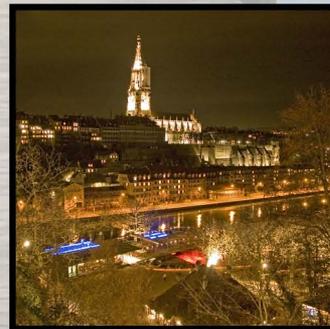


Moving Ahead Together:

Evaluation of Business and Human Rights workshops within the Sino-Swiss Human Rights Dialogue.



Moving Ahead Together

Business and Human Rights workshops
within the Sino-Swiss Human Rights Dialogue:

1. “A rights-based approach to CSR reporting”: Beijing
2. “Labour rights and CSR”: Changsha, Hunan

Evaluation Report
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1. Overview and Context

1.1 Background: The Swiss government invited the Institute for Human Rights and Business to undertake a reporting and evaluation exercise for two workshops within the Sino- Swiss Human Rights Dialogue:

'A rights-based approach to CSR reporting', and 'Labour Rights and CSR' took place in Beijing and Changsha respectively in November 2009.

1.2 Sino-Swiss Human Rights dialogue: The Chinese and Swiss governments launched a human rights dialogue in 1991, since which time ten rounds have taken place, most recently in 2008. Four key areas are addressed within the Sino-Swiss human rights dialogue:

1. Law enforcement and criminal justice
2. Minority rights and freedom of religion
3. International human rights instruments
4. Business and human rights

The Chinese government is engaged in on-going human rights dialogues with other governments, notably the European Union, the United States and Norway. However, only the Sino-Swiss dialogue addresses the question of business and human rights at a government-to-government level, and, as such, it occupies a very significant place in the overall developing human rights discourse and the growing field of corporate social responsibility (CSR) within China.

This is particularly the case at a time when more and more Chinese corporations are investing overseas and becoming global players on the one hand. And on the other, the global economic downturn means increased drive for greater competitiveness, and lower prices through the global supply chain, sometimes at the cost of upholding international human rights standards.

1.3 CSR in China: CSR in China has been a growing trend since 2000, initially in academic and non-governmental circles but since 2004, the Chinese government has embraced a proactive approach to CSR, and in January 2008, the State-owned Assets Supervision and Administration Commission (SASAC) published the *CSR Guidelines for State-Owned Enterprises*, requiring Chinese state-owned enterprises (SOEs) to “enhance their CSR awareness, actively fulfil social responsibility, and become model companies with legal compliance, integrity, energy efficiency, environmental protection and harmony”. (See Annex 3.)

1.4 Business and Human Rights Workshops 2009: the two workshops in Beijing and Changsha, “A rights-based approach to CSR reporting” and “Labour rights as a component of CSR”, co-hosted by the Swiss Federal Department of Foreign Affairs (FDFA) and the China Enterprise Confederation (CEC) in November 2009, mark the resumption of technical activity within the Sino-Swiss governmental human rights dialogue, the previous (and only) business and human rights seminar having taken place in Beijing in September 2005, followed by a study tour to Switzerland in March 2006.

2. Overall Observations and Evaluation

Both workshops were clearly well-organised with considerable planning and coordination between the Swiss Embassy and Swiss government staff and the CEC representatives in advance. The range and number of companies represented was encouraging evidence of a growing awareness of the importance of the issues at hand. And the mix of international speakers from government, UN, international NGOs and multi-national companies (MNCs) also lent depth and diversity to the content and perspectives offered.

Overall, the level of interest amongst speakers and participants (the latter particularly at the Beijing workshop) discussing human rights-related subjects which may have been taboo in China even five years ago was encouraging. Drivers for this positive shift are varied. More and more large Chinese companies are investing and operating overseas where they are confronting human and labour rights issues such as local demands for free trade unions and collective bargaining by workers of which they have no experience and see a need to learn quickly. At the same time, global media and consumers are beginning to demand greater transparency in the working conditions in Chinese supply chains. These trends are underpinned by the SASAC requirement that Chinese SOEs must fulfil and report on their CSR obligations.

Both workshops indicated strongly an appetite and a willingness on the part of many Chinese companies to engage in discussion around the role of business in the respect and protection of human rights. The Sino-Swiss human rights dialogue is an ideal primary vehicle for this debate to evolve and mature, providing a 'deliberative space' for a safe exchange of views coupled with practical capacity-building round CSR built on international human right standards.

"It goes without saying that we must develop CSR documentation and reporting further."
*Chinese corporate participant,
Changsha workshop,
Nov. 09*

2.1 Evaluation of the workshops and tools:

2.1.1: Structure: Both workshops followed a similar structure of speaker input, followed by reflection and comment, with the Beijing workshop breaking into two large discussion groups for part of the afternoon. Given how willing several participants were to enter into discussions in the two large groups in Beijing, a similar change in pace and dynamic for the afternoon session in Changsha may have engaged participants more actively and allowed for a valuable exchange of experience between them and the speakers.

2.1.2: Methodology: The methodology was largely presentation and individual comment, with Question and Answer opportunities in plenary. Given the relatively uncharted territory which these workshops were asking participants to consider, some participants may have felt more comfortable asking questions, raising dilemmas and seeking clarification or support in smaller, more informal discussion groups where more actual learning might have taken place.

2.1.3: Participants: There was a wide range of Chinese, Swiss and multinational companies represented, with a number of business functions at varying degrees of seniority represented. Several participants commented that they would have liked to hear more practical examples from how other companies are implementing a rights-based approach to CSR and CSR reporting. The workshops provided the Chinese participants with a valuable opportunity to network and connect with colleagues carrying out similar roles and possibly facing similar challenges in other companies. This informal learning is not to be under-estimated and carefully selected small group discussions within the larger workshop could optimise these opportunities for ‘comparing notes’.

2.1.4: Tools: The two new tools presented by Mads Holst Jensen from the Danish Institute for Human Rights formed the core framework for the two workshops, and reflected an enormous amount of detailed work in making the international tools relevant to the Chinese context.¹ The in-depth cross-referencing to Chinese labour laws and other relevant contexts in China was noted by many participants and speakers alike. However, given that the two tools did form the backbone of the workshops, they could have usefully been allocated more time after the initial overview presentation for participants in smaller groups to take one or two sections to explore the practical applicability of the tools or relevance of the case studies, drawing on the expertise of one MNC representative per group.

