiding Principles[6]

Principle	Explanation (paraphrased from original)
1. Ensure compliance with all applicable laws and regulations	Companies must ensure that their investments and operations are in line with applicable Chinese and host-country laws and regulations and with industry minimum standards. Companies are encouraged to exceed legal requirements.
2. Adhere to ethical business practices	Companies should implement and maintain ethical business practices and sound systems of corporate governance, eliminate all forms of corruption, adhere to fair operating practices, assess all operations with regard to their sustainable development impact, and ensure that all operations contribute to economic, environmental, and social progress.
3. Respect human rights and protect the rights and interests of employees	Companies should respect human rights and comply with the eight fundamental Conventions of the International Labor Organization and the host-country's labor laws, regulations and standards.
4. Respect nature and protect the environment	Companies should reduce to a minimum the environmental impact and ecological footprint throughout the mining life-cycle. They should conduct thorough environmental impact assessments, minimize waste and emissions, ensure mine closure and site rehabilitation, conserve resources and recycle, implement environmental risk management, and contribute to the conservation of biodiversity.
5. Respect stakeholders	Companies should contribute to the social, economic, and institutional development of the host countries. They should also respect the rights and interests and respond to the concerns of materially affected stakeholders, such as employees, suppliers, and local communities throughout the life cycle of the mining operation.
6. Strengthening responsibility throughout the extractive industries value chain	All companies should aim to promote sustainable development of the overseas mining industry. They should continuously improve their performance in sustainability and generate positive impacts from the industry, so as to jointly establish and optimize responsible value chains
7. Strive for transparency	Companies should report on their material impacts and disclose their ethical, social and environmental performance to their stakeholders in ways that are appropriate and meaningful to their needs. They should give a comprehensive view of their policies, risks and results with regard to ethical, environmental and social matters.

[6] CCCMC (2015), Guidelines for Social Responsibility in Outbound Mining Investments, articles 1.1-1.7

Guidelines for Social Responsibility in Outbound Mining Investments: Social Responsibility Issues[7]

The guidelines set out eight "Social Responsibility Issues". These issues are described as "minimum requirements" with which companies are expected to comply. Under each issue there are a number of suggestions on how it can be implemented. The eight Social Responsibility Issues are listed below, along with details that explain what is required under each issue.

If you plan to conduct an analysis of a Chinese company involved in any kind of mining project, you could use the eight issues as a template for this assessment.

Issue	Detail (paraphrased from original)
1. Organizational Governance Organizational management systems should be developed and implemented by companies to realize their social responsibilities.	• Establish department or mechanism in the company for social responsibility. • Map affected stakeholders and proactively seek, respect, and respond to stakeholder feedback and expectations including those from non-governmental organizations (NGOs) and local communities. • Strengthen transparency and information disclosure.
2. Fair Operating Practices Companies should adhere to ethical behavior towards other parties, participate in public affairs responsibly, and be responsible to society.	• Develop and implement a statement or policy on ethical business conduct. • Develop a compliance and integrity management system and ensure its implementation, including an independent audit system. • Prevent and control bribery and other forms of corruption in the supply chain. • Disclose payments made to governments.
3. Value Chain Management Companies shall integrate ethical, social, and environmental standards in the value chain, both downstream and upstream. They shall use their leverage to improve the supply chain to meet the demands for responsible products and services.	• Require and support first-tier suppliers to adhere to the principles and requirements set out in these Guidelines • Leverage first-tier suppliers to enforce these Guidelines in their supply chains. • Set targets for responsible procurement and formulate relevant company policies. • Work together and seek a productive relationship with artisanal and small-scale miners in the mining area.
4. Human Rights Companies shoulder the responsibility to respect human rights within their sphere of influence. The companies shall take active measures to avoid the passive acceptance or active involvement in human rights violations.	• Observe the UN Guiding Principles on Business and Human Rights during the entire life-cycle of the mining project. • Ensure non-complicity in human rights violations. • Minimize involuntary resettlements of people residing in the mining area and compensate fairly where inevitable. • Respect the culture and protect the heritage of local communities and indigenous peoples, minimize the cultural impact, and do not harm traditional cultures of local peoples by the mining operation. • Protect the right to free, prior and informed consent of local communities including indigenous peoples. • Conduct risk-based supply chain due diligence in order to prevent involvement with materials that may have funded or fueled conflict.

[7] CCCMC (2015), Guidelines for Social Responsibility in Outbound Mining Investments, articles 2.1-2.8

Issue	Detail (paraphrased from original)
5. Labor Issues Providing job opportunities and paying wages and other remunerations to employees is an important economic and social responsibility of companies.	• Do not use child labor, forced or compulsory labor, and protect the rights of young employees. • Ensure equal and fair employment based on labor contracts and legal requirements. • Uphold legal or industry minimum wage standards, and pay social security benefits. • Adhere to international standards on working hours, overtime and annual leave. • Provide working conditions which are clean, safe, and meet basic needs. • Establish a mutual communication channel and grievance mechanism between management and employees.
6. Occupational Health and Safety (OHS) Companies should protect OHS, promoting and maintaining the employees' physical and mental health, preventing health issues caused by unacceptable working conditions.	• Implement OHS management system including a routine health and safety risk detection system and an emergency response plan. • Take all practical measures to avoid workplace fatalities, injuries, and diseases. • Provide regular health and safety training to all employees.
7. Environment Companies shall develop comprehensive, systematic, and sound measures to reduce the direct or indirect impact on the environment, and incorporate the measures into investment decision-making processes and operations.	• Establish environmental management system and adapt it to the laws and regulations of host countries. • Conduct environmental impact assessments prior to any mining operation and monitor environmental impact on a regular basis. • Develop mine closure and site rehabilitation plans prior to operation and secure appropriate funding if required by law. • Regularly assess and mitigate the adverse impacts on soil, air, and water by the mining operation. • Proactively inform local authorities, Chinese headquarters, and the public about potential environmental impacts of the mining operation. • Promote the conservation and protection of biodiversity and the environment throughout the lifecycle and value chain of the mining operation. • Be cautious of mining in areas which pose high environmental risks and do not explore or mine in World Heritage areas or legally protected areas.
8. Community Involvement and Engagement Active involvement and engagement with the local community is crucial for companies for establishing partnerships with local organizations and stakeholders, as well as for contributing to the corporate citizenship.	• Carry out social impact assessments and engage at the earliest practical stage with likely affected parties and establish regular communication mechanisms. • Ensure ongoing equitable interaction with materially affected parties, including indigenous peoples and vulnerable groups, in a culturally appropriate manner. • Establish a management position and assign sufficient staff in the company to be responsible for community engagement. • Establish a formal grievance mechanism for community issues which includes third party involvement. • Respect cultural traditions and religious beliefs, and protect the heritage of the community. • Contribute to community development by developing and implementing community development plans with local stakeholders. • Ensure job creation in local communities where mining will occur and support local economic development.

Practical Advice: What Power Does the CCCMC Have to Enforce These Guidelines?

The mining guidelines are currently the most detailed standards on environmental, social and human rights impacts for Chinese companies' operating overseas. However, like the other standards discussed here, they lack an enforcement mechanism. Although the guidelines state that companies are "expected" to comply with the eight main principles, the guideline includes no provisions with which the CCCMC can force companies to comply, or punish non-compliance.

The CCCMC has committed to disseminate the guidelines and encourage companies to assess their social responsibility according to these principles. It also plans to conduct evaluations of company performance against the guidelines (**Chapter 3**). This falls far short of an accountability mechanism, but referring to these standards in your communications with companies and in other advocacy can still strengthen your position.

The CCCMC is under the authority of the Ministry of Commerce, which as mentioned earlier is one of the leading state bodies responsible for the promotion and regulation of outbound investment. If you find that a company is failing to implement these guidelines, you can alert the CCCMC and the Ministry of Commerce (either directly or through the local embassy).

Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (2015)

In late 2015, the CCCMC released the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains. This was developed with support from the Organization for Economic Co-operation and Development (OECD). The due diligence guidelines aim to align Chinese company processes with international standards, and provide guidance on how to identify, prevent and mitigate the risks of directly or indirectly contributing to conflict, serious human rights abuses and serious misconduct. The guidelines use the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance as a foundation. The guidelines are detailed and comprehensive, but they are voluntary.

Practical Advice: What is Due Diligence?

Due diligence involves investigation of a business, project or person prior to entering into a business relationship. For example, when a company is considering a joint-venture with another company, it will investigate that company's financial situation. It may also look at its reputation and history, to ensure that it is not connected to any harmful projects, illegal activity or other scandal. In the mining and mineral sector, due diligence can be used to ensure that companies are not sourcing minerals from companies and projects that are implicated in serious human rights abuses.

According to the CCCMC guidelines and other documents such as the UN Guiding Principles Reporting Framework, due diligence does not end once the contract is signed or the project is approved. Rather, it is an ongoing risk management process throughout the life of the project or other business activity. Human rights due diligence is an ongoing process to identify, prevent, mitigate and account for how a company addresses human rights impacts.

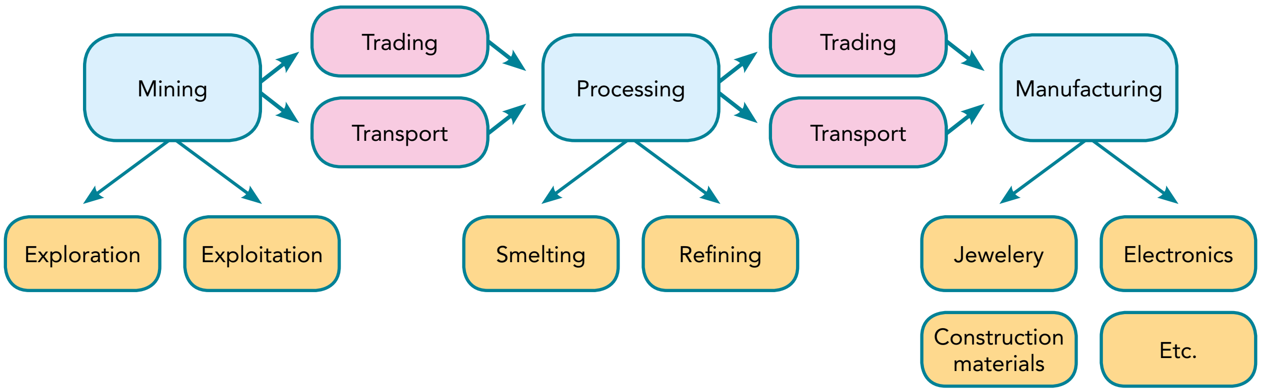
The guidelines apply to all Chinese companies that are extracting or using mineral resources and their related products. It covers actors involved at any point in the mineral supply chain. It applies to companies registered in China and overseas companies which are wholly-or majority-owned or controlled by a Chinese entity or individual. The guidelines cover all mineral resources and related products, but the initial priority of the CCCMC is on gold, tin, tungsten and tantalum. CCCMC states that it plans for additional materials to be produced that focus on each of these minerals (**Section III**). The Guidelines are available in Chinese, English, French and Spanish.

Gold Mine, Democratic Republic of Congo, a nation notorious for its connection to conflict minerals (by Sasha Lezhnev)

Basic Mineral Supply Chain

The diagram below shows the main stages in the mineral supply chain. In some cases, the same company may play multiple roles in the supply chain. For example, a major mining company may extract and then process raw materials at its own processing plant.

The level of due diligence expected of companies in the mineral supply chain depends on the circumstances, and is affected by factors such as the size of the company, the nature of the product or services involved, the position of the company in the supply chain, and the overall level of risk in the supply chain (**Section III**).



Due diligence is an ongoing process and should be conducted throughout the whole life-cycle of a mining project. The CCCMC guidelines provide a five-step process for conducting risk-based supply chain due diligence. The steps are:

- **Step 1 –** Establish strong company risk management systems
- **Step 2 –** Identify and assess risk in the supply chain
- **Step 3 –** Design and implement a strategy to respond to identified risks
- **Step 4 –** Report on the process and results of supply chain risk management
- **Step 5 –** Carry out independent third-party audit at identified points in the supply chain

The guidelines provide additional explanations of each step in order to instruct companies how to implement this process (**Section VII**).

