

China Business Council for Sustainable Development (CBCSD)
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China Corporate Social Responsibility Recommended Standard and Good Practices

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Forward

Currently, there is no unified international standard for CSR, and the standards advocated by the international organizations and adopted by corporations present themselves in diversified patterns. This diversity is necessary. The core principles of corporate social responsibility in China are consistent with the mainstream viewpoints in the world, while the specific standards must adapt to the realities and situations in China, which would be a better way to lead Chinese corporations in undertaking their social responsibilities.

From the perspective of improving social responsibility performance, Chinese companies shall not only refer to the best practices of leading corporations represented by multinational companies. More importantly, they should focus on enhancing internal governance and leveraging innovative capabilities of their own, to promote international competence, so as to realize the sustainable improvement of their social responsibility performance based on solid foundations.

Meanwhile, although the range of modern market is expanding dramatically along with the development of economic globalization, the embeddedness of the corporation in the local community, where it carries out its business operations, is getting more and more important (for instance, emphasizing “localization”). The management and innovation of social responsibility in a certain corporation is not an independent process of self-designing, and is influenced by the local communities. In fact, the rigid and narrow emphasis placed upon achieving a certain “standard”, will inevitably “spoil things through excessive enthusiasm”, and brings damages to both the local communities and the corporations which have social foundation and growth potential.

In this respect, China Business Council for Sustainable Development (CBCSD) drafts this China Corporate Social Responsibility Recommended Standard and Best practices (hereafter referred to as “this standard”), as a reference for corporations to further promote their CSR capacity building.

This standard defines the fundamental social responsibility principles that corporations should follow, and provides proper expansions on certain key details, aiming at leading the corporations in consummating their own strategies, organizations, systems and cultures, and finally establishing an effective social responsibility managing system.

As a recommended standard, all items are normative, not necessarily systematized actions in

the specific business practices. However, these kinds of guidance and suggestions have been gradually transforming into necessary requirements in corporate management, although the corresponding system may not be wholly realized in a single enterprise. Meanwhile, as a “standard”, its legitimacy is based on three foundations. The first is laws and regulations, which means that certain items or certain meanings of the items are compulsory due to their origin in legal requirements. The second is business principles or economic rationality, which means that certain items or certain meanings of the items are realistic due to their accordance with the rational motivation of business decision-making. The third is a pure ethic standpoint, which means that certain other items or certain meanings of the items are self-supported due to their moral values and principles.

In terms of content and structure, this standard is consistent with the other existing comprehensive CSR standards, while emphasizes “social progress and the embeddedness of the corporation to the local community,” holding that corporations should consider their respective proper implementation of social responsibility on the basis of the specific developing stage of the local communities they are embedded in. It is necessary to specifically point out that for the two key responsibility issues of corporate governance and safety management, this standard only provides a very general presentation. Corporate governance is the decision-making pivot for the sustainable development and social responsibility of corporations, the most crucial internal strategic issue, and the incentive, constraining and supervising mechanism for the companies to pursue value maximization and responsibility optimization. Safety management represents the sensitive guideline for the sustainable development and social responsibility performance of the corporation. Companies must strictly obey relative legal regulations, and consult specialized standards when further improving their management system.

Although the formation of this standard is based on related Chinese laws and regulations and international covenants and conventions, this standard does not prescribe law rights or obligations, nor does it establish any detailed management measurement or performance standard value. So the purpose of this standard is to supplement, instead of directly substituting, other referential standard systems.

Corporate Social Responsibility is a dynamic and open concept. Based on the amendment of related national laws and regulations, and the progress of social development, this standard should

be subject to regular revision.

China CSR Recommended Standard Application Instruction & Application Examples constitutes as documentary appendix to this standard.

This standard is proposed by China Business Council for Sustainable Development (CBCSD) .

This standard is subject to the State Administration of Work Safety, PRC.

