Guide on Social Responsibility for Chinese International Contractors

（2021 Revised Edition）

Draft for soliciting opinions

China International Contractors Association

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Contents

Foreword

Social responsibility (SR) is an important factor in guaranteeing business success and stakeholder profits. An enterprise that embeds social responsibility in its corporate strategy and daily operations and keeps improving social responsibility practices will build further resilience and sustainability, better meet the expectations of all the stakeholders to create a sound business environment and assure mutual wins with the society and the environment.

Given this, China International Contractors Association (CHINCA) issued a set of industry-wide standards "*Guide on Social Responsibility for Chinese International Contractors*" in 2010 and reissued them in 2018 as association standards (T/CHINCA 2-2018) to guide social responsibility practices of Chinese international contractors. To promote the application of the *Guide* across the industry, CHINCA has released the *Operational Manual for the Guide*, offered a series of trainings, and conducted social responsibility performance evaluations among the member companies to enhance them with advanced concepts, management expertise and practical skills of fulfilling social responsibilities overseas.

Ten years have passed since the first release of the *Guide*. For Chinese international contractors, the definition of social responsibility and sustainability is becoming more specific. Indeed, the UN 2030 Agenda for Sustainable Development explicitly stated in 2015 that it supports "building resilient infrastructure"; the World Bank, Asian Infrastructure Investment Bank (AIIB), and Inter-American Development Bank (IDB), among other international financial institutions, are imposing higher requirements on the governance, social and environmental performance of infrastructure projects to which they intend to provide loans and financing supports. In 2018, the National Development and Reform Commission (NDRC) and several other authorities jointly issued the "*Guidelines for Compliance Management of Overseas Operations of Enterprises*", requiring all businesses to improve compliance management on overseas markets. In 2021, the Ministry of Commerce and the Ministry of Ecology and Environment jointly issued the "*Guidelines on Green Development of Foreign Investment and Cooperation Programs*", advocating green production and operation, green infrastructure development, and green business transformation. SASAC further announced in July 2021 that ESG considerations would be integrated into social responsibility evaluations and required the SOEs to set an example in ESG system building.

Over the past decade, Chinese international contractors have strengthened their technical and managerial expertise and transformed the way they conduct business and cooperation. They have gained years of hands-on experience on social responsibility capacity building and enhanced awareness on sustainable development. To adapt to the new trends and make further improvements, CHINCA has led the effort to revise the *Guide*, and issued the new version.

The revised *Guide* 2021 defines, *inter alia*, the scope of application, terms and definitions, principles, and environmental, social and governance (ESG) issues. It includes an ESG framework and emphasizes social responsibility at all stages, including investment, construction and operation, etc., of an infrastructure project. New topics such as social responsibility governance, green procurement, and carbon emission reduction have been included into this version, while the statutory responsibilities that almost all the enterprises have observed are skated over.

The *Guide* 2021 is prepared with a commitment to ISEAL's credibility principles, and values the opinions and suggestions of the stakeholders collected through field surveys, questionnaires, seminars, and online bulletins, etc. to enhance transparency. Business representatives, experts and scholars, as well as GIZ and GoldenBee CSR Consulting have shown vigorous support for the revision of the *Guide* 2021. As a social responsibility guidance for the industry, the *Guide* 2021 is developed and issued under the leadership of CHINCA and is subject to due revisions and amendments based on future industry developments and implementation progress.

Introduction

The *Guide 2021* is drafted based on the rules of *Directives for standardization - Part 1: Rules for the structure and drafting of standardizing documents (GB/T 1.1—2020).*

The *Guide 2021* replaces the *Guide on Social Responsibility for Chinese International Contractors (T/CHINCA 2-2018).* It includes revisions to the core issues of Chinese international contractors in fulfilling social responsibility to help them adapt to the latest trends of global sustainable development, improve ESG performances, and contribute to the high-quality development of the "Belt and Road" initiative and the fulfilment of the UN 2030 Sustainable Development Goals.

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The *Guide 2021* is proposed and managed by CHINCA.