If at Step 2 a company identifies potentially serious risks, as defined in the guidelines, it is expected to conduct additional "enhanced" due diligence in order to address or manage the issue (**Section V**). The guidelines include two risk categories: one refers to conflict and human rights, the other to environmental, social and ethical issues. These risks are set out in the table at the end of this section.

Throughout the life of the project, actors in the supply chain are expected to put in place systems to gather information and monitor for "warning signs" of emerging risks (**Section VI**). If risks do emerge, companies have several options available. Depending on the severity of risk, they are:

1. Continue operations while implementing risk mitigation efforts;
2. Temporarily suspend operations while pursuing ongoing risk mitigation; or
3. Disengage with a supplier either after failed attempts at mitigation or where the company believes mitigation is not feasible or the risks unacceptable.

Practical Advice: Using the Mining Due Diligence Guidelines in Your Advocacy

The due diligence guidelines are a tool for companies involved in the mineral supply chain. They provide a roadmap for business to integrate the UN Principles on Business and Human Rights and the CCCMC social responsibility guidelines into Chinese mining and mineral industries. They can also be a tool for civil society to push for Chinese mining companies to improve practices throughout the supply chain when operating overseas.

As with other guidelines described in this guide, they can be used as a tool to assess the conduct of Chinese companies operating abroad. If you have concerns about a mine that is either proposed or operational, you can utilize the CCCMC mining guidelines in conjunction with the due diligence guidelines to conduct your own risk or impact assessment. You can assess impacts against the social responsibility issues in the mining guidelines described above, and you can also look at the company's conduct and assess whether or not they have effectively conducted their own due diligence as set out in the five steps of the due diligence guidelines.

Your findings can be used in communication with companies, the CCCMC, the Chinese embassy in your country and other Chinese state entities. You can also consider publishing your impact assessment and disseminating it through social or traditional media in order to place pressure on the company, if it is non-responsive to your direct communications.

Although the guidelines apply explicitly to the mineral sector, the tools can also be applied to projects in other industries, such as agriculture. The document states that companies using or engaged in the supply chain of other natural resources are also encouraged to use the guidelines as a reference (**Section III**). Therefore, if you are looking at Chinese investment in other sectors, you could also refer to these guidelines in your advocacy.

Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains: Risk Categories

The guidelines include two broad risk categories. The first refers to conflict and human rights, the other to environmental, social and ethical issues (although there are some areas of overlap between the two). If a company identifies any of these risks during its due diligence process, it is expected to conduct additional "enhanced" due diligence in order to address the issue (**Section V**).

Type 1 Risks – Risks of contributing to conflict and serious human rights abuses associated with extracting, trading, processing and exporting of resources from conflict-affected and high-risk areas	
Risks of committing, profiting from, assisting with, or facilitating, or sourcing from, or being linked to, any party committing, profiting from, assisting with, or facilitating the following serious abuses.	• Any forms of torture, cruel, inhuman and degrading treatment. • Any forms of forced or compulsory labor. • The worst forms of child labor. • Other gross human rights violations and abuses. • Failing to ensure non-complicity in human rights violations, including profiting or seem to be profiting or condoning or seeming to condone human rights violations by others. • War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.
Risks of providing, or sourcing from, or being linked to, any party providing direct or indirect support to non-state armed groups.	• Providing direct or indirect support to non-state armed groups through extraction, transport, trade, processing or export of mineral resources who: • Illegally control resource extraction sites or control transportation routes, points where mineral resources are traded and upstream actors in the supply chain; • Illegally tax or extort money or mineral resources at points of access to resource extraction sites, along transportation routes or at points where mineral resources are traded; and • Illegally tax or extort intermediaries, export companies or international traders.
Risks relating to public or private security forces	• Risk of providing, or sourcing from, or being linked to, any party providing direct or indirect support to public or private security forces who: • Illegally control resource extraction sites or control transportation routes, points where mineral resources are traded and upstream actors in the supply chain; • Illegally tax or extort money or mineral resources at points of access to resource extraction sites, along transportation routes or at points where mineral resources are traded; and • Illegally tax or extort intermediaries, export companies or international traders. • Failure to ensure that security forces are engaged in accordance with internationally recognized standards or guidance documents with regard to private security forces.
Risks of contributing to, or sourcing from, or being linked to, any party contributing to serious misconduct	• Directly or indirectly offering, giving, promising or demanding any bribes or any other undue advantages. • Soliciting bribes to conceal or disguise the origin of mineral resources, to misrepresent taxes, fees and royalties paid to governments, or failing to follow relevant international standards and conventions for anti-corruption. • Engaging in money-laundering resulting from, or connected to, the extraction, trade, processing, transport or export of mineral resources. • Avoiding or misrepresenting taxes, fees, and royalties or other payments to governments related to mineral resource extraction, trade and export from conflict-affected and high-risk areas and failing to disclose such payments in accordance with the principles set forth under the Extractive Industry Transparency Initiative or related transparency initiatives.

Type 2 Risks – Risks associated with serious misconduct in environmental, social and ethical issues	
Risks of contributing to, or sourcing from, or being linked to, any party contributing to serious misconduct	• Breaking Chinese or host-country laws and regulations or industry minimum standards. • Employing children under the minimum working age as legally prescribed by the host country laws and regulations. • Disrespecting the rights and interests of young workers (any workers over the legally prescribed minimum working age and under the age of 18). • Extracting or sourcing resources from land where the free, prior and informed consent of local communities and indigenous peoples has not been obtained. • Extracting or sourcing resources from mining operations where the culture and heritage of local communities and indigenous peoples have not been respected and protected, or where traditional cultures of local peoples have been harmed. • Extracting or sourcing resources where a legal title, lease, concession, or license has been illegally obtained or violates national laws. • Extracting or sourcing resources where there are pre-existing legitimate claims to the land by local populations, including those which are under customary, traditional or collective land tenure systems, or where the population residing in the extraction area has been involuntarily resettled. • Adverse impacts and gross violation of international and national laws and regulations regarding soil, air, and water conditions. • Failing to avoid, minimize, or offset the environmental impact and ecological footprint throughout the mining life-cycle. Offsetting shall always be the last resort and applied only if all efforts for avoiding or minimizing adverse impacts have been exhausted. • Extracting or sourcing resources from World Heritage Sites (WHS) or legally protected areas, or mining within the buffer zones of WHSs or legally protected areas. • Transporting mined resources through WHSs or legally protected areas. • Failing to report, in a regular and timely manner to stakeholders, on their material impacts and disclose their ethical, social, and environmental performance to their stakeholders in ways that are appropriate and meaningful to their needs. • Failing to take proactive steps to respect all other principles set forth in the Chinese Responsible Mining Guidelines that are not included under Type 1 risks or those risks listed above.

Forestry Guidelines

Forestry accounts for a small percentage of China's overall outbound investment. However, China is a net importer of timber, much of which comes from countries with weak rule of law and poor regulation of the timber industry. Due to the high risks associated with forestry and plantation investments, strong regulations and policies are required on the part of both host countries and incoming investors.

The first sector-specific guidelines for Chinese overseas investment were for forestry projects. The Guide on Sustainable Overseas Silviculture by Chinese Enterprises was passed in 2007 by China's State Forestry Administration and the Ministry of Commerce. This was followed later by the Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises.

Guide on Sustainable Overseas Silviculture by Chinese Enterprises (2007)

The 2007 Guide on Sustainable Overseas Silviculture by Chinese Enterprises sets out the fundamental principles and basic requirements for the Chinese enterprises engaged in realizing sustainable silviculture (tree plantations).

As with all other guidelines on Chinese overseas investment, the guidelines state that Chinese companies must follow host-country laws (**Article 3.3**) and plantation activities must be in line with legal requirements of the host country (**Article 3.3.2**). The guidelines explicitly state that logging must be conducted in a way that follows local law. These provisions are important, as plantations in areas with valuable timber are often connected to illegal logging and forest conversion.

> ***Article 3.3.5*** *Logging shall be conducted according to the law. Forest destruction or any other unauthorized activity shall be strictly prohibited.*

> ***Article 3.3.6*** *Forestland shall be protected according to law. The high conservation value forest shall be strictly protected and no illegal transformation of forestland for other purposes shall be tolerated.*

The guidelines state that companies must operate according to clear and long-term plans that take into account the local situation, including social and environmental factors. These plans should consider the presence of high value conservation forest and the local land tenure situation. Companies are also required to conduct forest and environmental protection planning. Local communities and government departments should be kept informed of plans for plantation activities (**Article 4**).

Importantly, the guidelines state:

> ***Article 4.2.7.2*** *Natural forest should not be turned to man-made forest.*

The guidelines include specific sections on biodiversity (**Article 5**) and community development (**Article 6**). This includes provisions for protection of endangered plants and animal species, protection of forest ecosystems and biodiversity, protection of worker's rights and the rights of others that use the forest resources, and establishment of mechanisms for consultation with local communities. If these are areas of concern in a project that you are monitoring, it may be helpful to read the guidelines and assess the extent to which the Chinese companies involved are in compliance.

Practical Advice: Refer to International Conventions

The silviculture guidelines include a provision that states that relevant conventions signed by the host country and China should be observed by Chinese companies (**Article 3.1**). This includes:

- Convention on Biological Diversity
- Vienna Convention for the Protection of the Ozone Layer
- Convention of Climate Change and Biodiversity
- United Nations Framework Convention on Climate Change
- International Convention for the Protection of New Varieties of Plants
- Convention on the Conservation of Migratory Species of Wild Animals
- Convention of the International Trade in Endangered Species of Wild Fauna and Flora
- Convention on Wetlands of International Importance Especially as Waterfowl Habitat
- Convention for the Protection of Birds
- Agreement Concerning the Cooperation on Plant Quarantine and Infestation and Diseases Prevention
- Agreement Concerning the Conservation of Migratory Birds and Their Habitat
- International Tropical Timber Agreement
- The Rio Declaration on Environment and Development

This means that if you are monitoring a tree plantation with Chinese investors, you can refer to host-country law and Chinese guidelines, as well as these international conventions and agreements.

Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises (2009)

The 2007 guidelines were followed by a further guideline in 2009, the Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises. This was again developed by the State Forestry Administration and the Ministry of Commerce, with support from international NGOs World Wildlife Fund, Nature Conservancy, International Union for Conservation of Nature and Natural Resources, and Forest Trends.

The guidelines aim to encourage Chinese enterprises to rationally manage, utilize and protect overseas forests in order to play a positive role in sustainable development of global forest resources (**Article 1**). They apply to all Chinese companies involved in overseas forest harvesting, wood processing and utilization, and related activities (**Article 2.2**).

Once again, the guidelines emphasize that Chinese enterprises must respect local laws and regulations, as well as relevant international conventions and agreements signed by China and the host country (**Article 3**). Chinese companies are required to follow the provisions of the 2007 guidelines, as well as the 2009 guide, which adds additional detail regarding management, processing and transport (**Article 4**), ecological protection (**Article 5**), and community development (**Article 6**). With regards to community issues, the guideline adds some important provisions:

> ***Article 6.1.2*** *When conducting the activities related to the forest management and utilization, the enterprises concerned shall give full consideration to the interests of local residents, and take appropriate measures to prevent the said activities from directly or indirectly infringing, threatening or undermining the ownership or right of use of local residents toward legal resources.*
>
> ***Article 6.2.2*** *Encourage and support community residents to participate in major decision-makings of forest development. Reveal to local residents, as necessary, the management and utilization contents, progress and management situation during the forest management process, so as to promote the enterprises, foster good images and enhance credibility.*
>
> ***Article 6.2.3*** *Respect the customs of local residents, establish the consultation mechanism with local communities and maintain friendly relationship with local residents.*
>
> ***Article 6.2.4*** *Actively consult with local residents to designate and protect the forestland with specific cultural, ecological, economic or religious significance to local residents.*

Logging truck, Madagascar (by JG Collomb, World Resources Institute)

Hydropower Guidelines

Chinese hydropower companies are active across the world as both project developers and contractors. Hydropower projects come with high social and environmental risks. A number of Chinese companies have encountered challenges in their overseas projects, and in some cases projects have been strongly opposed by local people. High-profile Chinese-backed hydropower projects that have made headlines in recent years include the Gibe III dam in Ethiopia, Lower Sesan 2 in Cambodia and the Myitsone dam in Myanmar.