“I don’t see this workshop as preaching to me. Citizens’ expectations around CSR are increasing and the DIHR tools are very useful to help companies meet these expectations, especially Chinese companies establishing operations overseas.” Chinese corporate participant, Changsha workshop, Nov. 09

2.2 Recommendations for future workshops

- Varying the methodology and size of discussion groups would allow more active participation and deeper discussion.
- It would be worth considering the use of small break-out groups to discuss specific dilemmas arising from a case study, ensuring a balanced mix of state-owned and private companies (both Chinese and multinational), and government representatives.
- Including more supply chain management and procurement executives in future workshops would add another useful perspective to discussions. A greater presence of MNCs to share non-China experience may enrich discussions further.
- Distributing substantive materials, in this case the two DIHR handbooks, to participants a week in advance of the workshops with a number of specific questions to consider and respond to at the workshop would allow for more discussion of the valuable material. Alternatively, two or three Chinese companies from different sectors, including one operating overseas, could be invited to trial sections of the handbooks in advance of the meeting and bring their learning to the wider group for discussion. This would allow a

¹ “The Business and Social Sustainability Check”, and “Towards Global Citizenship: a Handbook for Chinese Companies Promoting Global Standards and Rights”, Mads Holst Jensen, Danish Institute for Human Rights, 2009

more focused and in-depth discussion and a freer sharing of problems and possible solutions.

3. Recommendations to the Swiss government for next steps within the frame of the Sino-Swiss human rights dialogue

These two workshops represent the resumption of activities within the Business and Human Rights pillar of the Sino-Swiss Human Rights dialogue. It is, therefore, essential to build on the momentum which these events have generated. Talking to members of CEC as well as participants at both workshops, there is clearly an appetite to shift from awareness-raising around a rights-based approach to CSR to practical, operational capacity-building.

The promulgation of CSR guidelines for Chinese SOEs in January 2008 by State-owned Assets Supervision and Administration Commission (SASAC – see Annex 3) has lent an importance and urgency to CSR reporting. There now seems to be a prevailing attitude that it is time to move from the ‘why’ to the ‘how’ and the Swiss government are ideally placed to play a critical role in advancing this agenda.

Broadly, the road map for the Sino-Swiss business and human rights programme over the next two to three years could be conceived as follows:

1. **Awareness-raising** through an exchange of experience between Swiss, Chinese and multinational companies on how to meet CSR and human rights expectations both nationally and in overseas operations, with a focus on incorporating global standards and the Ruggie framework into Chinese business operations and policy debate.
2. **Practical capacity-building** for particular industry sectors around specific themes/challenges in embedding a rights-based approach to CSR. This could include collective action, business linkages, multi-stakeholder training, secondments, internships, case studies, study visits.

The following areas of focus should be considered as a priority, both in terms of their human rights dimensions but also the apparent interest of the Chinese partners and companies to engage constructively:

3.1 Focus on Investment – inward and outward

Given the investment as well as the human rights dimensions of these first two proposals, successful convenings would require the cooperation and coordination of all relevant and responsible offices in the Swiss government, working with CEC.

3.1.1. Chinese outward investment, especially in Africa and Latin America where Chinese companies are reporting facing unfamiliar challenges, e.g. forming trade unions and establishing collective bargaining processes (Peru), facing disinvestment campaigns (Sudan). Awareness-raising and capacity-building workshops are needed to discuss expectations, risks, challenges, and possible solutions. The workshops should combine deepening understanding of international frameworks and guidelines with practical case studies from other companies having faced similar situations. Multi-stakeholder consultations could form part of these workshops. The emphasis should be on finding practical solutions to real dilemmas, and building the capacity of the Chinese companies to enter into stakeholder consultations.

3.1.2 Foreign Direct Investment, - convenings with Swiss and other investment banks and Chinese companies to consider the impact of the increase in the global market in (a) socially responsible investment, and (b) consumer pressure for meeting CSR standards down the supply chain; growth in Fair Trade, traceability of products etc.

3.2. Building MNC-SOE-SME linkages:

The workshops highlighted that there is enormous need for practical capacity-building within Chinese SOEs, large non-state owned enterprises and SMEs to better implement CSR and how to operationalise and report on CSR commitments. By convening capacity-building workshops bringing together overseas-based multi-nationals (MNCs) with Chinese SOEs and a number of SMEs in their supply chain to address practical means of raising CSR standards in the value chain. This process could explore synergies with SECO's SCORE programme in improving standards and performance in the SME sector in China.²

The workshops would provide a forum for learning lessons, sharing good practice and constructive discussion about unresolved dilemmas. The two DIHR tools could be used to provide the rights-based framework for training and discussion while case studies from the MNCs could highlight how other companies outside China have tackled particular challenges.

Three sectors were mentioned at the workshop in Beijing as important focus areas for an awareness-raising and capacity-building programme to a rights-based approach to CSR. A champion MNC in each sector would provide important leadership and motivation.

² Sustaining Competitive and Responsible Enterprises (SCORE) programme is funded by SECO and implemented by ILO. . In China, ILO and UNIDO have implemented the first phase project named Corporate Social Responsibility in the Chinese Textile Industry since 2007. As second phase activities, SCORE in China will continue to support Chinese small and medium sized enterprises to improve their business competitiveness and strengthen their responsible performance. One of the three objectives is as follows:

- Progressive workplace practices are shared and disseminated at the local and national level if possible in collaboration with labour inspectorate service, international buyers, multi-national companies and local training institutes.

- Construction – ABB as possible lead MNC.³
- Steel – Tata Steel as possible lead MNC.⁴
- Electronics – HP as possible lead MNC.⁵

The linkages fostered through these workshops could be further reinforced by a mentoring scheme between MNC-SOE or SOE-SME, secondments, internships for more junior SME/SOE managers and practical study and field visits to factories, and so on. Again, the SCORE programme provides an existing framework to consider building these SME linkages within.

