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China's Approach to Responsible Business

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China's leading role as the recipient and source of investment is continuously growing. According to the Financial Times, Chinese investment on acquisitions and greenfield projects abroad has increased 40-fold between 2012 and 2013 (from USD 2.7 bn to USD 108bn). Business activity in China, and by Chinese companies abroad, has contributed to lifting millions of people out of poverty, but it has also contributed to social and human rights abuses and irreversible environmental damage, and Chinese investors abroad have struggled to obtain a social licence to operate.

The demand for more responsible business practices in China and by Chinese companies abroad has grown, as has the demand from businesses for more guidance on how to meet these expectations. This demand has translated in some changes to legislation and to the development of business guidance in certain sectors. For example, the 2005 Company Law calls on enterprises to, "When undertaking business operations … comply with laws and administrative regulations, social morality and business morality. It shall act in good faith, accept the supervision of the government and the general public, and bear social responsibilities." Other example includes the Shenzhen and Shanghai Stock Exchanges, which have issued social responsibility, environmental guidelines and disclosure requirements for listed companies.

The focus of government efforts so far has been overseas investment. In 2008, the State-owned Assets Supervision and Administration Commission (SASAC) issued Guidelines to the State-owned Enterprises Directly under the Central Government on fulfilling Corporate Social Responsibilities. In 2013, the Ministry of Commerce (MOFCOM) and the Ministry of Environmental Protection (MEP) issued joint Guidelines on Environmental Protection in Investment and Protection Overseas. In 2014, MOFCOM stipulated in the Revised Measures for Foreign Investment Management that enterprises should require its overseas subsidiaries to abide by local laws and regulations and respect local manners and customs, perform social responsibility, and carry out activities in environmental protection, labour protection and enterprise cultural construction to better integrate into localities.

Two examples of industry-led initiatives to promote responsible business in China are in the extractives and textiles and garment sectors. China accounts for 37% of the world's garment exports and remains the largest garment exporter worldwide. The adverse impacts in the textile and garment sector globally are well documented and primarily include impacts related to human rights, labour and industrial relations, and environment. In 2005, the China National Textile and Apparel Council (CNTAC) issued a Code of Conduct (CSC 9000T) for the textiles sector. In the extractives sector, the China Chamber of Commerce of Metals, Minerals and Chemical Importers & Exporters (CCCMC) launched Guidelines for Social Responsibility for Outbound Mining Investment in 2014. As a follow-up in 2015, CCCMC launched the development of Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.