The Chinese government has not issued specific guidelines for overseas hydropower projects. However, hydropower companies are subject to various guidelines discussed in this guide, including the general principals and regulations issued by the Chinese government regarding outbound investment. As all of China's major hydropower companies are state-owned, they should also follow the guidelines and regulations of the State-owned Assets Supervision and Administration Commission. The guidelines on environmental protection described above also apply to overseas hydropower.

Most Chinese hydropower companies have made social and environmental commitments, some more detailed than others. This section looks at the policies adopted by China's top hydropower developers and contractors, all of which are state-owned enterprises. This includes:

Sinohydro	China Three Gorges	State Grid Corporation
Powerchina Resources	Huadian	Southern Power Grid
Gezhouba	Huaneng	China Guodian
Datang		

As illustrated in the investment chain diagram for the Stung Tatay dam in Part 2 of this guide, hydropower projects often involve multiple Chinese companies, several of which may have applicable environmental and social policies.

This section of the guide draws on work done by the NGO International Rivers. For a more comprehensive look at China's hydropower industry, see the International Rivers website and its publications. [8] The International Rivers' report *Benchmarking the Policies and Practices of International Hydropower Companies* is a useful tool for groups looking more closely at the standards of Chinese hydropower companies. This provides an illustration of how company policies and standards can be used to rate company performance in specific projects, and has been used to engage companies in dialogue around problematic projects. It can be found online at: *http://www.hydroscorecard.org/*.

Sinohydro's Internal Policies and Commitments[9]

China's top hydropower developer is Sinohydro Corporation, which is also the world's largest hydropower construction company. Sinohydro is a subsidiary of Powerchina. Among China's hydropower companies, Sinohydro has been a leader in developing corporate environmental and social policies. However, it continues to be involved in controversial projects across the globe, including dams on the Salween river in Myanmar and on the Mekong in Laos.

中国水电
SINOHYDRO

Sinohydro generally operates overseas as a project contractor. It may be contracted to deal with all aspects of construction, or a specific part, such as the dam wall or power house. It has also been connected to several overseas projects as a developer, but these have now been taken over by another subsidiary of Powerchina called Powerchina Resources (returned to below).

[8] See for example: International Rivers (2012), The New Great Walls (Second Edition); International Rivers (2014), Guide to Sinohydro's Environment and Social Policies; International Rivers (2014), Guide to Sinohydro Resource's Environment and Social Policies. All available online at *https://www.internationalrivers.org*

[9] For more detail on Sinohydro see: *https://www.internationalrivers.org/campaigns/sinohydro-corporation*

Sinohydro has adopted several policies covering environmental and social issues:

- Occupational Health, Safety and Environmental Policy Statement (2013);
- Sustainable Development Policy (2014); and
- Statement of Ethical Principles (2014).

These policies include important commitments, but they are brief, with little detail on the scope of commitments or requirements for implementation.[10] The policies include basic commitments to abide by local laws and regulations, respect local culture and customs, develop dialogue and communication mechanisms with communities, preserve biodiversity and ecosystems, and protect World Heritage Sites.

Among the commitments made in the Sustainable Development Policy, Sinohydro pledges:

> *To undertake the business compliance with the rule of law, respect for local culture, religion and customs, to provide the locals with skills training and equal employment and business opportunities, and to contribute to the local society development.*
>
> *To commit to limiting the impact of our business activities on the environment. We continue to take steps to preserve biodiversity and affected ecosystem.*
>
> *To define an open and effective dialogue and communication mechanism to facilitate information exchange with customers, employees, subcontractors, communities and authorities on matters of common interests relating to health and safety at workplace, environment, and concerns of economy and society.*
>
> *To respond in an active manner to any complains and/or grievances arise from the above parties.*

In addition to these policies, Sinohydro has also published on its website additional brief policies on Good Governance, Environmental Protection, and Sustainable Development.[11] These policies repeat commitments to abide by local laws, consult with local stakeholders and limit environmental impact.

Importantly, in its online Environmental Protection Policy, Sinohydro states that it will "adopt all the World Bank's safeguards policies as a minimum standard for Sinohydro's operations." International Rivers has developed brief guides on Sinohydro's policies, which can be found on its website.[12]

In 2014, Sinohydro launched its Compliance Program. The central focus of the Compliance Program is the Statement of Ethical Principles. The company has assigned an executive vice president to head the compliance department, which has been tasked with receiving concerns regarding legal, compliance or ethical issues.

[10] For more detail on Sinohydro commitments, see: *http://www.hydroscorecard.org/sinohydrointernationaleng*

[11] Sinohydro website, *http://eng.sinohydro.com/index.php?m=content&c=index&a=show&catid=26&id=104*

[12] International Rivers, Guide to Sinohydro's Environment and Social Policies, *https://www.internationalrivers.org/resources/8463*

Practical Advice: Holding Sinohydro to its Commitments

Sinohydro was one of the first Chinese hydropower companies to respond positively to NGO attempts at engagement. In 2009, the company began a policy dialogue with the NGO International Rivers. In response to concerns raised by civil society and affected communities, Sinohydro developed a range of policies and statements, as discussed above.

Though they lack detail and are limited in scope, the spirit of these commitments is positive. Importantly, Sinohydro has committed to adopting the World Bank safeguard policies, which are much more comprehensive and cover issues including land acquisition and displacement, impacts on the environment and on indigenous people.

If you wish to raise concerns regarding potential or actual harms caused by a Sinohydro project, you could raise issues with local company representatives and, if they are not responsive, Sinohydro's Compliance Program.

When engaging with Sinohydro, you can build a strong case based on a range of obligations, including local law and regulation, Chinese state guidelines on overseas investment, Sinohydro internal policies, and the World Bank safeguard policies. Letters should provide evidence of how these policies and commitments are not being applied in practice.

Fisherman in Siphandone, southern Laos, an area likely to be impacted by the Sinohydro constructed Don Sahong dam (by International Rivers)

Powerchina Resources' Internal Policies and Commitments

Powerchina Resources (previously known as Sinohydro Resources) is another subsidiary of the company Powerchina. Powerchina Resources is the hydropower development arm of Powerchina and is responsible for developing and operating overseas projects such as the Kamchay dam in Cambodia and Nam Ou 2 in Laos. The company has not published any environmental or social policies, but it has made statements regarding sustainable development, community and society, and environmental management.[13] These statements are very brief and lack detail. However, the company does make some strong statements, claiming that environmental protection is one of its "major corporate objectives."[14]

The company states in its annual corporate social responsibility report that it engages stakeholders, conducts appropriate disclosure, and implements policies for managing environmental and social issues. As is the case with Sinohydro, Powerchina Resources has stated that it is committed to following World Bank standards (see text box later for more discussion of these standards). However, the company has stated that this is an aspirational goal, and that at present it relies mostly on local laws and regulations to manage social and environmental issues.[15]

According to an International Rivers assessment of the company, though Powerchina Resources has environmental and social policies, the company's actual performance was ranked as poor, especially in regard to transparency of environmental impact assessment processes and quality of consultation with affected people.[16]

[13] Powerchina website, *http://en.powerchina.cn/sustainable.html*

[14] Powerchina website, *http://en.powerchina.cn/2013-06/24/content_16651936.htm*

[15] International Rivers, Guide to Sinohydro Resources' environment and social policies in hydropower development projects, *https://www.internationalrivers.org/resources/8463*

[16] For more detail on Powerchina Resources commitments, see *http://www.hydroscorecard.org/powerchina-resources*

Kamchay hydropower dam, Cambodia, operated by Powerchina Resources (by Inclusive Development International)

Practical Advice: Differentiate Between Project *Developers* and Project *Contractors*

Chinese companies may be involved in a hydropower project as a developer or as a contractor. *Developers* own the project and are responsible for its construction and operation. They may invest their own funds or raise finance from banks and other sources to fund the project. However, they will not usually do everything themselves, and they will hire *contractors* to work on specific parts of the project. These companies work according to the terms of their contract for a fee, and may not have a long-term stake in the project.

Developers have environmental and social obligations that run through the life of the project, including construction and operation. A contractor's responsibilities are limited to the period in which they are contracted for work. Generally speaking, developers are likely to be more responsive to approaches from affected people and civil society groups as they have ultimate responsibility for the project, and will have a long-term presence, often operating a project for 40 years or more. Contractors are less likely to be responsive and may defer responsibility to the company that has hired them to conduct the work. This is true of all types of projects, not only hydropower.

However, contractors still bear responsibility to abide by local laws and regulations, as well as their own internal policies. In cases where contractors are responsible for major works, they will also be bound by project environmental management plans developed to mitigate project impacts. There are also specific social responsibility guidelines for Chinese contractors, as discussed previously. For this reason, it is important to engage both developers and contractors if you have concerns about a project.

Gezhouba's Internal Policies and Commitments[17]

China Gezhouba Group is a major state-owned infrastructure developer. Through its international subsidiaries, it is involved in many hydropower projects, generally as a contractor. Gezhouba has vague commitments to social and environmental responsibility and has not published any of its policies. The only information posted on its social responsibility page is about its philanthropic activities.[18]

Gezhouba is expected to follow the guidelines on overseas investment issued by China, and has also committed to follow the China International Contractors Association guidelines for overseas contractors (discussed earlier). According to an International Rivers assessment, the company has stated that it is committed to following host-country environmental and social standards and as a minimum standard abides by Chinese domestic environmental rules when operating overseas. It has also committed to a number of international agreements and conventions, including the Convention Concerning the Protection of the World Cultural and Natural Heritage, and the Convention on Biological Diversity.[19]

The company claims to have policies on information disclosure and stakeholder consultation, but they are not publicly available. Gezhouba has unpublished internal environment policies that apparently require environmental impact assessments and environmental management plans for all projects.

The company claims that it has a complaints procedure with response time limits, a punishment mechanism, and an accountability mechanism. Once a complaint is submitted to the project office, it should be forwarded to headquarters within 48 hours, and a company inspection team should then visit the project site twice a year to deal with disputes and listen to people's needs and demands.[20]

Practical Advice: Using Gezhouba's Complaint Mechanism

No further information is available on Gezhouba's complaints mechanism, but if you are concerned about a project that Gezhouba is involved in, you should request that the mechanism be activated. As is the case with Sinohydro, you may wish to raise specific concerns regarding implementation of Chinese overseas investment guidelines, local laws and the company's commitments to uphold Chinese and other international standards.

[17] For more detail on Gezhouba see: *https://www.internationalrivers.org/campaigns/china-gezhouba-corporation*

[18] Gezhouba website, *http://www.cggc.cc/socialresponsibility.html*

[19] For more detail on Gezhouba commitments see: *http://www.hydroscorecard.org/gezhouba*

[20] For more detail on Gezhouba commitments see: *http://www.hydroscorecard.org/gezhouba*

Datang's Internal Policies and Commitments[21]

Another state-owned company, Datang is one of the top power companies in China. It is mostly involved in coal projects, but in recent years branched out into international hydropower.

中国大唐集团公司
China Datang Corporation

Datang has committed to follow international agreements signed on to by China, as well as host-country law and regulations. The company's hydropower operations are guided by its internal policies on environment, health and safety, and risk evaluation. However, none are available in English, and the extent to which they apply to overseas projects is unclear. [22] The company has claimed that it is committed to following World Bank environmental and social safeguards.[23] However, the company is connected to controversial dams that are likely to fall below these standards, including those on the Salween river in Myanmar.

Practical Advice: About the World Bank Safeguards

The World Bank Safeguards are a set of 10 standards to prevent and mitigate harms to people and the environment caused by investment projects. These safeguards require borrowing governments and businesses to address certain environmental and social risks in order to receive World Bank support. Projects must be designed, assessed and implemented in line with these policies.

The safeguards cover a range of issues including environmental assessment, involuntary resettlement and indigenous peoples. There are also specific standards on projects on international waterways and dam safety.