It is recommended to focus on specific areas of risk to human rights within these sectors' operations and explore collectively sustainable solutions. Consultation with CEC, representative companies and relevant stakeholders would indicate priority areas to address. These may include the following areas:

- Worker representation
- Grievance mechanisms
- Living and working conditions
- Migrant workers
- Adding social value in the community

³ Brice Koch, President of the ABB North Asia Region and Chairman and President of ABB China: "It is ABB's mission to be a good corporate citizen and to fulfill its social responsibility. A company cannot simply focus on its own growth, but must leverage its people and position in the community to promote the welfare of our society as a whole." www.abb.com.cn

⁴ Tata Steel Ltd has been awarded the Golden Peacock Global Award for Corporate Social Responsibility (CSR) for 2009. The Company was selected as the winner under the Co-Chairmanship of HE Dr Ola Ullsten, former Prime Minister of Sweden, and Justice P N Bhagwati, former Chief Justice of India and Member of the UN Human Rights Commission. 4/3/09; <http://www.tatasteel.com/newsroom/press500.asp>

⁵ HP acts as a force to improve lives in the communities where we work and we expect our suppliers to make the same commitment. Our priorities include protecting workers' rights, dignity and respect, raising health and safety standards, minimizing the environmental impact of producing and distributing our products, and upholding the highest standards of business ethics. Since we launched our Social and Environmental Responsibility Program in 2000 with product materials, components, and manufacturing and distribution services suppliers, we have made ourselves accountable for these suppliers' SER performance, built a commitment to SER among this supplier base and begun to tackle the toughest challenges in the supply chain. <http://www.hp.com/hpinfo/globalcitizenship/supplychain/index.html>

4. Summary of Workshop Proceedings

“A rights-based approach to CSR reporting”, Beijing, November 9 2009

(see Annex 1: agenda and participants)

Summary of proceedings:

Welcome address, Mr Liu Peng, Deputy Director, CEC:

- CSR is becoming an increasingly important trend in China. SOEs are now required to undertake CSR responsibilities and reporting. (See Annex 3)
- 2008 – the new Labour Contract Law was promulgated in China which further strengthens the rights of workers in the workplace.
- CEC has promoted CSR since the 1990s and is delighted to co-host this workshop with the Swiss FDFA to help increase Chinese companies’ understanding of CSR responsibilities, and to assist them in seeking sustainable solutions at a time of global financial crisis.

Welcome address, Ms. Krystyna Marty, Deputy Head of Mission, Swiss Embassy:

- China and Switzerland enjoy excellent bilateral relations: Switzerland was one of the first countries to recognise the PRC in 1950, and the scope of its relations has increased ever since to a point today of exploring the feasibility of a Free Trade Agreement.
- Since 2002, China has been Switzerland’s largest trading partner in Asia with 2008 levels of trade standing at US\$10.5 billion, and Swiss Foreign Direct Investment in China at US\$4.5 billion., and a total of 300 Swiss firms operating in China.
- The Swiss government welcomes the opportunity to explore the rights-based approach to CSR within these two workshops. The protection and promotion of human rights is a priority for the Swiss government all over the world, and the Sino-Swiss human rights dialogue provides a confidential forum for frank exchange on all related topics (with the four key focus areas listed above). These technical business and human rights workshops within the framework of the dialogue are as important as the government-to-government dialogue, providing an arena for exchanging best practice, insights and lessons learned.

Presentation 1: *The value of a rights-based approach to CSR reporting/sustainability reports in a time of crisis*, Mads Holst Jensen, Danish Institute for Human Rights:

- Focus on how a rights-based approach to CSR can be brought into a Chinese perspective – overlap with the tenets of a ‘Harmonious Society’, namely personal rights, justice and the rule of law, as well as with the human-centred strategies of the Chinese

government's 2005 GoTone-Nanchang Declaration.⁶ This approach brings existing Chinese values and norms into the broader CSR framework.

- Overview of the rights-based approach to CSR, complying with the highest international standards, beyond the minimum legal requirements of national law. Frameworks such as the UN Global Compact and the Global Reporting Initiative can help Chinese companies to align with international standards.
- Consideration of the contributions of a rights-based approach to CSR in four areas: enhancing risk management, strengthening corporate governance, supporting Chinese companies in becoming global citizens, and enhancing sustainable and transparent reporting.

Presentation 2: CSR reporting in China: national and international standards, Mr Cheng Duosheng, (CEC):

- Chinese companies need to increase their understanding of international human rights and labour rights standards and reflect this in their operations and CSR reporting. UN member states should be implementing UN and ILO Conventions to which they are signatory. Existing standards such as CT9000 for the Chinese textile industry do not incorporate UN human rights or ILO labour standards and are, thus, not complete.
- This workshop provides an opportunity for Chinese companies to build their understanding of how to operationalise international standards, hopefully in a very practical way.

Reflections and Comments:

Nils Rosemann , Swiss government:

- Overview of why business and human rights is part of Swiss government policy – upholding UN human rights standards as a signatory to UN human rights covenants and conventions. The 'Respect, Protect, Remedy' framework proposed by UN Special Representative to the Secretary General on business and human rights, Professor John Ruggie provides excellent guidance in terms of compliance, due diligence, grievance mechanisms and fulfilling human rights obligations throughout a company's sphere of operations and investment.
- Purpose of these workshops is to enhance cooperation, bringing the general focus of the CSR discourse down to a very practical level for individual businesses both as Chinese operators but also as global citizens.

Liu Meng, Chinese Network Manager, UN Global Compact:

- This seminar provides a good example of the increasing attention to CSR reporting being paid by Chinese companies. 2 Chinese enterprises are included on the UNGC website of best practice in CSR reporting – China Development Bank and COSCO.⁷

⁶ High Fly the Banner of Construction Harmonious Society – Declaration of 2005 GoTone-Nanchang International Forum of Constructing Harmonious Society and Corporate Social Responsibility.

- UN Global Compact provides valuable tools and resources for Chinese companies to increase their understanding of a rights-based approach to CSR implementation and reporting.

