

# **Guidelines to the State-owned Enterprises Directly Under the Central Government on Fulfilling Corporate Social Responsibilities**

State-Owned Assets Supervision and Administration Council, December 2007

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<http://csr2.mofcom.gov.cn/aarticle/laws/201008/20100807067057.html>

These Guidelines are proposed to comprehensively implement the spirit of the 17th CPC National Congress and the Scientific Outlook on Development, and give the impetus to state-owned enterprises (SOEs) directly under the central government (referred to as CSOEs hereafter) to earnestly fulfil corporate social responsibilities (CSR), so as to realize coordinated and sustainable development of enterprises, society and environment in all respects.

## **1. Fully Understand the Importance of Fulfilling CSR by the CSOEs**

- Fulfilling CSR is a practical action taken by the CSOEs to apply the Scientific Outlook on Development. Fulfilling CSR requires the CSOEs, insisting on the principle of human-oriented and the Scientific Outlook on Development, to be responsible to stakeholders and environment, so as to [properly] achieve [a balance] among the growth of enterprises, social benefit and environment protection. This is ... an important measure for promoting the socialist harmonious society and also entails the CSOEs thoroughly implement[ing] China's new ideas about economic development, social progress and environment protection.
- Fulfilling CSR is an overall social requirement to the CSOEs. The CSOEs, big enterprises in China's key industries, are the backbone of the country's economy and have a vital bearing on national security. Their production and operation involve all aspects of entire economy, society and people's livelihood. Therefore, fulfilling CSR is not only their mission and responsibilities, but also an ardent expectation and requirement from the public.
- Fulfilling CSR is the necessary condition for realizing sustainable development of the CSOEs. Performing CSR and embedding the concepts and requirements of CSR into their business strategies, operations and corporate culture will help update their idea innovation and transformation of the pattern of growth, inject vitality and creativity to the enterprises, add value to their brand and image, improve their staff qualification and enhance cohesion of the CSOEs. All of these will definitely bring about a dramatic progress to CSOEs in development quality and level.
- Fulfilling CSR is [the necessary condition] for the CSOEs to participate in international economic cooperation. As the progress of economic globalization, the international community is concerned more and more [about] the performance of an enterprise in social responsibilities. By fulfilling CSR, it is either helpful in establishing a "responsible" public image by Chinese enterprises and more internationally influential, or significant for China to spread an image as a responsible nation.

## **2. Guidelines, Requirements and Principles**

Guidelines: CSOEs should take Deng Xiaoping Theory and the Important Thought of Three Represents as the guiding principles, thoroughly apply the Scientific Outlook on Development, adhere to the demands of human-oriented policy and sustainable development strategy from the Central Government of China, enhance their awareness of social responsibility and sustainable development, make overall planning with due consideration of every aspect. They should actively embody their responsibilities and set up good examples for other enterprises in fulfilling CSR so as to promote the construction of a harmonious and well-off society.

Requirements: CSOEs should enhance the awareness of CSR; actively implement CSR, setting examples in legal and honest business operation, resource-saving and environment protection. CSOEs should also the model in building human-oriented and harmonious enterprise, and become the backbone of China not only in the economy but also in CSR.

Principles: CSOEs should integrate CSR with their own reform and development, and regard the implementation of CSR as an important content of setting up modern enterprise system and enhancing their competitiveness. By transforming the pattern of growth and achieving sound and rapid development, they should implement CSR according to the practical situation of the country and the circumstances of themselves, highlight key issues and make out concrete plan, so as to strive for a substantial effect in implementing their CSE. In addition, CSOEs ought to give top priority to ensuring work safety, safeguarding the legal interests of employees, promoting career development of employees. These, as measures to build a harmonious relation between the enterprise and its employees, will also contribute to the China's undergoing program of building a harmonious society.

## **3. Main Content of Fulfilling CSR by CSOEs**

- Insisting on a legal and honest way in business operation. The CSOEs are asked to comply with regulations and laws, public ethnics and commercial conventions, and trade rules. They should also fulfill their tax obligations, undertake the interests of investors and creditors, protect intellectual property rights, keep business creditability, oppose improper competition and eradicate corruption in commercial activities.
- Constantly improving ability of making sustainable profits. They should improve corporate governance, and advocate scientific and democratic decision making. They should optimize their development strategy, focus on and strengthen their core businesses, reduce management layers and distribute resources in a reasonable way. Business administration and capability of control and supervision are enforced, such as minimizing operational costs, strengthening risk precaution, increasing investment profit ratio, and enforcing market competitiveness as well.
- Improve product quality and service. CSOEs should try to ensure the safety of products and quality of services, update product performance and service system aiming at providing well-qualified products and service to consumers. They should protect consumer interests, properly handle consumer complaints and suggestions and try

their best to meet the demand of consumers. Only by this way can CSOEs establish a good image in consumers.