Datang, Powerchina Resources and Sinohydro have all stated that they are committed to implementing World Bank environmental and social standards. However, it is unlikely that they are doing so in practice. The safeguards require dedicated teams and resources to ensure implementation. They also depend on extensive information disclosure and consultation, which tend to be absent in Chinese overseas hydropower projects. Nonetheless, these companies are on the record saying that they will implement World Bank policies (or at least aspire to), and it may be strategic to reference this commitment in communications and push the companies to bring their operations in line with these standards.

21 For more detail on Datang see: *https://www.internationalrivers.org/campaigns/china-datang-corporation*

22 For more detail on Datang commitments see: *http://www.hydroscorecard.org/datang*

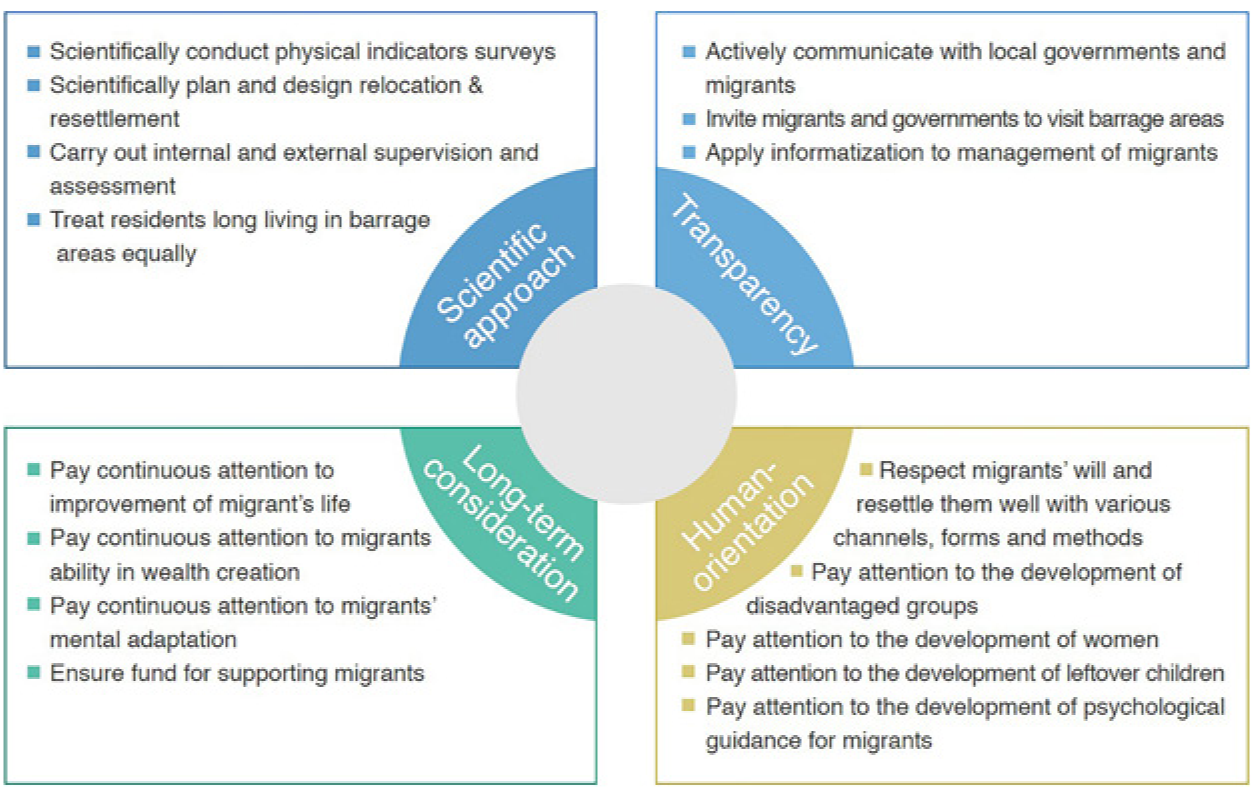
23 For more detail on Datang commitments see: *http://www.hydroscorecard.org/datang*

China Three Gorges Corporation's Internal Policies and Commitments[24]

The China Three Gorges Corporation is best known for its work in developing the huge Three Gorges Dam Project in China, but it is also a major actor in global hydropower development.

The company has not released detailed environmental and social policies, but in its annual reports it discusses commitments to environmental assessment and protection, community engagement, and appropriate resettlement practices.

In its 2012 sustainability report, Three Gorges outlines its approach to resettlement. Although it states that resettlement is the ultimate responsibility of the host government, it has a company framework for supporting resettlement processes. This appears to have been developed for implementation in China, but may also guide overseas operations. The company states that its approach is based on timely disclosure of important information, minimizing impacts, and mitigating those impacts *prior* to construction. The company's "Working Principles for Relocation and Resettlement" are as follows:



Note: The term "migrant" here refers to resettled people.

[24] For more detail on China Three Gorges see: *https://www.internationalrivers.org/campaigns/china-three-gorges-corporation*

If you are monitoring a Three Gorges project that results in resettlement, it may be useful to refer to these working principles in your communication with the company, especially if the project is in a country that has a weak or undeveloped legal framework for resettlement.

The executive vice president of China Three Gorges is also a vice president of the International Hydropower Association, which is an international industry group with a mission to advance sustainable hydropower.[25] The company states that it follows the association's Hydropower Sustainability Assessment Protocol. A subsidiary of Three Gorges was also involved in the development of the China International Contractors Association's guidelines for social responsibility in overseas contracting,[26] and Three Gorges has committed to implement them.[27] If you attempt to engage with the company, you may want to refer to these commitments and the prominent role of the company in leading the International Hydropower Association.

Other Companies Involved in Overseas Hydropower Projects

China has several other major state-owned enterprises that are involved in the development of global hydropower projects. This includes Huadian Corporation, Huaneng Corporation, State Grid Corporation of China, China Southern Power Grid and China Guodian.

These companies all make basic statements on their websites and in annual reports regarding their environmental and social commitments, and they stress their commitment to sustainable development principles.[28] However, none have published detailed English-language policies that apply to their overseas operations.

If you are concerned about a project operated by one of these companies, it may be helpful to review their commitments and make reference to them in your communications with the company and in broader advocacy.

[25] International Hydropower Association website, *https://www.hydropower.org/meet-board*

[26] International Rivers website, *https://www.internationalrivers.org/campaigns/china-three-gorges-corporation*

[27] For more detail on China Three Gorges commitments see: *http://www.hydroscorecard.org/three-gorges*

[28] See company websites and International Rivers scorecard on Huaneng and Huadian: *http://www.hydroscorecard.org/huaneng; http://www.hydroscorecard.org/huadian*

Practical Advice: About the UN Global Compact

The Global Compact is a voluntary initiative through which companies commit to implement a set of 10 principles related to human rights, labor, environment and anti-corruption. Datang, Huadian, Huaneng, State Grid Corporation and China Southern Power Grid have all signed up to this initiative, as have numerous Chinese construction companies.

You can see a complete list of members here: *https://www.unglobalcompact.org/what-is-gc/participants/*.

Under the Global Compact, members agree to uphold principles related to human rights and the environment that have relevance to hydropower and other overseas projects.

Human Rights

Principle 1 – Support and respect the protection of international human rights; and

Principle 2 – Make sure that they are not complicit in human rights abuses.

Environment

Principle 7 – Support a precautionary approach to environmental challenges;

Principle 8 – Undertake initiatives to promote environmental responsibility; and

Principle 9 – Encourage development of environmentally friendly technologies.

You may consider referring to these commitments when assessing the conduct of a Global Compact member, and in your statements and communications with the company. You may also wish to raise concerns with the Global Compact headquarters. However, it is important to keep in mind that the initiative is purely voluntary and the secretariat has no power to compel its members to implement the principles or hold them accountable for non-compliance.

Information Communication Technology Industry Guidelines

The information communication technology (ICT) industry has the potential to play a positive role in environmental protection and combating climate change. For example, ICT applications can increase energy efficiency in buildings, transport systems and electricity distribution. The ICT industry can also improve environmental performance in the way goods are produced and services provided. At the same time, the industry also produces a huge amount of electronic equipment that uses energy, consumes resources, produces waste and pollutes the environment. In order to address these risks, and others associated with the industry, China has developed and issued social responsibility guidelines for companies in the ICT sector.

Social Responsibility Guidelines for the Chinese Information Technology Industry (2012)

The Social Responsibility Guidelines for the Chinese Information Technology Industry were issued by the China Electronics Standardization Association in 2012. Drafting of the guidelines included inputs from Lenovo, Samsung and Nokia. The guidelines cover a range of subjects including labor rights, environmental protection and community engagement. Unlike other guidelines discussed in this guide, the ICT guidelines are not focused on overseas investment. However, they do not exclude overseas operation from their scope.

The guidelines include important provisions related to stakeholder engagement, and state that companies should establish communication channels with all stakeholders, promptly respond to complaints, and make comprehensive and objective disclosure regarding such complaints. Companies are also required to allocate adequate resources to remedy any breaches of social responsibility (**Chapter III, Section 1**). Companies are required to evaluate the impact its operations may have on neighboring communities and to gather feedback from them. Stakeholders should be consulted before any decision is made that will have a negative impact on local communities, and remedies should be provided. In order to manage these issues throughout the life of a project, an open and formal communication channel and cooperation mechanism should be put in place with local communities (**Chapter III, Section 9**).

The guidelines include specific sections on environmental responsibilities. This requires that companies reduce negative environmental impacts throughout the project life cycle, such us enhancing pollution prevention, ensuring efficient use of natural resources, complying with environmental laws and regulations, and implementing recycling schemes (**Chapter III, Section 5**). The guidelines also state that companies should assess the performance of actors with which they have business relationships (**Chapter III, Section 7**).

Practical Advice: Using the Social Responsibility Guidelines for the Chinese ICT Industry

These guidelines have a broad focus and were not written specifically for overseas projects. However, Chinese ICT companies are encouraged to implement them at home, and they can potentially be used to call upon companies to implement similar standards when operating abroad. If you have concerns about social and environmental impacts associated with a factory or other type of project associated with a Chinese ICT company, you can draw on these guidelines in your dialogue with the company and others.

Other Sector-Specific Guidelines Currently Under Development

Several other sector-specific guides are currently under development, several of which will be released in 2017. When these guidelines have been released they will be added to the online version of this guide.

Guide for Overseas Investment and Production of Sustainable Palm Oil by Chinese Enterprises

The China Chamber of Commerce of Foodstuffs and Native Produce is developing guidelines on overseas palm oil investment. This was developed with support from China's State Forestry Administration and Ministry of Commerce, and the UK's Department for International Development (DfID). The fourth draft was shared for public comment in 2016, and the final version will be released in 2017.

Guidelines for Overseas Sustainable Forest Products Trade and Investment

China's State Forest Administration and the Chinese Academy of Forests have developed draft Guidelines for overseas forest products. This will build on existing forestry guidelines discussed earlier in the guide. The guidelines are currently under review, and it is not clear when they will be finalized and released.

Guidelines for Sustainable Development of Natural Rubber

The Chinese Chamber of Commerce for Metals, Minerals and Chemicals Importers and Exporters (CCCMC) is leading the development of guidelines on rubber production. The guidelines aim to help enterprises identify, avoid and respond to risks throughout the investment, plantation, processing and other stages of rubber production. The drafting process has included input from a range of experts, including the international NGO Global Witness. The guidelines will be published in 2017.

Sustainable Infrastructure Guidelines for Overseas Chinese Enterprises

The China International Contractors Association has developed draft guidelines on overseas infrastructure. The guidelines aim to develop industry-specific norms for sustainable infrastructure projects that guide and facilitate the participation of enterprises in investment, planning, design, construction and operation. The guidelines are likely to be published in 2017.

Agriculture Guidelines

A new set of guidelines for overseas investment in agriculture are in the early stages of development, with initial research and analysis of existing international standards now being conducted. They are expected to be completed by 2018.

Guidelines for the Banking Sector

China's banking sector regulator is the China Banking Regulatory Commission. For over a decade, the commission has been developing a policy framework that promotes green investment by Chinese banks. In 2012, a new guideline was issued that included provisions specifically addressing overseas investments.