Major drafting committee:

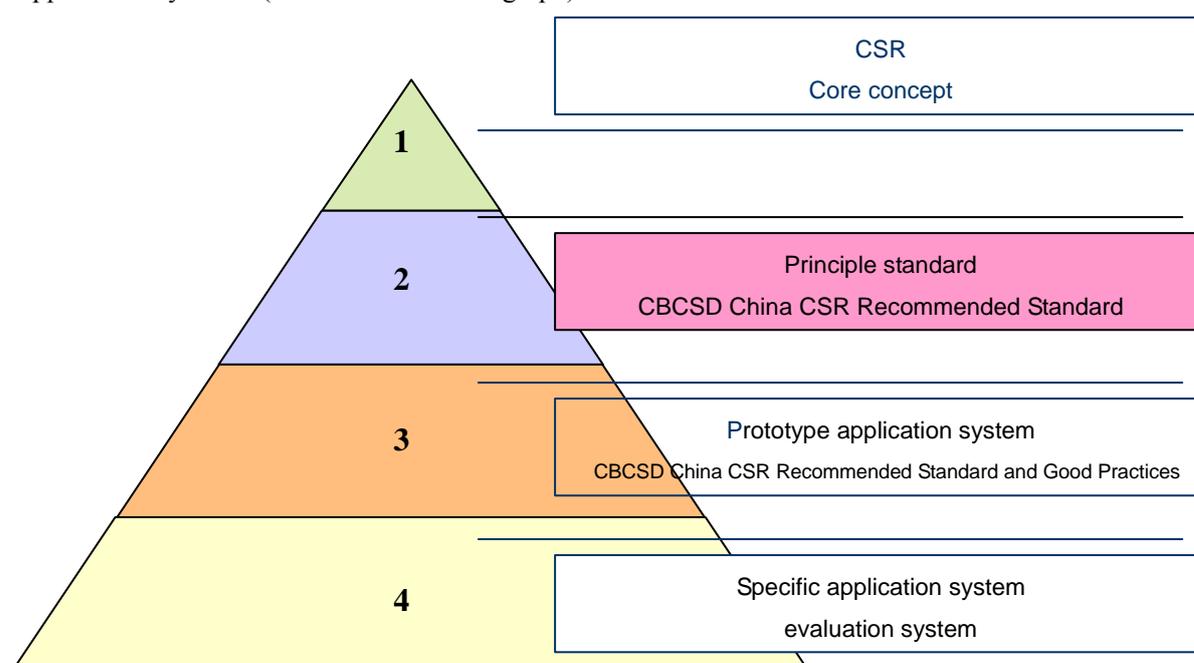
China Business Council for Sustainable Development, Guanghua School of Management of Peking University

Main contributors: Yang Dongning, Zhai Qi, MacRea Pia, Wu Linggang, Zhang Jinghong, Zhai Liangyun, Peng Xiaoping, Liu Ying.

Introduction

For the Dominant Function Positioning, this recommended standard has three concerns. The first is to acknowledge the organizational learning process of CSR, to lead the corporations to proceed speedily, or even leapfrog through the learning curve of “Compliance →Managerial →Strategic definition →Corporate citizen”, with continuous innovation and improvement. The second is to emphasize that different stakeholders have their respective learning processes concerning CSR, and to promote most social members to participate reasonably in the internal and external CSR managing activities, so as to create a constructive harmonious social atmosphere. The third is to attach importance to CSR international communication and benchmarking among Chinese corporations and related institutions, to deepen the understanding of the complexity of CSR’s concept range, the dynamics of its developmental stage and the diversity of its value orientation, so as to make a truly reasonable international comparison of standards and performance.

For the System Level Positioning, this recommended standard belongs to the second level of the CSR system of “Core Concept—Principle Standard—Prototype Application System—Specific Application System”. (Shown below in the graph)



In practice, corporations could preliminarily and qualitatively assess their CSR management

system, performance and other key issues, according to this recommended standard. For further references, CBCSD has compiled the application instruction and best practices to supplement this standard. Methodologically, this recommended standard demands technical expansion in different sectors for its quantified evaluation framework, so as to form a prototype application system (the third level). Based on this, users of this standard may further develop their specific quantified evaluation system or management system (the fourth level).