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1. Scope

　　The *Guide 2021* applies to Chinese international contractors that engage in the planning, design, investment and financing, construction, operation and maintenance, and other relevant activities of overseas infrastructure projects. The *Guide* 2021 is to serve as a guidance for Chinese international contractors to strengthen social responsibility governance, advance social responsibility management, disclose social responsibility information, and continuously improve social responsibility performance.

　　The *Guide* 2021 does not exhaust all possible requirements relating to social responsibility, nor does it exclude concurrent or supplementary application with other social responsibility standards, systems, or initiatives.

2. Terms and Definitions

Stakeholder

It refers to an individual or organization that can affect the decisions or activities of international contracting projects, including shareholders, investors, employees, customers (owners)/consumers, partners (suppliers, subcontractors), governments, industry organizations, and communities (the general public, media/non-governmental organizations), etc.

Social responsibility

It refers to the responsibility of an enterprise for the impacts of its decisions and activities on stakeholders through transparent and ethical behaviors. An enterprise shall integrate environmental, social and governance considerations into its social responsibility process so as to enable the infrastructure projects in promoting economic, social and environmental sustainability.

Social responsibility governance

It refers to clarifying the leadership's role for social responsibility management and oversight, enhancing the engagement of stakeholders in the governance processes, embedding environmental and social considerations in leadership decision-making, continuously strengthening social responsibility capacity building of the management, and overseeing social responsibility performance.

Social responsibility management

It refers to carrying out social responsibility activities in a systematic manner, i.e. from goal setting, planning, implementation to evaluation and improvement.

Social responsibility risk

It refers to the potential negative impact on stakeholders and social responsibility goals.

Supply chain

It refers to a network that involves upstream and downstream companies including investors, clients (owners), building material suppliers, equipment and machinery suppliers, product suppliers or professional service providers as well as subcontractors, labor service companies and other parties that undertake the contracted project and serve the owners and end users during the project.

Social responsibility information disclosure

It refers to the systematic disclosure of information on the impacts of business decisions and activities on the economy, society and the environment, including the perspectives, actions, performances, and future plans of fulfilling social responsibility. The social responsibility reports are an important instrument for an enterprise to disclose social responsibility information.

Child labor

It refers to the employment of children under legal age. In case the minimum age required by local law for a person to work is younger than 16 and that is compatible with the exception provisions of ILO conventions, the younger age shall apply.

Forced labor

It refers to any work or service which is imposed on a person under the menace of penalty and for which the said person has not offered himself voluntarily.

Owner

It refers to the independent legal entity specially set up for a particular project by the investment entity or investors.

Localization

It refers to the practice of an enterprise making full use of local resources, including personnel, funds, raw materials, and technologies in overseas business operations to better adapt to the economic, cultural, and political environment of the host countries.

Entire lifecycle

It refers to the various stages of an infrastructure project from investment, planning, design, construction, operation, maintenance, and exit to closure.

3. Normative references

The terms and definitions in the following normative reference apply to the *Guide 2021*.

GB/T 36000-2015 "Guidance on Social Responsibility" (ISO 26000:2010, MOD)

GB/T 39604-2020 "Social Responsibility Management Systems – Requirements with Guidance for Use"

TCHINCA 1-2018 "Guidelines of Sustainable Infrastructure for Chinese International Contractors (SIG)"

4. Principles

In fulfilling their social responsibility, Chinese international contractors shall:

Observe laws and regulations

Adhere to the concept of openness, green and integrity; observe laws and regulations of the host countries or regions as well as relevant regulations of the Chinese government; follow internationally recognized business practices; strengthen self-discipline of the industry; safeguard national and public interests.

Respect stakeholders

Uphold the principle of win-win cooperation, engage in the communication with stakeholders and take reasonable account of their expectations and requirements when carrying out corporate activities; prevent and mitigate risks; and develop high-quality, sustainable, resilient, reasonably priced, inclusive, and accessible infrastructure and other projects.

Operate transparently and ethically

Disclose any decisions or activities that may have significant impacts on local society, economy, and environment, and align business activities with ethical behavior requirements.