Green Credit Guidelines (2012)

The China Banking Regulatory Commission's Green Credit Guidelines apply to both policy banks and commercial banks (see Part 2 for background on these types of banks). The guidelines aim to improve banks' due diligence, client compliance review and project assessment with respect to environmental and social issues. As with the other guidelines covered by this guide, there is no enforcement mechanism or grievance process associated with the Green Credit Guidelines. However, there is a self-assessment system, explained below. There is also a state institution, China Banking Regulatory Commission, with designated responsibility for overseeing and promoting the implementation of the guidelines.

Importantly, the guidelines make clear that banks bear responsibility for the way a project that they fund is implemented on the ground. Under the Green Credit Guidelines, banks are responsible for identifying, assessing, monitoring and controlling social and environmental impacts associated with projects that they finance. Article 4 of the guidelines states this clearly:

> ***Article 4*** *Banking institutions shall effectively identify, measure, monitor and control environmental and social risks associated with their credit activities, establish environmental and social risk management systems, and improve relevant credit policies and process management.*
>
> *The environmental and social risks mentioned herein refer to the hazards and risks on the environment and society that may be brought about by the construction, production and operating activities of banking institutions' clients and key affiliated parties thereof, including environmental and social issues related to energy consumption, pollution, land, health, safety, resettlement of people, ecological protection, climate change, etc.*

The guidelines instruct banks to improve their due diligence processes before granting loans, and state that due diligence should be complete, thorough and detailed (**Article 15**). Banks are also instructed to examine the environmental and social performance of clients before approving a loan (**Article 16**). Clients who have a poor record should not receive financing (**Article 17**).

The Green Credit Guidelines state that banks should consider clients' management of social and environmental risks before disbursing funds. All stages of a project from design, to preparation, construction, operation and shutdown should be subject to assessments, and if major risks are identified financing may be suspended or even cancelled (**Article 19**).

The Green Credit Guidelines make clear that they cover bank financing of overseas projects:

> ***Article 21*** *Banking institutions shall strengthen the environmental and social risk management for overseas projects to which credit will be granted and make sure project sponsors abide by applicable laws and regulations on environmental protection, land, health, safety, etc. of the country or jurisdiction where the project is located. The banking institutions shall make commitments in public that appropriate international practices or international norms will be followed as far as such overseas projects are concerned, so as to ensure alignment with good international practices.*

It is not clear at present how well the Green Credit guidelines are being implemented by Chinese banks. The China Banking Regulatory Commission has stated that the guidelines should be integrated into all banks' loan processes, but there is ample evidence that Chinese banks are still financing problematic projects across the world.[29] Nonetheless, the guidelines place strong responsibilities on banks and should be used in communications with Chinese banks and in broader advocacy.

[29] The international organization Friends of the Earth US has been monitoring Chinese banks' compliance with the Green Credit Guidelines in overseas operations. The initial findings were published in the 2015 report *Going Out, But Going Green? Assessing the Implementation of China's Green Credit Guidelines Overseas,* available here: *http://www.foe.org/news/archives/2014-11-going-out-but-going-green*. A follow up to this study will be published in 2017

Practical Advice: Using the Green Credit Guidelines in Advocacy with Chinese banks

If you are concerned about a project that is receiving finance from a Chinese bank, you can refer to the relevant articles in the Green Credit Guidelines in communications with the bank, and highlight the responsibility they place on banks for the impacts of projects they finance. Based on the guidelines, you could call on Chinese banks to instruct their clients to improve their conduct on the ground, including redressing harms. If this is not effective, or you are seeking to stop a harmful project altogether, you can call on the banks to review their financing of the project, and suspend or cancel further financing.

Similar to other guidelines discussed in this guide, the Green Credit Guidelines require that project developers abide by all relevant host-country laws, but they also go further and call on Chinese banks to commit to adopting international practices and norms. If you communicate with a Chinese bank regarding a project it is involved in, it is important to highlight any failures to abide by host-country law and regulation. But, when host-country regulation is weak, you can call on the bank to require compliance with higher international standards.

You can also send a letter to the China Banking Regulatory Commission to inform them of the case and provide evidence that a Chinese bank is financing an overseas project that is causing serious social and environmental harms. These guidelines can be useful as they apply to all sectors and all stages of the loan cycle, meaning that it can be invoked before a project actually receives financing and before impacts occur.

Chinese banks are required to make annual self-assessments of their progress in implementing the Green Credit Guidelines. This process is currently internal and results are not published. However, if you publicize evidence of negative social and environmental impacts of a Chinese bank funded project, and alert the China Banking Regulatory Commission, this will make it more difficult for banks to conceal project-related problems in their self-assessments. According to a 2014 notice issued by the commission, banks are required to complete and submit their self-assessment before May 31st of each year. This self-assessment is based on a set of Key Performance Indicators set by the commission.

Bank of China Tower, Hong Kong (Wikimedia Commons)

China Banking Regulatory Commission Opinions on Green Credit Implementation (2013)

In 2013, the China Banking Regulatory Commission released an opinion calling on its local branches to make an active commitment to implement the Green Credit Guidelines, and integrate the concept of green credit into operations (**Article 1**). The opinion is directed more towards domestic implementation, but as the Green Credit Guidelines also have international application, the opinion is relevant to overseas projects.

The opinion calls on banks to prevent and control risks associated with "high pollution, high emission and overcapacity" industries. Unfortunately, one suggested measure to reduce these risks domestically is to provide foreign loans in order to support the transfer of these industries overseas (**Article 3**). It can be argued that since such overseas loans are high risk, they require an even greater level of due diligence and monitoring by the banks.

The China Banking Regulatory Commission calls on banks to improve information disclosure mechanisms and to pay close attention to clients' and projects' performance in energy saving and emission reduction, environmental protection, clean production, and work safety, as well as the impact on social stability. The commission states that in order to achieve this, a "Three Checks" system should be implemented, which consists of: (a) due diligence before lending, (b) review of requirements during lending; and (c) assessment of implementation after lending. (**Article 4**).

If you decide to communicate with a Chinese bank or the China Banking Regulatory Commission regarding a specific project, you can refer to the Three Checks system and call on the bank and the regulator to ensure that appropriate assessments are done throughout the life of the loan.

Guidelines on the Construction of the Green Financial System (2016)

In 2016, the People's Bank of China, along with six other high-level state institutions, issued the Guidelines on the Construction of the Green Financial System. These guidelines promote increased investment in green industries and more effective control over investment in polluting projects (**Article 4**). One paragraph refers specifically to improving outbound investment:

> ***Paragraph 31*** *Enhance the "greenness" of China's outward investment. Support and encourage domestic financial institutions, non-financial enterprises and multilateral development banks with China's active participation to strengthen environmental risk management, improve environmental information disclosure, adopt green financing instruments such as green bonds, develop green supply chain management, and explore the use of instruments such as environment pollution liability insurance to manage environmental risks, in implementing "One Belt One Road" and other overseas investment projects.*

Once again, these guidelines are voluntary, and lack concrete enforcement measures that bind Chinese banks operating overseas. Nonetheless, the document indicates high-level support for further enhancing

China's "green finance" and reducing the negative environmental impacts of finance both in China and overseas. You may therefore refer to the guidelines, especially the above paragraph, if you choose to engage with Chinese banks or the China Banking Regulatory Commission.

China Export-Import Bank Lending Policies

China's Eximbank is a major policy bank and plays an important role in financing Chinese overseas investment (see Part 2). The bank has published basic social and environmental standards that apply to its domestic and overseas lending. The guidelines cover issues such as project evaluation, loan management and supervision, and environmental impact assessment. They briefly touch on land and resource rights, resettlement and public consultation. Eximbank is also subject to the China Banking Regulatory Commission's Green Credit Guidelines (discussed above).

Interestingly, Eximbank adopted a detailed *Environmental Assessment Framework* and a *Resettlement Policy Framework* in 2011 for implementation in a World Bank-financed project in China. Although, these frameworks were adopted for a specific project in China, their adoption shows that Eximbank has experience with World Bank safeguards.

Guidelines for Environmental and Social Impact Assessments of the China Export and Import Bank's Loan Projects (2007)

China Eximbank was the first Chinese bank to publish guidelines related to outbound investment. The guidelines touch on a number of key issues, but the document is basic and consists of only 21 brief articles. There are no avenues through which the public can request information on specific projects or express grievances. Project assessment is not an open process, and no project documents are published by the bank. Nonetheless, if Eximbank is financing a project that has resulted in harms, these guidelines can be drawn on in your communications and advocacy with the bank.

The guidelines make clear that when Eximbank is assessing loans, it should consider social and environmental issues, not just economic benefits (**Article 4**). Article 12 of the guidelines sets out the principles that must be followed in overseas projects:

> ***Article 12*** *Offshore project assessments should abide by the following principles:*
>
> 1. *An EIA [Environmental Impact Assessment] should be done during the pre-loan and loan-period review, in order to monitor the environmental impacts during post-loan management.*
> 2. *The host country's environmental policies and standards are the basis for evaluation. Offshore projects of the host country should abide by the requirements of their laws and regulations and obtain corresponding environmental permits. When the host country does not have a complete environmental protection mechanism or lacks environmental and social impact assessment policy and standards, we should refer to our country's standards or international practices.*
> 3. *Respect the local people's rights to land and resources, and properly handle resettlement problems.*
> 4. *For the projects that have serious negative impacts on the local environment, we should openly consult the public in accordance with the host country's requirements.*

Eximbank requires its borrowers to submit an approved and valid environmental and social impact assessment to be reviewed by the bank when considering the loan application. Based on this assessment, the bank may negotiate changes to the project proposal with the borrower (**Article 13**). Eximbank may also include specific environmental and social responsibilities in the loan contract, in order to monitor and influence the behavior of borrowers (**Article 14**).

If it appears that Eximbank is likely to finance a project that you are concerned about, you may wish to lobby the bank to negotiate project adjustments and ensure that there are strong contractual obligations on the borrower to address social and environmental issues connected to the project's development and operation.

Finally, a very important article included in the Eximbank guidelines states that in cases where a project is connected to serious environmental and social problems, the borrower is obliged to resolve these issues. If this does not happen, Eximbank may cancel a loan and demand early repayment.

> ***Article 19*** *For projects under construction or operating that cause serious environmental and social problems, China Eximbank has the right to require the borrowers or project owners to take timely measures to eliminate these impacts. If they fail to eliminate the impacts of the projects, the China Eximbank has the right to stop disbursing the loans and demand an early payback of the loan, in accordance with contract.*

If an Eximbank-funded project has caused serious harm, this article can be used to call on the bank to demand that the borrower address the problems, or that it cancel funding if problems are not addressed. However, it should be noted that getting the bank to cancel a project will be much harder than getting the bank not to approve a project in the first place. Therefore, if you do hear that the bank may be considering a loan to a problematic project, it is important to act fast.

Practical Advice: Understanding the Eximbank's Loan Cycle

If you are planning to engage with a bank regarding concerns about a project that it is financing, it is very helpful to understand that bank's loan cycle. As can be seen above, there are certain requirements in the Eximbank environmental and social guidelines that relate to the project appraisal period (for example, impact assessments), some that concern the implementation period (addressing social and environmental problems), and the post-project period (evaluation of project and impacts).

There are also different measures that the bank can take at different stages in the loan cycle. If the bank is still considering a loan proposal, it can reject that proposal or require alteration to the project design if it becomes aware of social and environmental risks. If a project is already active and has resulted in harm, the bank may instruct the loan recipient to remedy these problems or cancel the loan.

If possible, you should adapt your messaging depending on what stage of the loan cycle the project has reached. The table below provides a basic summary of the main stages of Eximbank's loan cycle.