- Strengthening resource conservation and environmental protection. The large State-owned enterprises should take their responsibilities and the lead in energy saving and emission reduction. So the enterprises have to upgrade their technology and equipment, and engage in the recycling economy, so as to develop energy-conserving products and improve resource utilization efficiency. What is more, they should invest more in environment protection, rationalize production procedures, try to decrease the pollutant emissions with a target lower energy consumption and less pollution but higher production efficiency and output.
- Promoting independent innovation and technological advancement. CSOEs are required to complete mechanisms of technological innovation, increase investment in research and development so as to enforce independent innovation capability. They should accelerate the development of high and new technologies, especially making new breakthroughs in key technologies of the industry and fundamental research, and the readjustment of traditional industries. They also need to attach more attention to intellectual property rights, and by implementing IP strategy to promote technical innovation, to achieve some core technologies and brands, and foster industry upgrading and restructure.
- Ensuring production safety. Responsibility System for Safe Production should be established and more investment in production safety. Serious safety accidents ought to be strictly prevented and forbidden. CSOEs should also complete their emergency management system; continuously improve the emergency management and emergency handling capacity. Safe and healthy working conditions and living environment are necessary to ensure the health of employees, [and] prevent any [occupational harm] and other diseases [suffered by] employees.
- Protecting legal rights of employees. Employment contracts with employees should be signed and respected, adhere to the principle of equal pay for equal work, build up the mechanism of salary increasing, and buy social insurance regulated by the government. All employees ought to be respected and treated equally. Any discrimination of gender, nationality, religion and age is prohibited. In addition, enterprises should provide on-duty education and training, as well as equal opportunities of personal development. CSOEs should further their efforts to implement the employee representatives' convention system, to publicize corporate affairs, and to advance democratic management. Employees' livelihoods should be fully considered, especially those having difficulties and anxieties.
- Participating in social public welfare programs. CSOEs ought to encourage their employees to volunteer for social services, and actively participate in community and social welfare program, such as charities, donations, and giving support to schools, cultural or hygiene activities. Upon the occurrence of major natural disasters and emergency accidents, CSOEs also need to provide financial, material and manpower support.

#### 4. Main Measures to Fulfill CSR

- Establishing awareness of CSR. The CSOEs should understand the significance of CSR well, attach great importance to CSR in their working plan and daily business activities. Enterprise leaders ought to arrange CSR promotion within their enterprise, adopt new ideas and methods in management, striving to establish the corporate culture with CSR at the centre.
- Completing system and mechanism for fulfilling CSR. CSR should be integrated into corporate governance and business strategy, and implemented on all levels of their daily operations. CSOEs should also identify a department to cope with CSR affairs; gradually build a statistical index and assessment system for CSR. For those enterprises that are in a leading position in CSR, a formal CSR performance evaluation system can be set up.
- Building the CSR information releasing system. Enterprises having experienced in CSR work, should establish an information releasing mechanism, providing update and regular information about CSR performance and sustainable development, plans and measures in carrying out CSR. Meanwhile, a regular communication and dialogue mechanism concerning CSR should be established, so that the enterprise can have feedback from its stakeholders and give its response quickly. All the information and feedback should be publicized to receive supervision from stakeholders and society.
- Enforcing inter-enterprise communication and international cooperation. CSOEs are encouraged to exchange concepts and experience in fulfilling CSR with other enterprises at home and abroad, benchmark with the best CSR practices and summarize their own experience, so as to constantly improve their work. They should conduct more dialogues and communications with relevant international organizations and take part in international CSR standard formulation.
- Strengthening CPC organizations' role in leading the CSR work of enterprises. The CSOEs should give full play to the political core role of the Communist Party of China (CPC) branches in the enterprise; encourage CPC members to take the lead in performing CSR. Trade unions, the Communist Youth League and the women's federation are also required to contribute their efforts in fulfilling CSR, and strive to create a good environment for the enterprise to fulfil CSR.