Sean Gilbert, Global Reporting Initiative:

- This seminar contributes to upholding the ethics of the Chinese concept of ‘Harmonious Society’ as well as international principles of human and labour rights.
- To be seen as a leading global company, particularly in challenging economic times, there must be core international principles to which a company must adhere if it is to meet its social expectations.
- Overview of recommendations for a rights-based approach to reporting, including transparency about management processes, prioritising problems and human rights risk areas.

Questions/Discussion points:

- How central should human rights be vs labour rights for a Chinese company?
- Is it different to talk about human rights in a Chinese context vs an international context – should we use a different language in discussing human rights issues with Chinese enterprises? Is a differentiated approach possible?
- Importance of looking at basic principles rather than worrying too much about the language, eg. worker representation vs free trade unions.
- No longer taboo in China to discuss these issues as would have been the case 15 years ago. CSR is a global trend, with human rights and labour rights at the core. China needs to embrace this common language with others in the global business community and other governments. Importance of putting aside differences and seeking common ground based on international language and international standards.
- There is a need for increased understanding of ‘due diligence’.
- A reminder that in 2004 the state responsibility for the protection of human rights was added to the Constitution of the PRC.
- Do we understand which human rights relate to which company, as each context is so different? This is a challenge for this workshop – to address the question, “is there a common understanding of what we mean by a rights-based approach”?
- Need for better communication to Chinese enterprises around 2008 Chinese Labour Law as well as international labour standards.
- The economic development of China makes it more important to close the gap between Chinese language around labour rights and the international language of universal standards.

⁷ The Global Compact Office introduced the Notable COP program in 2004 to highlight and recognize outstanding Communications on Progress (COP). COPs featured in the Notable COP program are selected because of their adherence to the COP policy and because they represent illustrative and inspirational examples of communicating progress.

- Reinforcement that human rights is a universal, and not a Western, concept.
- There is a need for different departments within Chinese companies to be communicating about CSR with each other, eg. human resources, legal, procurement.

Presentation 3: Introduction to the DIHR's 2 new tools, "The Business and Social Sustainability Check" and "Towards Global Citizenship", Mads Holst Jensen:

- Consideration of duties of 'respect, protect, promote, fulfil' and corresponding areas of government and corporate responsibility, the latter ranging from essential to expected and desirable.
- The 2 DIHR tools help companies prioritise importance of different human rights aspects from employment practices through community impact to supplier, customer and government relations.
- Importance of capacity-building for companies to undertake self-assessment with regard to human rights compliance.
- Need to find common ground between international and Chinese 'essence and utility' in terms of human rights norms, values and standards and business practice.

Reflections and Comments:

Li Weiyang, Deputy Director of CSR Office, State Grid Corp of China:

- Impressive in-depth knowledge of Chinese labour law reflected in the DIHR tools.
- Need for Chinese companies to consider moving from a response to social pressure, to management of social risk, and beyond to creation of social value. The 3 steps of 'must', 'should', and 'willing to' are needed in going beyond bottom line to creating social, environmental and economic value.
- A company represents a cooperative platform for different stakeholders to balance their priorities.
- There is a need to go further still than the steps listed in the DIHR tools.
- Question of how you distinguish state and company responsibilities in a SOE needs to be addressed.

Ines Kaempfer, Fair Labour Association:

- Re-emphasis on the importance of looking behind certain principles and standards on eg. freedom of association – finding very practical ways to enhance worker representation which can lead to increased efficiency and productivity. FLA has broken down some of the rights-based CSR indicators very concretely – this is what Chinese companies are asking for.

Two Discussion Groups:

i) The role of reporting for social sustainability (chaired by Sean Gilbert)

- CSR reporting influenced by structure of a joint venture (JV), industry sector, geographical area of operation, markets etc.

- Reporting on 1st tier suppliers where a company has maximum leverage. Is this far enough, or should companies be going back to raw material providers, eg. cotton pickers in apparel sector?
- Concern that the financial crisis has pushed CSR considerations lower down the corporate agenda.
- How far down the supply chain can a buyer require 3rd party auditing?
- Need to consider the different contexts and expectations of Chinese SOEs which are becoming multinational compared to Chinese suppliers to global brands seeking to win contracts.
- Fundamental question – should CSR be voluntary or mandatory?
- Switcher (Swiss co.) perspective that a rights-based approach to CSR is a business opportunity. Global consumers will demand, beyond quality, price and look of a product, more transparency about how it has been produced.

ii) The role of rights-based approach to sustainable business (chaired by Mads Holst Jensen)

- Conflict exists between legislation and implementation. The government over-legislates, so companies under-implement, creating governance gaps. In this space, human rights is relevant.
- Companies must take some responsibility to respect human rights while waiting for government to fulfil its responsibility to protect.
- A lack of basic benchmarks for companies operationalising human rights. Examples from other companies would help.
- There is a need for incentives in smaller enterprises for honouring their CSR commitments.

The Road Ahead:

Nils Rosemann:

The very rich and productive discussions of the day highlight the following key points:

1. Cooperation - there is a very good basis for future cooperation between CEC and the Swiss FDFA, and a strong foundation to discuss differences in approach as well as common objectives regarding CSR and human rights. The Sino-Swiss workshops can provide the forum for sharing good practice and learning lessons. 'We must not wait four more years until we take the next step together'.
2. Global economic downturn - it is clear that the new economies such as China will represent the engine for economic recovery.
3. Ruggie - UN Special Representative to the Secretary General on Business and Human Rights, Professor John Ruggie's framework of 'respect, protect, remedy' provides an excellent framework for dialogue between government, workers, management, and community.
4. Role of investment - it is important to explore the role of a rights-based approach to CSR in Chinese companies' overseas investment as well as FDI in China.

5. Role of consumers cannot be ignored. Consumers of Chinese products are global and supply chain management will come under more and more scrutiny with regard to human and labour rights.
6. Operationalising CSR - there is a pressing need to engage more concretely on the practical aspects of a rights-based approach to CSR, helping translate international standards for individual companies.