Summary of Eximbank's Loan Cycle[30]

Stage	Requirement
Before Assessment of the Project	• Environmental and social impact assessments must be approved by the authorities of the host country. • The public should be consulted on projects with serious negative impacts. • Eximbank reviews the borrower's application documents and, if necessary, hires an independent evaluator. • The bank negotiates with the borrower to amend the proposed construction project, based on the impact assessments. • The bank may require the inclusion of environmental and social requirements in the loan agreement.
During Project Implementation	• Eximbank is required to perform regular inspections of the project to ensure that it is being implemented properly and in accordance with the environmental and social impact assessments. • Eximbank should receive regular reports on projects under construction, including on environmental and social impacts of project development. • Borrowers must also report on the status of implementation of measures to control and eliminate these impacts. • Eximbank may instruct the borrower to take steps to address any problems that emerge. • If serious negative impacts are not mitigated the bank may cancel the loan.
After Post-Project Review	• Eximbank requires an evaluation upon completion of the project. • The bank requires "environmental acceptance" to be submitted according to its "Environmental Acceptance on the Completion of the Construction Project Management Measures". • Documents must also comply with host-country laws and regulations.

Source: Adapted from Garzón, P. (2015), Legal Manual on Chinese Environmental and Social Guidelines for Foreign Loans and Investments: A Guide for Local Communities (Second Edition)

30 For more details on the Eximbank loan process see: Friends of the Earth US (2016), *Emerging Sustainability Frameworks:* China Development Bank and China Export-Import Bank. *http://www.foe.org/projects/economics-for-the-earth/international-finance/emerging-sustainability-frameworks*

China Development Bank Policies

China Development Bank is a policy bank that plays an important role in supporting China's outbound investment. The bank claims to have standards in place for managing the environmental and social impacts of its activities. However, it has only published summaries of these policies. According to the bank's reports, assessments of project proposals include an appraisal of the environmental and social risks. Loan applications must include environmental impact assessments, and the bank can reject loans on environmental grounds.[31]

According to an article on the bank's website, it "strictly control[s] environmental and social risks so as to promote a multilateral win-win outcome," and issues credit ratings to its customers which take into account environmental performance. Bank customers that are penalized for environmental infringements may have their credit rating lowered, potentially jeopardizing future loans. In serious cases the bank may suspend lending.[32]

China Development Bank is also subject to the China Banking Regulatory Commission's Green Credit Guidelines (discussed earlier). The bank has made commitments to work towards implementing the Equator Principles in its operations, but it is not currently an official signatory.[33] It is also a member of the UN Global Compact.

Although it has made significant commitments, China Development Bank does not publish any documents on projects that it finances, and it has no formal grievance mechanism or communication channel. This makes engaging with the bank very challenging.

China Development Bank's loan cycle is set out in the table on the next page.

31 Matisoff, A. (2012), China Development Bank's Overseas Investments: An assessment of environmental and social policies and practices, Friends of the Earth US. *http://www.foe.org/news/archives/2012-07-new-report-on-china-development-bank-shows-the-bank*

32 China Development Bank (2013), Tightening EIA to Promote Multilateral Win-Win Outcome: CDB's "Green Credit" Goes to the World, 7 August. *http://www.cdb.com.cn/english/NewsInfo.asp?NewsId=4715* (accessed December 2014)

33 The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects

Summary of China Development Bank's Loan Cycle[34]

Stage	Requirement
Before Assessment of the Project	• Clients are required to be in compliance with Chinese environmental laws. • All loan applications require an environmental impact assessment conducted by a qualified evaluator. • For highly polluting and energy-intensive industries such as coal mining, oil and gas exploration and development, power generation and transmission, hydropower, etc., environmental impact assessments must be approved by relevant environmental authorities. • Environmental standards and costs can be written into loan covenants in order to commit borrowers to environmental promises. • The Bank assigns personnel to do due diligence for each loan application and the client.
During Project Implementation	• No information available on China Development Bank's role during the implementation of client's projects.
After Post-Project Review	• For loan requirements to be considered fulfilled, clients must provide proof from a relevant environmental department that the project meets environmental protection requirements.

Source: Adapted from Matisoff, A. (2012), China Development Bank's Overseas Investments: An assessment of environmental and social policies and practices, Friends of the Earth US.

Asian Infrastructure Investment Bank: E&S Framework

AIIB | ASIAN INFRASTRUCTURE INVESTMENT BANK

In 2013 China announced plans to establish the Asian Infrastructure Investment Bank (AIIB). By the time the bank was officially launched in 2015, it had 57 members from across the world.[35] The bank is multilateral, and does not belong solely to China. However, its establishment was led by China, it is headquartered in Beijing, and China holds by far the largest share in the bank. The AIIB has an initial authorized capital of US$100 billion. In its first year, the bank approved nine projects for transport, energy and urban renewal projects.

The AIIB is still developing its institutional capacities, and so most of the bank's approved and proposed projects are co-financed with other multilateral banks, such as the World Bank and Asian Development Bank. In co-financed projects, funding is pooled, but the policies and safeguards of the co-financing institution

[34] For more details on the CDB loan process see: Friends of the Earth US (2016), Emerging Sustainability Frameworks: China Development Bank and China Export-Import Bank. *http://www.foe.org/projects/economics-for-the-earth/international-finance/emerging-sustainability-frameworks*

[35] For more detail on the AIIB see IDI's 2016 report Making Inroads: Chinese Infrastructure Investment in ASEAN and Beyond, *http://www.inclusivedevelopment.net/making-inroads-chinese-infrastructure-investment-in-asean-and-beyond/*

are being used. A small number of projects are 'stand-alone', i.e. funded solely by the AIIB. The AIIB has now adopted an Environmental and Social Framework that contains standards for how projects should be implemented. It has also adopted an interim public information policy and several other policies.

The AIIB Headquarters, Beijing (Wikimedia Commons)

AIIB Environmental and Social Framework (2016)

All major multilateral banks have a set of policies that aim to ensure environmental and social impacts are avoided whenever possible, or mitigated if they are unavoidable. These policies are often referred to as 'safeguards'. The AIIB's safeguards are contained in its Environmental and Social Framework. If you have concerns regarding an AIIB standalone project it is important to familiarize yourself with the framework. If an AIIB project fails to meet these standards you can raise your concerns with the bank and call on management to address them. If impacted people are not satisfied with the response, there may be grounds for a formal complaint. The Environmental and Social Framework consists of:

- **Introduction and vision –** Provides an overview of the framework, its principles and objectives.
- **Environmental and social policy –** Sets out mandatory environmental and social requirements for all AIIB-financed projects.
- **Environmental and social standards –** Three mandatory standards that provide more detail on (1) project assessment and management, (2) involuntary resettlement, and (3) indigenous peoples.

The vision section of the framework sets out the environmental and social principles of the AIIB, which include commitments to sustainability, social inclusion, stakeholder engagement, and gender equality. This part of the framework is not mandatory, but it is an important foundation for the operation of the bank. It is useful to review this, and if you think that a bank supported project is not being implemented in line with these principles you can raise this in communications with the bank and its clients.

The most important provisions are contained in the mandatory environmental and social policy and standards.

The environmental and social policy sets out a system for categorizing projects depending on their risk level. Category A projects are high risk and require more in depth environmental and social assessments before they can be approved by the bank. Both Category A and B projects require consultation with stakeholders, and bank clients are required to engage in "meaningful" consultation. During consultations, communities and civil society groups should have an opportunity to learn about a project, its predicted impacts, express their opinions and raise concerns. If it is found during project assessment that the project will result in resettlement or impact on indigenous peoples, specific standards are to be activated and the project must be implemented in a way that is consistent with those standards.

If a project is likely to result in involuntary resettlement, **ESS2: Involuntary Resettlement** must be followed. This standard aims to avoid involuntary resettlement wherever possible. When resettlement is unavoidable, the livelihoods of people displaced by the project should be improved, or at least restored. Overall, the socio-economic status of poor and vulnerable people who are displaced should be improved. Resettlement should be treated as a sustainable development program. Borrowers are required to conduct detailed planning, including full surveys of the affected areas, develop resettlement plans, consult with affected people, and establish a grievance mechanism to deal with any complaints from people displaced by the project. Affected people must be provided social support, livelihoods restoration and resettlement assistance.

If a project is likely to impact on indigenous peoples, **ESS3: Indigenous Peoples** must be followed. This standard aims to ensure that projects are designed and implemented in a way that ensures full respect for indigenous peoples' identity, dignity, human rights, economies and cultures. It requires that borrowers conduct social assessments to evaluate the potential impacts on indigenous peoples.

Based on this, an indigenous peoples plan must be developed that includes a framework for consultation, measures to ensure indigenous peoples receive culturally appropriate benefits from the project, and measures to avoid, minimize or mitigate harm. The plan should include a culturally appropriate grievance mechanism, and a budget and time-frame for implementation.

ESS3 requires free prior and informed consultation – "FPICon" – with indigenous communities whose land, natural resources or cultural resources are affected by the project, or if it will require their relocation. Under ESS3, FPICon requires good faith negotiations between the AIIB client and affected indigenous peoples and evidence of broad community support on the outcomes of negotiations.

A member of Cambodia's indigenous Kachok community indicates the territorial boundaries of his village, Rattanikiri, Cambodia (by Equitable Cambodia)

Filing Complaints about an AIIB Project

Borrowers are required to ensure there is a mechanism for receiving complaints from project affected people. This can be an existing mechanism, or one established specially for the project. The Environmental and Social Framework states that this mechanism must be designed in a way that addresses complaints promptly, is understandable and transparent, gender sensitive, culturally appropriate, and accessible to all affected people.

Under the Environmental and Social Framework, affected people can also file a complaint against the bank itself if they feel that they have been or are likely to be negatively impacted by a failure of the AIIB to implement its policies. The AIIB grievance mechanism will be under the bank's Department of Compliance, Effectiveness and Integrity. At the time of writing, this department is still under development, it is not yet fully staffed and its operational policies still need to be finalized. It is expected to be operational by the end of 2017.

Practical Advice: Seek Support from Organizations Monitoring the AIIB

The AIIB's full Environmental and Social Framework is close to 60 pages long. The summary above aims to provide an overview of the framework, but if you are concerned about an AIIB financed project it is important to read the framework for yourself. This is a complex document and is currently only available in English.

If you require support to find more information about an AIIB project or to understand how the bank's safeguard policies apply, there are groups that may be able to provide support. A number of local and international organizations, including Inclusive Development International, have been monitoring the development of the AIIB. This includes groups focusing on human rights, land rights, the environment, labor, gender and financial accountability. If you are concerned about a project that is supported by the AIIB and need advice, Inclusive Development International may be able to connect you to a group working in your area that can offer support.

Panel discussion at AIIB's first annual meeting (by UNIDO)

AIIB Public Information Interim Policy (2016)

The AIIB has made strong statements regarding its commitment to transparency, and in its first year adopted the Public Information Interim Policy. The policy commits the bank to releasing both institutional and operational information unless there is a "compelling reason for confidentiality" (**Article 4**). Importantly, the policy states the bank will publish documents including environmental and social assessment reports, environmental and social management plans, resettlement plans and indigenous peoples plans (**Article 7**).

Disclosure of these documents is very important, but the policy does not state *when* exactly documents need to be disclosed. For disclosure to be effective, documents must be released and subject to consultation well in advance of the bank making any decision related to the project in question. A new information policy is currently being drafted, and it is hoped that this will address the gaps in the interim policy.

At present, you can find information on approved and proposed projects on the AIIB website at: *http://www.aiib.org/html/PROJECTS/*. The information currently posted there is basic. If you are looking for information on a project that is co-financed with another multilateral bank you can check the website of the co-financing institution, which often has more detailed project information.

Under the Environmental and Social Framework, borrowers are also required to release documents, including both draft and final versions of environmental and social assessment reports, environmental management plans, resettlement plans, and indigenous peoples plans. If they do not disclose these documents, they are failing to comply with the required standards and you can submit a complaint to the borrower and the AIIB.

Practical Advice: Engaging with AIIB Co-financiers

The AIIB has begun to co-finance projects with other more established multilateral development banks, including the Asian Development Bank, European Bank for Reconstruction and Development, World Bank and the International Finance Corporation.

As the AIIB is a new institution and still needs to recruit a full staff to run and manage operations, the bank has been eager to identify opportunities to co-finance projects with these established institutions. In all the cases where AIIB is co-financing, the safeguards of its co-financier are being used.