For the Logical Structure of Content, this standard adopts parallel textual arrangement of the content, with its logic thread mainly developed by the classification of stakeholders. This standard consists of three introductory principles (textual statements 1 - 3) and twelve specific items (textual statements 4 - 15), as follows:

Introduction	General Principles	References	Term definition and explanation
Basic System	4. Internal administration and external regulation (shareholder, senior manager, government, public)		
Specific Requirements	5. Basic human rights	7. Products and services 8. Competition and Cooperation	9. Resource Conservation and Ecology protection 10. Environmental Performance 11. Cultural Diversity 12. Public relations (Government, Media, NGO, Public) 13. Community Construction and public welfare 14. Social progress and local embeddedness
Implementation			
Suggestions	15. Implementation of this standard (Senior managers, internal specific managers, external stakeholder representatives)		

The major guiding principles of this standard are as followed:

C Context-dependent: basing itself upon the characteristics of the current developmental stage in China, as well as global trends;

B Business excellence: emphasizing the corporate decision-making process and management

performance;

C Controllable: attaching importance to controllable management behaviors;

S Systemic approach: integrating requirements of the stakeholders and corresponding internal governance system;

D Development-oriented: giving prominence to the significance of corporate development

China Corporate Social Responsibility Recommended Standard

1. General Principles

This standard is used to systematically formulate the basic contents of Corporate Social Responsibility, aiming at ensuring the consistency of the corporations' goals and results, and provide reference for corporations to establish corresponding management systems aimed at supporting the process of continuous improvement.

This standard can be used by any corporation doing business on China's mainland. Industrial management institutes by sectors and consultancies may also refer to the specific management system developed by this standard.

2. References

Chinese Corporations shall comply with the Chinese laws and regulations and international conventions and commitments; fulfill correspondence obligations, which include but are not limited to the following lists. These are taken as the bottom-line requirements for the corporate social responsibility management.

Constitution of the People's Republic of China, and its amendments

Labor Law of the People's Republic of China

Trade Union Law of the People's Republic of China

Company Law of the People's Republic of China

Law of the People's Republic of China on the Protection of Rights and Interests of Women

Law of the People's Republic of China on the Protection of Minors

Production Safety Law of the People's Republic of China

Code of Occupational Disease Prevention of People's Republic of China

Law of the People's Republic of China on the Protection of Disabled Persons

Cleaner Production Promotion Law of the People's Republic of China

Law of the People's Republic of China against Unfair Competition

Law of the People’s Republic of China on the Protection of Consumer Rights and Interests

Environmental Protection Law of the People’s Republic of China

Welfare Donations Law of the People’s Republic of China

Provisions on Collective Contracts

Provisions on Prohibition of Child Labor

Provisions on Special Protection for Minor Workers

Provisions on the Labor Protection of Women Employees

Regulations on Worker’s Compensation Insurance

Provisions on Minimum Wages of Enterprises

Measures for Examination and Approval of the Flexible Working Hours System, and the Working Hours System of Comprehensive Calculation by Enterprises

State Council’s decision on amending the “Provisions of the State Council on Working Hours of Employees”

Universal Declaration of Human Rights

Universal Declaration of Cultural Diversity

The Convention on Biological Diversity

The Convention on the Rights of the Child

International Covenant on Economic, Social, and Cultural Rights

The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)

C14 Weekly Rest (Industry) Convention,

C19 Equality of Treatment (Accident Compensation) Convention,

C26 Minimum Wage-Fixing Machinery Convention

C59 Minimum Age (Industry) Convention (Revised),

C100 Equal Remuneration Convention

C122 Employment Policy Convention

C138 Minimum Age Convention

C144 Tripartite Consultation (International Labor Standards) Convention

C150 Labor Administration Convention

C159 Vocational Rehabilitation and Employment (Disabled Persons) Convention

C170 Chemicals Convention

C182 Worst Forms of Child Labor Convention

3. Term Definitions and Explanations

The following terms, definitions, and explanations are applicable to this standard and other related documents:

3.1 Corporation

Generally refers to any organization manufacturing products or providing services, with the aim of making a profit, including various corporations which have registered in business administrative institutions.

3.2 Corporate Social Responsibility

CSR is a dynamic and open concept (system), which basically means that a corporation shall not only be responsible to shareholders, but also be responsible for contributions of other stakeholders to the success of the corporation. The extension of responsibility includes economic, legal, ethical, and other requirements, and takes specific circumstances into consideration.

3.3 Stakeholder

Any group or individual who can affect or be affected by a corporation's decisions or actions, examples include: employees, customers, suppliers, contractors, sub-companies, investors, competitors, government, non-profit organizations, (legal or voluntary guardian of) local communities and the natural environment, etc.

3.4 Sustainable Development

Sustainable Development appeals to the requirements of the present generation without compromising the needs of future generations. Within the same generation, sustainable development means the harmonious development of the economy, society, and natural environment. It also means the long-term healthy development of the organization in question.