Cheng Duosheng:

The input from international experts has allowed Chinese companies to increase their understanding of improved CSR reporting to include human rights, while also showcasing some examples of existing good practice in China. However, there is still a real need for further in-depth discussions on the definitions of CSR and how SOEs, SMEs and Chinese multinational companies can better understand and fulfil international human rights expectations. The CEC cooperation with the Swiss government must continue with meetings in 2010, focusing in two key areas:

1. Operationalising CSR: How to implement human rights standards at a practical level – case studies and input from more international companies would enhance learning.
2. Capacity-building: Chinese companies investing overseas are encountering human rights issues which they have not encountered in China, eg. Sudan - conflict in Dafur, Peru – trade unions and collective bargaining. CEC and the Swiss government can play an important role in supporting Chinese companies to better understand their CSR and human rights responsibilities and improve their risk management.

Informal Feedback from Participants:

- The international perspective on CSR and human rights provided by the workshop is valuable for Chinese companies to become more aware of and have a chance to discuss.
- The presentations and discussions are giving participants the language and awareness they need to begin to address CSR reporting from a human rights perspective.
- The DIHR tools are very useful as a reference point and the references to Chinese labour law are impressive. However, a more practical and concrete breakdown as to how to operationalise these principles is still needed.
- Case studies from multinational companies operating in China and other countries facing dilemmas around implementing a rights-based approach to CSR reporting would help Chinese companies new to this area.
- More direct input from non-Chinese companies as to how they managed and operationalised CSR and human rights would be valuable. Practical examples are even more helpful than theoretical frameworks.

“Labour rights as a component of CSR”, Changsha, Hunan Province, November 11 2009
(see Annex 2: agenda and participants)

Welcome addresses:

Mr Liu, Head of Hunan Enterprise Confederation:

- Overview of Hunan’s economic development - 14% year-on-year growth 2008-9, despite the global economic downturn.
- Within the context of the Chinese “Harmonious Society’, it is important that all workers should reap the benefits of economic growth and openness. Increasing understanding of labour rights protection is key so this workshop is timely and constructive.

Mr. Nils Rosemann, Swiss government:

- Reiteration of the excellent Swiss-Chinese bilateral relations (see Beijing report).
- Emphasis on responsibility of governments AND business to respect human rights. This workshop provides an opportunity for Chinese companies based in Hunan to share their experiences.

Presentation 1: Labour rights as a part of CSR reporting in China: national and international standards and challenges by Cheng Duosheng, CEC

- A number of Hunan-based enterprises are already reporting on CSR and/or are UN Global Compact members so awareness of these issues already exists.
- Human rights are key to workers’ rights – outline of the Universal Declaration of Human Rights and ILO Conventions. The UNGC has 10 principles, 3 human rights, 4 labour, 2 environment, 1 anti-corruption. The discussion at the workshop will increase participants’ understanding that many of these international standards are, in fact, close to their business operations. The BLHR handbook and 2 DIHR tools support this learning.
- There is a pressing need to harmonise the economic with social benefits, especially at a time of economic crisis. President Hu Jintao has said there is a need to monitor companies’ performance in this regard.
- SASEC’s guidelines on CSR (see Annex 3) - embedding CSR into Chinese SOE management.

Case study 1: CSR and Labour rights by Bruno Barthes, Compliance and Integrity Director, Switcher, Switzerland:

- Overview of Switcher’s innovative CSR management function and transparent product tracking system right back to raw materials.
- Need for CSR responsibility to sit in a senior post within the company to demonstrate real commitment.
- Concrete measures to prove this commitment and ensure continuous improvement include CSR reports, compliance training days for suppliers.

- Global consumers will increasingly start to demand information on how a product is made so supply chain compliance with international standards will become more and more important.

Case study 2: *CSR and Labour rights* by Peng Xiangyu, Human Resources Dept. President, Xiangtan Electrical Manufacturing Group Corporation Ltd, China:

- Overview of Chinese labour laws and the company's own compliance with these requirements.

Reflection: Nils Rosemann:

- Companies moving from compliance with regulation towards adopting voluntary codes need to embed self-regulation into the corporate culture.
- Dialogue and consultation within the company underpin commitment to moving from a contractual relationship with workers towards a broader concept of social responsibility.

Presentation 2: *Introduction to the 2 DIHR tools "The business and sustainability check" and "Towards global citizenship"*, Mads Holst Jensen

- Similar presentation to Beijing workshop (see above).
- An interactive Chinese version of the DIHR tools will be available shortly.
- The list of websites, resources and international standards requested by one participant are available in the DIHR "Towards Global Citizenship" handbook.
- China has an advanced system of dispute settlements and grievance mechanisms both in the workplace and beyond. The DIHR tools give further guidance for these based on international standards.

Comment:

Cheng Duosheng:

- The range in scale and nature of Chinese enterprises mean that what is relevant for an SOE or multinational may not be relevant for SMEs. The DIHR booklets provide useful reference material, but need, nevertheless, to be used in conjunction with other existing documents.
- CEC had some input into the recently promulgated National Labour Contract Law, during the drafting of which a process of public hearings allowed for thousands of workers' voices to be heard. This raises the broader question of public participation in legislation-making.
- The question of influence of foreign companies on Chinese companies and vice versa (e.g. international pressure for Chinese companies to exert influence with Sudanese SOEs to respect human rights).

Presentation 3: *Labour right in the Chinese Labour Law*, Liu Wenhua, Hunan Provincial Dept. of Labour and Social Security.

- An overview of labour rights enshrined in the Constitution of the PRC and national and local labour laws, including protection for women, migrant workers and casual workers.

- 20million workers are covered by the Labour Union (ACFTU)
- 4 key ILO Conventions ratified by the Chinese government: Freedom of Association, Forced Labour, Child Labour, Discrimination.

Presentation 4: A perspective on reporting labour rights from Hewlett-Packard, Ernest Wong, APJ Supply Chain SER Programme Manager, HP

- Overview of HP's commitment to global citizenship and respect of human and labour rights, integrated into their goals and evident in all facets of their business.
- HP was the first IT company to implement a supplier code of conduct in the late 1990s, and has exercised leadership in its sector and beyond ever since.
- Practical examples given of how labour rights are promoted down the supply chain, eg. labour rights training, worker hotlines, training of Workers' Representatives Committees by 3rd party NGO.
- Commitment of CEO underpins the corporate culture of global citizenship and leadership.
- Advice on establishing operations overseas:
- Importance of conducting a gap analysis between company performance and national requirements when setting up in a new country.
- A policy for continuous improvement in CSR is essential to demonstrate genuine commitment.
- Open dialogue and channels of communication must be established early on and maintained to build trust and meaningful consultation.