Advocacy groups that have been monitoring and lobbying institutions such as the World Bank for years are now developing strategies and approaches for engaging and influencing the AIIB and its shareholders. Co-financing creates an important entry point to influence the AIIB by using existing connections, engagement platforms and accountability mechanisms available at its partner institutions.

You can find out whether a project you are concerned about is co-financed by the AIIB and another multilateral development bank by checking the AIIB project webpage. If it is co-financed, you should attempt to engage with all the financiers involved, not just the AIIB.

China-ASEAN Investment Cooperation Fund

As discussed in Part 2 of the guide, China has established many investment funds to support overseas projects. These funds operate according to different internal rules, and most do not release their policies or detailed information on their investments. However, one fund that has disclosed its policies is the China-ASEAN Investment Cooperation Fund.

The China-ASEAN Investment Cooperation Fund is an investment fund set up with Chinese state backing. The fund targets investments in infrastructure, energy and natural resources in ASEAN countries. The fund has a set of "core values" that guide its investment decisions. These values include social responsibility and sustainable development.[36] The fund also states that it "specializes in sustainable investments that not only bring financial growth to the investee company but also significant values to the community."[37]

The fund has established an environmental and social management system, and conducts due diligence on prospective investments, focusing on the company's past performance and its ability to implement operations in a sustainable way.[38]

Practical Advice: Where is the Fund Investing?

The China-ASEAN Investment Cooperation Fund aims to raise a total of US$10 billion for investing in the ASEAN region. In its first phase, it raised and invested US$1 billion in 11 projects listed in the appendix to this guide. The fund is now trying to raise an additional US$3 billion, which means new projects may soon emerge. The fund focuses on infrastructure, energy and natural resources, including agriculture and mining projects.

[36] China-ASEAN Investment Cooperation Fund website, *About CAF: Mission & Vision*, *http://www.china-asean-fund.com/about-caf.php?slider1=1* (accessed December 2016)

[37] China-ASEAN Investment Cooperation Fund website, *About CAF: Background*, *http://www.china-asean-fund.com/about-caf.php?slider1=2* (accessed December 2016)

[38] China-ASEAN Investment Cooperation Fund website, *Responsible Investing*, *http://www.china-asean-fund.com/responsible-investing.php* (accessed December 2016)

In July 2014, the fund issued the Social Responsibility and Environmental Protection Guidelines for Investments in the ASEAN Region. All companies and projects that receive investment from the fund are required to "accept and execute" the guidelines. The guidelines set out five main investment principles:[39]

1. Compliance with legal regulations (both Chinese and host country)
2. Respect for stakeholders
3. Transparency and business ethics
4. Commitment to mutual development
5. Continued performance improvement

Companies are required to follow relevant laws and regulation; communicate with stakeholders and address grievances; disclose details of business decisions that have material social, economic, and environmental impacts on host countries and local communities; and promote environmental protection and sustainable development.

While the main body of the guidelines is basic, an annex to the document states:

> *[The China-ASEAN Investment Cooperation Fund] adopts the Performance Standards on Environmental and Social Sustainability issued by International Financial Corporation (IFC) of the World Bank Group to manage and assist target companies to achieve best performance.*[40]

The fund requires its clients to meet the IFC's eight Performance Standards during the life of a China-ASEAN Investment Cooperation Fund investment.[41]

[39] ASEAN-China Centre & China-ASEAN Investment Cooperation Fund (2014), *Social Responsibility and Environmental Protection Guidelines for Investments in the ASEAN Region*, section 3

[40] ASEAN-China Centre & China-ASEAN Investment Cooperation Fund (2014), *Social Responsibility and Environmental Protection Guidelines for Investments in the ASEAN Region*, appendix C

[41] The eight standards are: Assessment and Management of Environmental and Social Risks and Impacts; Labour and working conditions; Resources efficiency and pollution prevention; Community health, safety and security; Land acquisition and involuntary resettlement; Biodiversity conservation and sustainable management of living natural resources; Indigenous people; and Cultural heritage

Practical Advice: The Significance of the Fund Guidelines and the Role of the IFC

The China-ASEAN Investment Cooperation Fund received investment from the World Bank's IFC, which means that IFC Performance Standards should apply to its investments. The standards cover eight topics and impacts, including environmental and social impact assessment and management; working conditions, pollution prevention; community health, safety and security, involuntary resettlement, biodiversity conservation, indigenous peoples and cultural heritage.

IFC's investment creates an important advocacy channel for people affected by projects that are supported by the fund. In addition to raising non-compliance with the Performance Standards in communications with the company developing or operating the project and the China-ASEAN Investment Cooperation Fund, affected people can file a formal complaint to the IFC's grievance mechanism, called the Compliance Advisory Ombudsman (CAO). Complainants can request mediation with the company if they think it is possible to reach a fair agreement that addresses their concerns, or they can request an investigation, which can be important for verifying their claims of harms to use in broader advocacy.

You can find more information on using the CAO at IDI's Follow the Money to Justice online resource: *https://www.followingthemoney.org/chapters/#accountability-mechanisms*.

International Voluntary Initiatives

Although it has taken some time for Chinese enterprises to embrace international standards, this is beginning to change. Both private and state-owned companies are committing to international corporate social responsibility and accountability initiatives with increasing frequency. For example, over 260 Chinese companies have now joined the **United Nations Global Compact**, including several of the companies and banks discussed in this guide. The Global Compact is a United Nations initiative that aims to encourage businesses to adopt sustainable and socially responsible policies, and to report on their implementation.

To date, only one company, MMG Limited (a subsidiary of China Minmetals), has signed onto the **Extractive Industries Transparency Initiative**. The initiative is a global coalition of governments, companies and civil society groups working to improve openness and accountable management of revenues from natural resources.

Industrial Bank is the only Chinese bank that has so far signed on to the **Equator Principles**, a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects. However, several have expressed an interest in integrating the principles into their operations.

Several Chinese companies have signed on to industry initiatives and certification schemes. The **Roundtable on Sustainable Palm Oil**, for example, has over 50 Chinese members. Dozens of Chinese companies have received certification from the **Forest Stewardship Council**, which certifies that products have come from responsibly managed forest sources. If a project you are concerned about is a palm oil project or involves forest products, it is worth checking if any of the Chinese companies in the investment chain are members of these initiatives. You can read more about engaging with these types of industry initiatives at IDI's Follow the Money to Justice online resource: *https://www.followingthemoney.org/chapters/#accountability-mechanisms*.

The **United Nations Environment Program Finance Initiative** is a partnership between United Nations Environment Program and the global financial sector with a mission to promote sustainable finance. The initiative is a platform for dialogue between financial institutions, regulators and policy-makers, and to become a member, institutions must sign on to a statement of commitment on sustainable development. All financial institutions wishing to join the initiative must adhere to the statement. At present, six Chinese banks have signed up. This includes China Development Bank, China Merchants Bank and Industrial and Commercial Bank of China, all of which are active supporting overseas projects.

It may be useful to review company websites, reports, and other company documents to check if they have committed to any international initiatives on human rights, social and environmental governance. In some cases, these initiatives have grievance and enforcement mechanisms, and even if they do not, referring to a company's public commitments can strengthen your advocacy.

Appendices

Appendix A – Useful Contacts

State Bodies	
State Council *http://www.gov.cn/* (Chinese) *http://english.gov.cn/* (English) Tel: (86) 10 8805 0801 Fax: (86) 10 8805 0877 Email: *english@mail.gov.cn*	**National Development and Reform Commission** *http://www.ndrc.gov.cn/* (Chinese) *http://en.ndrc.gov.cn/* (English) Address: #38 Yuetan Street, Xicheng District, Beijing, 100824
State-owned Assets Supervision and Administration Commission *http://www.sasac.gov.cn/* (Chinese) *http://en.sasac.gov.cn/* (English) Address: #26, Xidajie, Xuanwumen, Xicheng District, Beijing, 100053 Tel: (86) 10 6319 2000 Email: *iecc@sasac.gov.cn*	**Ministry of Foreign Affairs** *http://www.fmprc.gov.cn/web/* (Chinese) *http://www.fmprc.gov.cn/mfa_eng/* (English) *http://www.fmprc.gov.cn/fra/* (French) *http://www.fmprc.gov.cn/rus/* (Russian) *http://www.fmprc.gov.cn/esp/* (Spanish) Address: #2 Chaoyangmen Nandajie, Chaoyang District, Beijing, 100701 Tel: (86) 10 6596 1114
Ministry of Commerce *http://www.mofcom.gov.cn/* (Chinese) *http://english.mofcom.gov.cn/* (English) *http://french.mofcom.gov.cn/* (French) *http://russian.mofcom.gov.cn/* (Russian) *http://spanish.mofcom.gov.cn/* (Spanish) *http://german.mofcom.gov.cn/* (Dutch) Address: #2 Chang'an Dongdajie, Dongcheng District, Beijing, 100731 Tel: (86) 10 5377 1360/1362/1359 Fax: (86) 10 5377 1311	**Ministry of Environmental Protection** *http://www.mep.gov.cn/* (Chinese) *http://english.mep.gov.cn/* (English) Address: #115, Xizhimen S Street, Xicheng District, Beijing, 100035 Tel: (86) 10 8466 5786 Email: *mailbox@mep.gov.cn/advice@mep.gov.cn*

State Bodies

State Forestry Administration

http://www.forestry.gov.cn/ (Chinese)
http://english.forestry.gov.cn/ (English)

Address: #18 Hepingli East St, Dongcheng District, Beijing, 100714

Tel: (86) 10 6288 9267
Email: *englishwebsite@forestry.gov.cn*

China Banking Regulatory Commission

http://www.cbrc.gov.cn/ (Chinese)
http://www.csrc.gov.cn/pub/csrc_en/ (English)

Address: #15 Jin Rong Dajie, Xicheng District, Beijing, 100800

Tel: (86) 10 6627 9752
Fax: (+86) 10 6621 0205/0206
Email: *consult@csrc.gov.cn*

Local embassy, consulates and chambers of commerce

Check your local directory for contacts of the embassies, consulates and chambers in your country.

Policy Banks

China Development Bank (CDB)

http://www.cdb.com.cn/ (Chinese)
http://www.cdb.com.cn/english/ (English)

Address: #18 Fuxingmennei Street, Xicheng District, Beijing, 100031, China

Tel: (86) 10 6830 6789
Fax: (86) 10 6830 6699
Email: *webmaster@cdb.cn*

Export Import Bank of China (Eximbank)

http://www.eximbank.gov.cn/ (Chinese)
http://english.eximbank.gov.cn/en/ (English)
http://www.eximbank.gov.cn/tm/fw/ (French)
http://www.eximbank.gov.cn/tm/ew/ (Russian)

Address: #30, Fuxingmennei Street, Xicheng District, Beijing, 100031, China

Tel: (86) 10 8357 9988
Fax: (86) 10 6606 0636

Commercial Banks

Agricultural Bank of China (ABC)

http://www.abchina.com/cn/ (Chinese)
http://www.abchina.com/en/ (English)

#69 Jianguomennei Dajie, Dongcheng District, Beijing, 100005

Tel: (86) 10 8510 9619
Fax: (86) 10 8510 8557
Email: *ir@abchina.com*

China Construction Bank (CCB)

http://www.ccb.com/cn/home/indexv3.html (Chinese)
http://www.ccb.com/en/home/index.html (English)

#25 Finance Street, Xicheng District Beijing, 100032

Tel: (86) 10 6621 5533
Fax: (86) 10 6621 8888

Email: *ir@ccb.com*
Contact form:
http://www.ccb.com/en/home/contactus.html

Commercial Banks

Industrial and Commercial Bank of China (ICBC)	Bank of China (BoC)
http://www.icbc.com.cn/ICBC/default.htm (Chinese) *http://www.icbc.com.cn/ICBC/EN/default.htm* (English) #55 Fuxingmennei Street, Xicheng District, Beijing, 100140	*http://www.boc.cn/* (Chinese) *http://www.boc.cn/en/* (English) #158, Fuxingmen Inner Street, Xicheng District, Beijing, 100031 Tel: (86) 10 6659 2638 Fax: (86) 10 6659 4568 Email: *ir@bankofchina.com*