3.5 Supplier

An entity who supplies products or services; whose products or services usually compose part of the products or services produced by a corporation, or whose products are used to

produce products or services of the corporation.

3.6 Child Labor

Any child under the age of 16 who is hired by a certain corporation and works for remuneration

3.7 Minor Labor

Anyone over the age of 16 but under the age of 18 who is hired by a certain corporation and works for remuneration

3.8 Intimidated or Forced Labor

To intimidate or force anyone to perform any unwilling work or service, but does not include regular obligations to be fulfilled as a citizen of the country, or compulsory work or service required by the court under transgression.

3.9 Trade Union

An organization of employees formed voluntarily, abiding by the current law.

3.10 Biological Diversity

Biological diversity is the full range of variability within and among living organisms and the ecological complexes in which they occur. Biological diversity encompasses genetic diversity, species diversity, ecosystem diversity, and community diversity.

3.11 Cultural Diversity

Culture displays itself in different formats in different times and at different places. It contributes to the particularity of various human groups and communities, as well as to the multi-formity formed by all these particularities.

3.12 Supply Chain

The network formed by a chain from suppliers of the corporation's suppliers to customers of the corporation's customers.

3.13 Environmental Performance Management

Management activities concerning business operations and a product's environmental effects carried out according to concrete guidelines and the organizational process.

3.14 Local Embeddedness

Refers to the social environment which the corporation is rooted in, and which influences corporate business operations and organizational revolution. Usually, social members

(including corporations) embedded into community networks, form a stable relationship and develop certain relevant conventions through long-term interaction. Community members gradually mix themselves with the local community and become an integral part of the community.

3.15 Corporate Citizenship

An economic behavior in which corporations adjust basic social values according to daily business practice, operation, and policy; where corporate success is closely attached to the public health and social welfare. A corporate citizen considers impacts upon stakeholders which are a result of the organizations decisions.

3.16 Inter-firm Organization

Inter-firm organization is a self-organized form of market organizationalizing and/or corporation marketization, such as industry associations, virtual corporations, corporate networks, and strategic alliances etc.

3.17 Civil Society

A conglomeration of all the civil organizations and civil partnerships beyond national, governmental systems, or market, corporation systems. Its key constituents are numerous kinds of non-governmental and non-corporation civil organizations, including civil rights protection organizations, industrial organizations, civil public welfare organizations, community organizations, interest groups, benefit associations, etc.

The following content depicts detailed CSR requirements adopted or recommended by this standard.

4. Internal Governance and External Regulation

4.1 Internal Governance

4.1.1 Principle:

To improve internal governance is one of the fundamental and core concepts of social responsibility that a corporation should assume.

The corporation shall consummate its internal governance system, ensuring the efficiency of internal power allocation, the rationality of the value distribution, and the scientific nature of

the decision-making process.

4.1.2 Strategy

Corporations shall bring into its internal management system the managing principles of the stakeholders.

The board of directors and senior managers shall consider building stakeholder trust as an important strategy for maintaining the long-term corporate value system.

4.1.3 Measures

Corporations shall put emphasis upon the optimization and transparency of profit distribution and responsibility fulfillment;

Social responsibility performance shall be indexed to the compensation and promotion of senior managers.

4.2 External Regulation

4.2.1 Principle

A socially responsible corporation must pursue the maximum of its values and the shareholders' profit under the precondition that their operation activities are lawful and honest.

Compliance with external regulation is the direct reflection and basic solution of implementing corporate social responsibilities.

4.2.2 Formal and informal regulation

Formal regulation includes laws and regulations, economic rules and contracts, and executive supervision, such as governmental direct interference. Informal regulation refers to the normative expectations of social behaviors and ethic guidelines.

4.2.3 Compliance and beyond compliance

Behaviors of compliance and beyond compliance are both representation that corporations take up their social responsibilities, which corresponds with specific internal management styles and corporate strategic decisions.

4.3 Business honesty

Promote the business characteristics of honesty, uprightness, transparency, and accountability.

5. Basic Human Rights

5.1 Prohibition of Child Labor

Any form (directly or indirectly) of child labor is prohibited.

5.2 Special protection for minor labor

Corporations using minor labor according to certain national regulations shall not employ these workers to perform any burdensome, poisonous or harmful labor, or hazardous work.

5.3 Prohibition of forced labor

Corporations shall not force laborers to work or provide service by directly or indirectly resorting to violence, intimidation, or other illegal restrictions of personal freedom.