The Road Ahead:

Cheng Duosheng, CEC:

- Personal perception of a colourful discussion with a rich mix of experiences. The workshop was not preaching but effective in moving from the general to the specific.
- CEC wants an early next step in the CEC-Swiss FDFA cooperation. The next workshops should be more targeted, for example companies should be divided into SOEs, SMEs, Chinese companies investing overseas, industry sector. Future programmes could be tailor made for different provinces according to industry sector and scale.
- Now that CSR reporting is mandatory for companies listed on the Chinese Stock Exchange, internal motivation to do CSR reporting well is essential, eg. as National Grid of China is already doing.

Nils Rosemann, Swiss government:

- The extraordinary rates of economic growth in Hunan in particular, and China in general, must be sustainable and built on CSR values.
- When China makes a commitment to see an initiative through, she does so. Let it be so with CSR!

- Price isn't everything. A decent profit is key, but will only be sustainable if built on solid rights-based values of social responsibility.
- There is a need to look at implementing China's very good labour laws down the supply chain. Chinese companies should take the DIHR tools, use them and own them. Good practice should be shared.
- No-one has all the answers to implement CSR perfectly. But a public commitment to continuous improvement is the key to long-term success in becoming truly global citizens.

Questions and Informal Feedback from Participants:

- Q: For Chinese companies setting up overseas subsidiaries, (i) how do they find out about national and local labour laws, (ii) what preparations should the Chinese company make, (iii) should the human resources manager for the new subsidiary be recruited locally or from China?
- Q: How can cultural differences between China's human rights values and international standards be reconciled?
- Q: Don't enterprises have rights as well as workers, e.g. protection of intellectual property, confidentiality?
- The workshop presents a very valuable opportunity to make contact and share experiences informally with colleagues at other Chinese companies – this comment from two Human Resources managers.
- Discussing issues beyond compliance with the labour laws is a 'spiritual experience' and a rare opportunity.

Informal observations:

- The workshop in Beijing operated at a more sophisticated, political level. Participants were genuinely engaged in the issues. In Changsha, the emphasis was more on the practical requirements of what is needed and how to report on CSR.
- For follow-up it will be necessary to choose areas where CEC Beijing has purchase.
- Interest was expressed in 3 possible follow-up events: (i) SOEs, (ii) SMEs and (iii) Chinese companies investing overseas. Possible sector focus includes construction and steel.
- Within the margins of larger workshops, it might be constructive to have smaller, very focussed working groups to test aspects of the DIHR tools and give feedback, or to explore specific issues around implementing CSR reporting.

ANNEX1



A rights-based approach to CSR reporting

Workshop co-organised by the Swiss Federal Department of Foreign Affairs and the China Enterprise Confederation (CEC) in the framework of the Human Rights Dialogue between China and Switzerland

Beijing, Novotel Sanyuan, November 9, 2009

09:00 – 09:30: Arrival of the participants

09:30 – 10:00: Welcome address by Mr. Liu Peng, Deputy Director General of CEC and Ms. Krystyna Marty, Deputy Head of the Embassy of Switzerland in China

10:00 – 10:20: Tea break

10:20 – 10:40: Presentation 1: Mads Holst Jensen (Danish Institute for Human Rights): *the value of the rights based approach to CSR reporting / sustainability reports in time of crisis*

10:40 – 10:50: Comment by Nils Rosemann (Swiss Federal Department of Foreign Affairs)

10:50 – 11:10: Presentation 2: Cheng Duosheng (CEC): *CSR reporting in China: national and international standards*

11:10 – 11:20: Comment by Liu Meng (UN Global Compact Office)

11:20 – 12:00: Reflection and chairing of the open discussion by Sean Gilbert (Global Reporting Initiative)

12:00 – 13:15: Lunch break

13:15 – 14:00: Presentation 3: Mads Holst Jensen: *Introduction to the Danish Institute for Human Rights' approach to CSR, 2 new tools: "The business and social sustainability check" and "Towards global citizenship"*

14:00 – 14:15: Reflection on the documents presented by Li Weiyang (State Grid Corporation of China)

14:15 – 14:30: Reflection on the documents presented by Ines Kaempfer (Fair Labour Association)

14:30 – 15:00: Tea break

15:00 – 16:30: Discussion in 2 groups

Group 1: *role of reporting for social sustainability* (Sean Gilbert)

Group 2: *role of rights-based approach to sustainable business* (Mark Hodge, Global Business Initiative on Human Rights)

16:30 – 17:00: Wrap-up of the discussions by representatives of each group (15 minutes each, preferably by representatives of companies)

17:00 – 17:30: Comment by Frances House (Institute for Human Rights and Business)

17:30 – 17:45: *"The road ahead, part 1"* by Nils Rosemann

17:45 – 18:00: *"The road ahead, part 2"* by Cheng Duosheng

18:00: Dinner

以权利为基础的企业社会责任报告 *A rights-based approach to CSR reporting*

北京, 诺富特三元酒店, 2009年11月9日
Beijing, Novotel Sanyuan, November 9, 2009

参与单位与人员名单 List of participants

Companies / 企业:

1. **Bruno Barth**, CSR Director, Switcher
2. **Fan Xing**, Manager Chief, Culture and Advocacy Dept, China National Materials Group Corporation Ltd / 樊星, 中国中材集团有限公司文宣部业务主办
3. **Fang Zhonghua**, Department of Human Resources, China National Gold Group Corporation / 方中华, 中国黄金集团公司人事部部长
4. **Fu Zuyue**, Chief Manager, Culture and Advocacy Dept, Shougang Group / 傅祖越, 首钢总公司主管师
5. **Geng Yan**, Director of Administration, Science and Technology, Association of Chinese private entrepreneurs / 耿燕, 中国民营科技实业家协会综合管理部副主任
6. **Hao Xiaolong**, Deputy Division Director, China South Locomotive & Rolling Stock Corporation Limited / 郝晓龙, 中国南车股份有限公司副处长
7. **Lei Lei**, Principal of Trade Union, BCEG Environment Development Co., Ltd / 雷蕾, 北京建工环境发展有限责任公司工会负责人
8. **Li Chen**, Senior Project Manager, COSCO Network, Ltd / 李琛, 中远网络有限公司高级项目经理
9. **Li Cherry**, ABB China CSR Officer, ABB
10. **Li Weyang**, Deputy Director of CSR Office, State Grid Corporation of China / 李伟阳, 国家电网公司社会责任办公室副主任
11. **Liao Jianchun**, Legal and Supervision Dept., China National Aviation Holding Company / 廖建春, 中国航空集团公司法律监管部

12. **Lin Xiaohui**, Deputy Section Director, China Metallurgical Corporation Limited / 林晓辉, 中国冶金科工股份有限公司副处长
13. **Liu Congsheng**, Vice General Manager, China National Gold Group Corporation / 刘丛生, 中国黄金集团公司副总经理
14. **Liu Fengyu**, Senior Human Resources Manager, Microsoft China / 刘凤喻, 微软中国公司人力资源高级经理
15. **Pan Xiaoxiao**, Senior Human Resources Manager, Microsoft China / 潘晓晓, 微软中国公司人力资源经理
16. **Qian Bin**, Director of Administration, Babcock and Wilcox Co., Ltd / 钱斌, 北京巴布科克威尔科克斯有限公司
17. **Ren Hua**, Director of Human Resources, Haier Group / 任华, 海尔集团人力资源总监
18. **Shen Xuzhao**, Director of Administration, Chenfeng Group / 沈须照, 晨风集团股份有限公司办公室主任
19. **Wang Guoqi**, Department Manager, Beijing LOIT Technology Co., Ltd / 王国全, 北京时代凌宇科技有限公司部门经理
20. **Wang Jian**, Human Resources Department, Dalian Wanda Group / 王建, 大连万达集团人力资源部
21. **Wang Yajun**, Manager, China Datang Corporation / 王亚军, 中国大唐集团公司
22. **Wang Zhen**, Chief of Labor, Haier Group / 王振, 海尔集团劳动动力主管
23. **Yang Jing**, China National Petroleum Corporation / 杨静, 中国石油天然气集团公司
24. **Yang Meiwu**, Deputy Division Director, China South Locomotive & Rolling Stock Corporation Limited / 杨美武, 中国南车股份有限公司副处长
25. **Yuan Li**, Manager, State Development & Investment CORP. / 袁姝, 国家开发投资公司研究员
26. **Zhang Congli**, Staffer, China Metallurgical Corporation Limited / 张丛丽, 中国冶金科工股份有限公司职员
27. **Zhang Fengguang**, Director, Shougang Group / 张风光, 首钢总公司主任师
28. **Zhang Yulong**, Chairman of Trade Union, Babcock and Wilcox Co.,Ltd / 张玉龙, 北京巴布科克威尔科克斯有限公司工会主席
29. **Zhou Zhe**, Director of Public Relations, Haier Group / 周哲, 海尔集团公关总监

International experts / 国际专家:

30. **Sean Gilbert**, Representative for the China Focal Point, Global Reporting Initiative
31. **Mark Hodge**, Director, Global Business Initiative on Human Rights
32. **Frances House**, Director of Strategy, Institute for Human Rights and Business

33. **Mads Holst Jensen**, Adviser, Human Rights & Business Project, The Danish Institute for Human Rights
34. **Ines Kaempfer**, Survey & Assessment Manager, Fair Labor Association
35. **Meng Liu**, China Network Manager, UN Global Compact Office

China Enterprise Confederation / 中国企业联合会:

36. **Liu Peng**, Deputy Director General, CEC / 刘鹏, 中国企业联合会副理事长
37. **Cheng Duosheng**, Deputy Director of Employers Department, CEC / 程多生, 中国企业联合会雇主工作部副主任
38. **Zhou Xin**, Project Director of Employers Department, CEC / 周欣, 中国企业联合会雇主工作部项目主任

Swiss Federal Department of Foreign Affairs / 瑞士外交部:

39. **Krystyna Marty**, Deputy Head of the Embassy of Switzerland in China
 40. **Nils Rosemann**, Desk Human Security and Business, Swiss Federal Department of Foreign Affairs, Political Affairs Division IV, Human Security
 41. **Gautier Chiarini**, Advisor, Political Section, Embassy of Switzerland in China
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ANNEX 2



Labour rights as a component of CSR

Workshop co-organised by the Swiss Federal Department of Foreign Affairs and the China Enterprise Confederation (CEC) in the framework of the Human Rights Dialogue between China and Switzerland

Changsha, Zidongge Huatian Hotel, November 11, 2009

09:00 – 09:30: Arrival of the participants

09:30 – 10:00: Welcome address by CEC (Cheng Duosheng) and Swiss Federal Department of Foreign Affairs (Nils Rosemann)

10:00 – 10:20: Tea break

10:20 – 10:40: Presentation 1: Cheng Duosheng (Deputy Director of the Employers Department of CEC): *Labour rights as a part of CSR reporting in China: national and international standards and challenges*

10:40 – 10:50: Comment by Frances House (Institute for Human Rights and Business)

10:50 – 11:05: Case study 1: CSR and labour rights: an example by a Chinese company

11:05 – 11:20: Case study 2: CSR and labour rights: an example from a Swiss company, presented by Bruno Barth (CSR Director, Switcher)

11:20 – 12:00: Reflection on the case studies (10 minutes) and chairing of the Q&A session by Nils Rosemann

12:00 – 13:00: Lunch break

13:00 – 13:45: Presentation 2: Mads Holst Jensen (Adviser, Danish Institute for Human Rights): Introduction to the Danish Institute for Human Rights' approach to CSR, 2 new tools: "The business and social sustainability check" and "Towards global citizenship"

13:45 – 14:30: Comment (10 minutes) and chairing of the Q&A session by Cheng Duosheng