Pursue sustainable development

Promote economic and social development, protect the environment and improve livelihoods of the host countries and regions through international contracting projects; integrate deeply into local society; and achieve mutual sustainable development with local communities.

Continuously improve performance

Adopt proper business practices to address the core concerns regarding social responsibility at their respective development stages, and continuously improve social responsibility performance.

5. Governance

5.1 Leadership

5.1.1 Governance structure

5.1.1.1 Improve governance structure and hold the board of directors and top management accountable for overseeing the fulfilment of social responsibilities, by adding supervision functions to the board or establishing a professional social responsibility committee, etc.

5.1.1.2 The board of directors shall integrate social responsibility commitments into corporate purpose, vision, strategy and culture, and align social responsibility targets with its business development.

5.1.1.3 To fulfill social responsibility targets, the top management shall set up a social responsibility management or coordination body, and assign authorities, responsibilities and accountabilities to all levels, departments and duties of the organization and across all links of the projects.

5.1.1.4 Integrate social responsibility risks into risk management process and compliance management process, and work out response strategies based on the risk evaluation to prevent and address social responsibility risks.

5.1.2 Capacity building

Introduce members with a background in environmental and social sustainability into the board of directors and senior management, intensify efforts to build social responsibility capacity and raise social responsibility awareness of the top management and offer training programs on basic theories and practices of social responsibility.

5.1.3 Oversight

The board of directors or the top management shall oversee the effective implementation of social responsibility strategies at all levels and departments, evaluate social responsibility performance, and incorporate social responsibility into the corporate culture.

5.2 Social responsibility management

5.2.1 Planning

The social responsibility management body shall formulate social responsibility work plans of the year for the enterprise, and break down strategic objectives into measurable and assessable KPIs.

5.2.2 Implementation

5.2.2.1 Establish guidelines on social responsibility management process, improve institutional policies on project quality, environment, occupational health and safety, and incorporate social responsibility requirements into its management system.

5.2.2.2 Put necessary personnel, funds, supplies and resources in place to meet social responsibility objectives and carry out annual work plans. Strengthen social responsibility management throughout the entire process.

5.2.3 Performance evaluation

Carry out regular social responsibility performance evaluations and KPI reviews and incorporate social responsibility considerations into performance evaluations at all levels and departments.

5.2.4 Improvement

Identify and implement improvement strategies based on the social responsibility management and performance evaluation results and set further social responsibility objectives and plans accordingly.

5.2.5 Information disclosure

Establish and improve the social responsibility information disclosure mechanisms and disclose social responsibility information and performance to the stakeholders in a timely manner by issuing CSR reports, sustainability reports and ESG reports, among others, at regular intervals on the official website and internal publications or through other channels of information communications.

6. Society

6.1 Employees' rights and interests

6.1.1 Equal and regulated employment

6.1.1.1 Establish an equal employment system, treat job applicants equally, and protect their personal information and privacy, regardless of their genders, races, nationalities, age, religions, disabilities, marital status and sexual orientation.

6.1.1.2 Do not recruit or use child labor, nor use or tolerate forced labor in any form. It shall observe local rules on work hours.

6.1.2 Salary and welfare

6.1.2.1 Formulate a well-established salary and welfare system as well as a pay raise scheme. The employees shall be paid, in full and on time, at a level no lower than the local average standard for the same jobs and ranks and covered by social insurance programs as required by law.

6.1.2.2 Provide employees with necessary benefits that help guarantee a proper living standard in line with local customs and business practices.

6.1.3 Occupational health and safety

6.1.3.1 Establish standard procedures for safe construction and operation, have contingency plans in place and enforce accountability for workplace safety.

6.1.3.2 Control and eliminate any hazards to employees' health and safety, enhance routine maintenance of engineering machinery, provide healthy and safe work and living conditions, secure access to safety measures that help prevent occupational injuries, illness and accidents or address emergencies, and minimize hidden health and safety risks in the workplace.