Multilateral Banks

Asian Infrastructure Investment Bank (AIIB)	New Development Bank (NDB)
http://www.aiib.org/ (English) #B9 Financial Street, Xicheng District Beijing, 100033 Tel: (86) 10 8358 0000 Emails: *projects@aiib.org* (Project related inquiries) *information@aiib.org* (General)	*http://ndb.int/* (English) #333 Lujiazui Ring Road, Pudong Area, Shanghai, 200120 Email: *Projects@ndb.int* (Projects) *press@ndb.int* (Media)

Investment Funds

China-ASEAN Investment Cooperation Fund	Silk Road Fund
http://www.china-asean-fund.com/ (English) #8 Finance Street, Central, Hong Kong Tel: (852) 3125 1800 Email: *information@china-asean-fund.com*	*http://www.china-asean-fund.com/* #7 Financial Street, Xicheng District Beijing, 100033, China Tel: (86) 10 6388 6800 / 6850 Fax: (86) 10 6388 6830 Email: *contact-us@silkroadfund.com.cn*

Industry Groups	
China Chamber of Commerce of Foodstuffs and Native Produce *http: //www.cccfna.org.cn/* (Chinese) *http://en.cccfna.org.cn/* (English) Address: #80 Guangqumennei Street, Dongcheng District, Beijing, China Tel: (86) 10 8710 9883 Fax: (86) 10 8710 9826 Email: *contact@cccfna.org.cn*	**China Chamber of Commerce for Metals, Minerals and Chemicals** *http: //www.cccmc.org.cn/* (Chinese) *http://en.cccmc.org.cn/* (English) Address: #22 Chaowai Dajie, Chaoyang District, Beijing, 100020, China Tel: (86) 10 8569 2791 Fax: (86) 10 6588 3592 Email: *lianluo@cccmc.org.cn*
China International Contractors Association *http://www.chinca.org/* (Chinese) *http://en.chinca.org/* (English) Address: #2 Dongzhimen Dajie, Dongcheng District, Beijing, 100007 Tel: (86) 10 5976 5229/(86) 10 5976 5235 Email: *info@chinca.org*	

Appendix B – List of Central State-Owned Enterprises (as of August 2016)[42]

1	中国核工业集团公司 *China National Nuclear Corporation*	52	中国节能环保集团公司 *China Energy Conservation and Environmental Protection Group*
2	中国核工业建设集团公司 *China Nuclear Engineering Group Corporation*	53	中国国际工程咨询公司 *China International Engineering Consulting Corporation*
3	中国航天科技集团公司 *China Aerospace Science and Technology Corporation*	54	中国诚通控股集团有限公司 *China Chengtong Holdings Group*
4	中国航天科工集团公司 *China Aerospace Science and Industry Corporation*	55	中国中煤能源集团公司 *China National Coal Group Corporation*
5	中国航空工业集团公司 *Aviation Industry Corporation of China*	56	中国煤炭科工集团有限公司 *China Coal Technology and Engineering Group*
6	中国船舶工业集团公司 *China State Shipbuilding Corporation*	57	机械科学研究总院 *China Academy of Machinery Science and Technology*
7	中国船舶重工集团公司 *China Shipbuilding Industry Corporation*	58	中国中钢集团公司 *Sinosteel Corporation*
8	中国兵器工业集团公司 *China North Industries Group Corporation*	59	中国钢研科技集团公司 *China Iron & Steel Research Institute Group*
9	中国兵器装备集团公司 *China South Industries Group Corporation*	60	中国化工集团公司 *China National Chemical Corporation*
10	中国电子科技集团公司 *China Electronics Technology Group Corporation*	61	中国化学工程集团公司 *China National Chemical Engineering Group Corporation*
11	中国航空发动机集团有限公司 *Aeroengine (Group) Corp. of China*	62	中国轻工集团公司 *Sinolight Corporation*
12	中国石油天然气集团公司 *China National Petroleum Corporation*	63	中国工艺（集团）公司 *China National Arts & Crafts (Group) Corporation*
13	中国石油化工集团公司 *Sinopec Group*	64	中国盐业总公司 *China National Salt Industry Corporation*
14	中国海洋石油总公司 *China National Offshore Oil Corporation*	65	中国恒天集团公司 *China Hi-Tech Group Corporation*
15	国家电网公司 *State Grid Corporation of China*	66	中国建材集团有限公司 *China National Building Materials Group Corporation*

[42] SASAC website, *http://www.sasac.gov.cn/n86114/n86137/index.html* (accessed December 2016)

16	中国南方电网有限责任公司 *China Southern Powder Grid*	67	中国有色矿业集团有限公司 *China Nonferrous Metal Mining Group*
17	中国华能集团公司 *China Huaneng*	68	北京有色金属研究总院 *General Research Institute for Nonferrous Metals*
18	中国大唐集团公司 *China Datang Corporation*	69	北京矿冶研究总院 *Beijing General Research Institute of Mining and Metallurgy*
19	中国华电集团公司 *China Huadian Corporation*	70	中国国际技术智力合作公司 *China International Itellectech Corp*
20	中国国电集团公司 *China Guodian Corporation*	71	中国建筑科学研究院 *China Academy of Building Research*
21	国家电力投资集团公司 *State Power Investment Corporation*	72	中国中车集团公司 *CRRC Corporation*
22	中国长江三峡集团公司 *China Three Gorges Corporation*	73	中国铁路通信信号集团公司 *China Railway Signal and Communication Corporation*
23	神华集团有限责任公司 *China Shenhua Group*	74	中国铁路工程总公司 *China Railway Group*
24	中国电信集团公司 *China Telecom*	75	中国铁道建筑总公司 *China Railway Construction Corporation*
25	中国联合网络通信集团有限公司 *China United Network Communications*	76	中国交通建设集团有限公司 *China Communications Construction Company*
26	中国移动通信集团公司 *China Mobile Communications Corporation*	77	中国普天信息产业集团公司 *China Putian Corporation*
27	中国电子信息产业集团有限公司 *China Electronics Corporation*	78	大唐电信科学技术研究院 *Datang Telecom Technology and Industry Group*
28	中国第一汽车集团公司 *China FAW Group Corporation*	79	中国农业发展集团总公司 *China National Agricultural Development Group*
29	东风汽车公司 *Dongfeng Motor Corporation*	80	中国中丝集团公司 *China Silk Corporation*
30	中国第一重型机械集团公司 *China First Heavy Industries*	81	中国林业集团公司 *China Forestry Group Corporation*
31	中国机械工业集团有限公司 *China National Machinery Industry Corporation*	82	中国医药集团总公司 *China National Pharmaceutical Group Corporation*
32	哈尔滨电气集团公司 *Harbin Electric Corporation*	83	中国保利集团公司 *China Poly Group Corporation*
33	中国东方电气集团有限公司 *Dongfang Electric Corporation*	84	中国建筑设计研究院 *China Architecture Design and Research Group*

34	鞍钢集团公司 *Ansteel Group Corporation*	85	中国冶金地质总局 *China Metallurgical Geology Bureau*
35	中国宝武钢铁集团有限公司 *China Baowu Steel Corporation*	86	中国煤炭地质总局 *China National Administration of Coal Geology*
36	中国铝业公司 *Aluminum Corporation of China*	87	新兴际华集团有限公司 *Xinxing Cathay International Group*
37	中国远洋海运集团有限公司 *China Cosco Shipping Corporation*	88	中国民航信息集团公司 *Travelsky*
38	中国航空集团公司 *China National Aviation Holding Company*	89	中国航空油料集团公司 *China Aviation Fuel Holding Company*
39	中国东方航空集团公司 *China Eastern Airlines Corporation*	90	中国航空器材集团公司 *China Aviation Supplies Holding Company*
40	中国南方航空集团公司 *China Southern Airlines Corporation*	91	中国电力建设集团有限公司 *Power Construction Corporation of China*
41	中国中化集团公司 *Sinochem Group*	92	中国能源建设集团有限公司 *China Energy Engineering Group*
42	中粮集团有限公司 *COFCO Corporation*	93	中国黄金集团公司 *China National Gold Group Corporation*
43	中国五矿集团公司 *China Minmetals Corporation*	94	中国广核集团有限公司 *China General Nuclear Power Group*
44	中国通用技术(集团)控股有限责任公司 *China General Technology (Group) Holding*	95	中国华录集团有限公司 *China Hualu Group*
45	中国建筑工程总公司 *China State Construction Engineering Corporation*	96	上海贝尔股份有限公司 *Alcatel-Lucent Shanghai Bell*
46	中国储备粮管理总公司 *Sinograin*	97	武汉邮电科学研究院 *FiberHome Technologies Group*
47	国家开发投资公司 *State Development and Investment Corporation*	98	华侨城集团公司 *Overseas Chinese Town Holdings Company (OCT Group)*
48	招商局集团有限公司 *China Merchants Group*	99	南光（集团）有限公司已与珠海振戎公司 *Nanguang Group and Zhuhai Zhenrong Company (in the process of merging)*
49	华润（集团）有限公司 *China Resources (Holdings) Company*	100	中国西电集团公司 *China XD Group*
50	中国旅游集团公司[香港中旅（集团）有限公司] *China National Travel Service Group Corporation*	101	中国铁路物资（集团）总公司 *China Railway Materials Commercial Corp.*
51	中国商用飞机有限责任公司 *Commercial Aircraft Corporation of China*	102	中国国新控股有限责任公司 *China Reform Holdings Corporation*

Appendix C – China-ASEAN Investment Cooperation Fund: First Phase Investments (up to May 2014)[43]

Country	Sector	Project
Cambodia	Telecoms	Invested in Cambodia Fiber Optic Communication Network Co. to support development of fiber optic network and telecommunication.
Cambodia	Telecoms	Co-invested in digital TV network project in Cambodia with partner Shenzhen Coship Electronics Co. Ltd.
Thailand	Shipping	Equity investment in the Laem Chabang Port.
Thailand	Energy	Acquired equity in Thai company National Power Supply Public Co. Ltd. to support development of biomass energy project.
Laos	Mining	Invested in Asia Potash Group Co. Ltd. which is developing a potash mine and processing facilities.
Malaysia	Mineral resources	Investment in Hong Kong listed company Prosperity International Holdings which is developing Gebang Iron Ore Processing Plant in Malaysia.
Philippines	Transport	Acquired controlling stake in Negros Navigation, a company involved in passenger and trade transport.
Indonesia	Smelting	Signed investment and financing agreement to develop a ferro-nickel smelter in with Shanghai Decent Investment Group Co. Ltd. and PT Bintangdelapan Investama.
Indonesia	Telecoms	Invested in telecom tower operator in order to support company's business expansion and promote industrial upgrade.
Southeast Asia	Healthcare	Completed equity investment to support buyout of chain of healthcare clinics.
China	Equipment export	Signed MOU with China's Jidong Development Group. Parties plan to transfer 10 million tons of cement production capacity from China to Malaysia, Vietnam and Myanmar in next 3 years.

43 China-ASEAN Investment Cooperation Fund, News & Press Release, *http://www.china-asean-fund.com/news.php?slider1=1* (accessed November 2015 – page now removed)

China has become one of the most important sources of foreign investment in the world. Chinese companies play various roles in overseas projects, from research and design, to construction, development and operation. Chinese financial institutions make many overseas projects possible by providing loans, foreign currency, insurance and equity investments.

This investment brings with it potential benefits, but also human rights, social and environmental risks. Communities impacted by Chinese investments, and the civil society groups that seek to support them, often encounter difficulties obtaining project information, communicating with developers and financiers, and raising concerns or complaints. In response to this situation, State institutions, industry groups and an increasing number of Chinese companies and financiers have begun to adopt environmental and social standards for their overseas investments.

This guide explains the key actors involved in Chinese overseas investment and describes the environmental and social standards and guidelines that apply. The guide also provides practical advice on how to use these standards in advocacy with relevant Chinese actors and institutions. It is hoped that the information and ideas contained here will help community advocates to ensure that the rights of project-affected people are respected and protected, and in cases where harm does occur, that effective remedies are provided.