14:30 – 15:00: Tea break

15:00 – 15:20: Presentation 3: Liu Wenhua (Hunan Provincial Department of Labour and Social Security): *Labour right in the Chinese labour law*

15:20 – 15:50: Comment (10 minutes) and chairing of the Q&A session by Frances House

15:50 – 16:10: Presentation 4: Ernest Wong (APJ Supply Chain SER Program Manager, HP): *A perspective on reporting labour rights from Hewlett-Packard*

16:10 – 16:40: Comment (10 minutes) and chairing of the Q&A session by Liu Wenhua

16:40 – 17:05: Wrap-up and "the road ahead, part 1" by Cheng Duosheng

17:05 – 17:30: Wrap-up and "the road ahead, part 2" by Nils Rosemann

17:30: Dinner

1. 湖南开关厂
Hunan Switchgear Factory
2. 湖南省农业集团有限公司
Hunan Agriculture Group Co., Ltd.
3. 湖南宇环同心数控机床有限公司
Hunan Yuhuan Tongxin CNC Machine Tool Co., LTD
4. 湖南省茶业有限公司
Hunan Tea Company Limited
5. 三一集团有限公司
Sanyi Group Co., LTD
6. 湖南有色金属控股集团有限公司
Hunan Nonferrous Metals Holding Group Co., LTD
7. 湖南大学工商管理学院
Hunan University Management School
8. 中国电信湖南公司
China Telecom Corporation Limited
9. 衡阳市企业家协会
Hengyang Enterprise Directors Association
10. 特变电工衡阳变压器有限公司
Tbea Hengyang Transformer Co., LTD
11. 衡阳金化科技有限公司
Hengyang Jinhua Technology Co., Ltd.
12. 湖南龙骧交通发展集团有限责任公司
Hunan Longxiang Transportation Development Group Co., Ltd.
13. 长沙海驿物流有限公司
Changsha Haiyi Logistics Co., Ltd.
14. 长沙中联重工科技发展股份有限公司
Zoomlion Heavy Industry Science & Technology Development Co., Ltd
15. 长沙水业投资管理有限公司
Changsha Water Service Investment Management Co.,Ltd
16. 株洲硬质合金集团公司
Zhuzhou Cemented Carbide Group Corp. LTD

17. 南车株洲电力机车有限公司
Zhuzhou Electric Locomotive Co., Ltd.
18. 湖南省煤业集团有限公司
Hunan Coal Industry Group Co., Ltd.
19. 中南大学
Zhongnan University
20. 湖南省建筑工程集团总公司
Hunan Construction Engineering Group Corporation
21. 浏阳市东信烟花集团有限公司
Liuyang Dancing Fireworks Group
22. 湖南一和堂企业管理咨询咨询公司
Hunan Yihetang Enterprise Management Consulting Company
23. 株洲联诚集团有限公司
Zhuzhou Lince Group Co., LTD
24. 长沙凯雪粮油食品有限公司
Changsha Kaixue Grain and Oil Food Co., Ltd.
25. 湖南金浩茶油股份有限公司
Hunan Jinhao Camellia Oil Group Co., LTD
26. 现代投资股份有限公司
Xiandai Investment Company Limited
27. 石长铁路有限责任公司
Shichang Railway Company Limited
28. 中国水利水电第八工程局有限公司
Sinohydro Bureau 8 Co., LTD
29. 二十三冶建设集团有限公司
Ershisanye Construction Group Co., LTD
30. 中国建筑第五工程局有限公司
China Construction Fifth Engineering Division Corp., LTD

发言单位:

湘潭电机集团 (Xiangtan Electric Group Co., Ltd.)

ANNEX 3

CSR Guidelines for State-Owned Enterprises⁸

By State-owned Assets Supervision and Administration Commission (SASAC), PR China

Publicly issued on Jan 4, 2008

1. Fully understand the importance of CSR among SOEs

a. CSR is based on actions to implement the philosophy of scientific development. It requires SOEs to not only develop in a people-centred, scientific way and make profits, but also to take responsibility for all stakeholders and the environment, and ultimately to harmonize the enterprise, social and environmental development.

b. CSR is a public expectation for SOEs. As key players in the Chinese economy influencing many important industrial fields, SOEs have a major impact on peoples' lives. Consequently, CSR is not only the mission statement of SOEs, but also a public expectation.

c. CSR is an unavoidable pathway for SOEs' sustainable development. SOEs can improve their capability for innovation, corporate culture, reputation and human resource management if they can actively integrate CSR into their business operations.

d. CSR is also necessary from the perspective of international economic dialogue and cooperation for SOEs. It has become a key criteria worldwide when people assess the value of a company.

2. General guidelines, requirements and principles

a. General guide: Uphold Deng Xiaoping's Theory and Three Representatives Thoughts, make SOEs CSR practice pioneers, and contribute to the development of well-off society.

b. General requirement: SOEs should enhance their CSR awareness, actively fulfil social responsibility, and become model companies with legal compliance, integrity, energy efficiency, environmental protection and harmony.

⁸ http://www.syntao.com/E_Page_Print.asp?Page_ID=6407

c. General principles: Combine CSR and the process of SOE reform, and regard CSR as a key component of the transformation of SOEs into modern corporate institutions and to enhance all-round competitiveness.

3. Key contents for SOEs to implement CSR

- a. Operate with legal compliance and integrity
- b. Continuously improve profitability
- c. Improve product and service quality
- d. Save energy and protect the environment
- e. Push forward self-innovation and technology development
- f. Ensure product safety
- g. Protect labour rights and the interests of workers
- h. Engage in philanthropic activity

4. Key measures for SOEs to implement CSR

- a. Raise CSR awareness
- b. Establish and improve institutional arrangements for CSR
- c. Establish CSR reporting systems
- d. Enhance company level communication and international collaboration
- f. Strengthen party organizations' leadership when SOEs implement CSR

Note: This is a short English brief for #001 document issued by SASAC on January 4, 2008, entitled "CSR Guideline for State-Owned Enterprises". It is translated by Guo Peiyuan of SynTao.

Origin : 国资委 <http://www.sasac.gov.cn/gzjg/zcfg/200801040109.htm>