6.1.3.3 Offer training programs on safe engineering practices and organize emergency drills to raise employees' awareness of occupational risks and equip them with safety knowledge and skills.

6.1.3.4 Offer work safety education or training programs and strengthen preventive measures against diseases based on local health conditions to protect employees' health.

6.1.3.5 Pay due attention to the mental health of employees, taking effective measures such as psychological assistance and psychological education programs to relieve employees of mental stress.

6.1.4 Employee training and development

6.1.4.1 Improve job training and career promotion schemes, providing employees with skills development, training, apprenticeship and career promotion opportunities on an equal and non-discriminatory basis.

6.1.4.2 Offer occupational trainings as well as special programs on project quality, health and safety, environmental protection, intellectual property rights, etc.; encourage employees to continue education for academic qualifications; offer language, law, culture, psychology and other trainings for expatriates to promote mutual respect, understanding and integration between those from different cultural backgrounds and improve the overall quality of the employees.

6.1.4.3 Invite employees to diverse cultural and social activities, support employees and their families, especially those in need, and encourage a healthy work-life balance.

6.1.5 Employee communication and exchange

6.1.5.1 Establish employer-employee negotiation mechanisms in accordance with local laws and practices, and support employee engagement in corporate management.

6.1.5.2 Establish two-way communication and complaint channels and keep them unimpeded between the enterprise and employees to understand and address employee expectations and concerns.

6.2 Community engagement and development

6.2.1 Community engagement and communication

6.2.1.1 Strengthen communication and exchanges with the local community throughout the entire lifecycle of a project, address the expectations of low-income groups, women, the disabled and other vulnerable groups, and keep all parties informed of and engaged in the process of the project.

6.2.1.2 Revise the project plan or make compensations to local residents if any negative impacts occur.

6.2.1.3Enhance cooperation with the local government and take appropriate measures to relocate affected residents without compromising their living standards.

6.2.1.4 Establish an open and transparent complaint procedure for the community, secure communication channels with the local community, and promptly respond to and address any problems of the affected community.

6.2.2 Localization

6.2.2.1 Show a tendency to hire local labors affected by the project, offer vocational trainings for the local community, and promote the transfer of technologies and capabilities to the locality.

6.2.2.2Show a tendency to procure local products and services, and help suppliers and subcontractors improve their technical skills to enhance localization.

6.2.3 Respect for cultural differences

6.2.3.1 Respect and protect cultural traditions and heritages of the local community, take into full consideration any negative impacts on local culture throughout the entire lifecycle of a project, and make all possible efforts to minimize such impacts.

6.2.3.2 Show respect for local customs and cultures, actively attend local festivals, celebrations and other cultural events, and, when necessary, provide support for local cultural activities and projects.

6.2.3.3 Invite local residents to corporate open days, traditional Chinese festival celebrations and other events, strengthen cultural exchanges with the host community, and foster harmonious connections and interactions between the enterprise and the local community.

6.2.4 Support for community development

6.2.4.1 Support community development, disaster prevention and relief, and livelihood improvement, leveraging on their advantages in engineering expertise and machinery..

6.2.4.2 Support education in the local community and improve education infrastructure and settings.

6.2.4.3 Leveraging on its own medical resources to offer volunteer medical services and other medical assistance activities.

6.2.4.4 Connect its employees to local volunteer opportunities to enhance communication with the community and serve the need of the community for development.

6.3 Customers' rights and interests

6.3.1 Project quality

Establish and improve quality management system, strive for technique and process innovations, improve project quality and efficiency, and maximize the value of infrastructure to the environment and society throughout its entire lifecycle.

6.3.2 Customer communication and privacy protection

6.3.2.1 Inform customers of service provisions for the contracted projects in a timely manner, including project planning, engineering techniques, changes of materials, etc.

6.3.2.2 Establish data protection mechanisms to protect customer privacy, project information, and data security in the application of big data, IT and other new technologies.

6.4 Responsible supply chain

6.4.1 Supply chain management

6.4.1.1 Develop and disclose policies, commitments and measures that aim to protect the legislated rights and interests of suppliers.

6.4.1.2 Prevent and deal with corruption in all its forms, including commercial bribery that exists in business cooperation with the suppliers.

6.4.1.3 Clarify standards, procedures and management systems for access and withdrawal of suppliers, and evaluate the social responsibility performance of suppliers.

6.4.1.4 Encourage and show support for its suppliers and subcontractors to adopt social responsibility standards and systems or engage in social responsibility initiatives.

6.4.2 Responsible procurement and subcontracting

Set down and disclose principles and standards on product and service procurement for overseas projects; specify CSR requirements such as ethical conducts and environmental performance in the procurement and subcontracting contracts; and encourage subcontractors to use safe, energy-saving and environmentally friendly machinery and materials to minimize negative impacts of the entire supply chain on the society and the environment.

6.5 Fair competition

6.5.1 Protect intellectual property rights

Comply with the international policies and practices on intellectual property rights, establish procedures for the management and use of intellectual property rights, and ensure legal compliance when using external resources.

6.5.2 Maintain good order of the industry

Observe self-discipline rules of the industry, uphold business integrity, adhere to open competition, and reject monopolies and unfair business practices.

7. Environment

7.1 Climate change mitigation and adaptation

7.1.1 Reduce carbon emissions

Develop carbon peak and carbon neutrality strategies, set out and implement scientific plans to achieve its carbon reduction goals, mainstream climate change adaptation in its decision-making and management processes, track the carbon footprint throughout the entire lifecycle of projects, and adopt innovative construction techniques such as prefabricated building as well as advanced carbon sequestration options like carbon capture and storage (CCS) to reduce greenhouse gas emissions.

7.1.2 Optimize energy usage

Increase the use of clean energy in production, construction and operation activities, and improve energy efficiency through process and technological enhancements, etc.

7.1.3 Practice green procurement

Build a green supply chain along which raw materials, products, and services that consume less energy

and water, are preferred. Adopt green and environmentally friendly construction techniques.

7.2 Resource management and comprehensive utilization

7.2.1 Resource management

Establish a science-based, rational resource management system, integrate the awareness of resource saving throughout the entire lifecycle of a project, and promote efficient use of energy, raw materials, land, water, and other resources.

7.2.2 Resource saving and recycling

Increase the proportion of renewables and recyclables, try not to waste or over-consume resources, and actively develop and use replaceable materials.

7.3 Waste and pollution reduction

7.3.1 Pollution reduction

Reduce emissions, monitor light and noise pollutions, and take other effective measures to keep exhaust gas, sewage, noise and solid wastes under control, thus minimizing the negative impacts on the environment.

7.3.2 Waste disposal

Reclaim, reuse or otherwise dispose of construction wastes, domestic wastes and other wastes in a way that conforms to the pertinent laws and regulations to maximize the use of waste resources.

7.3.3 Emergency response

Enforce pollution control measures throughout the entire lifecycle of a project and prepare pollution contingency plans. A response system will be triggered immediately upon a major pollution incident to ensure timely reporting and actions.

7.4 Ecological protection

7.4.1 Ecological impact assessment

Undertake ecological impact assessment, due diligence and other processes to prevent ecological risks before an infrastructure project begins.

7.4.2 Minimize ecological impacts

7.4.2.1 Avoid eco-sensitive zones, such as water sources and habitats of protected rare species, in project design period to avoid major impacts on the ecosystems. In case such impacts cannot be avoided, proactive measures shall be taken to reduce the consumption of raw materials and resources and optimize the engineering workflow to maximize the protection of rare animals and plants as well as their natural habitats and migration corridors.

7.4.2.2 Make a reasonable construction schedule, set up buffer zones, isolation belts and ecological corridors or take other effective measures to minimize soil erosion and major impacts on plants, animals, and their natural habitats.

7.4.3 Ecological restoration

Promote recovery of the ecosystems affected by the project through, for example, reforestation, transplantation of precious tree species, and restoration of land as well as drainage and irrigation systems after construction in a timely manner.

References

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