The conclusion and renewal of a labor contract shall be based on the principle of equality and voluntariness.

Corporations shall not require a financial deposit or personal ID deposit when recruiting employees.

5.4 Protection of freedom of opinion

Acknowledge and respect the fact that all employees have the legal right to organize and participate in trade unions, and participate in collective negotiations.

Support the establishment and operation of trade unions, and actively respond to the trade unions and their reports, suggestions, and opinion letters.

Shall not retaliate or discriminate against employee representatives or any individual employee proposing reports, suggestions, and opinion letters

5.5 Prohibition of discrimination

5.5.1 Principle

In the aspects of recruitment, wage, training, promotion, social security, dismissal and retirement, corporations shall not discriminate against employees, in regards to their ethnic group, race, nationality, religious beliefs, disability, age, gender, physical condition, etc.

5.5.2 Prohibition to gender discrimination

It shall not be allowed, in the recruitment of staff and workers, to use gender as a pretext for excluding females from employment or to raise recruitment standards for the females, except for the types of work or positions that are not suitable for females as stipulated by the State.

It should be ensured that male and female employees have the same career development opportunities.

5.5.3 Protection of disadvantaged employees

Corporations hiring disabled employees shall provide appropriate working conditions and protections.

5.5.4 Protection of employee's human dignity

Ensure the independence, freedom and dignity of their personality.

5.5.5 Respect of the customs and habits of the employees

Employees' customs, habits, or beliefs shall not be interfered with, as long as they do not infringe upon the legal rights of the corporation or other employees.

6. Employees

6.1 Work Time

6.1.1 Reasonable work time

Employees have the right to take rest, and this shall be guaranteed by a reasonable work scheduling system. Usually, the employees shall work for no more than eight hours a day and no more than 40 hours a week on average, and they shall have at least one day off per week.

6.1.2 The prolongation of regular work time

The corporation may extend working hours due to the requirements of its production or business after consultation with the trade union and its employees, but the extended working hour for a day shall generally not exceed one hour. If a longer extension is called for due to special circumstances, the extended hours shall not exceed three hours a day under the condition that the health of employees is guaranteed. However, the total extension in a month shall not exceed 36 hours.

6.1.3 Average work time

When a corporation cannot implement the above regulations because of the changes of market cycles, it shall apply for the integrated calculation of working hours in accordance with the labor law. This should be the calculation of integrated working hours, and may use weeks, months, quarters, or years as the cycles. However, the daily working hours and the

weekly working hours on average shall generally be in line with the legal working hour standard.

6.1.4 Pay for overtime work

Remuneration shall be paid for all overtime work according to the relevant laws and regulations.

6.2 Remuneration and Compensation

6.2.1 Remuneration

Remuneration and welfare compensation shall meet the basic living needs of the employees. Remuneration shall be paid to the employees directly in the form of currency, and in a manner convenient to the employee. The wages paid to employees shall not be deducted or delayed without justification. Hardcopy and comprehensible information concerning remuneration and compensation shall be provided before the start of employment, and detailed wage information shall be provided for each term of payment.

6.2.2 Minimum salary

Not including overtime pay (remuneration), special working condition allowances, and welfare compensation stipulated by state laws and regulations, wages paid to the employees shall not be lower than the local standards on minimum wages.

6.2.3 Valid implementation of fulfillments for the employees

The corporation shall not adopt illegitimate apprenticeship systems to elude obligations the corporation owes to the employees stipulated by the labor laws and social welfare regulations.

6.3 Working Environment

Corporations shall provide their employees with a safe and healthy working environment for the entire process of planning and designing, production and distribution of their products and services.

Corporations shall adopt proper measures in response to generally acknowledged dangers, and reduce potential hazards in the working environment to the maximum extent, so as to prevent the occurrence of various accidents and other harmful events.

Corporations shall appoint and hold accountable senior management representatives to implement the regulations of health and safety issues.

Safety management system shall be established to distinguish, prevent, or respond to potential threats that might endanger the health and safety of the employees.

Clean washroom facilities and safe drinking water shall be provided for the employees.

Sanitation equipment for food conservation shall also be provided when possible.

Dormitories provided by the corporation shall be maintained at a clean and safe standard, and shall meet the basic living needs of the employees.

Right-to-know of certain factors that might influence the employees' physical and mental health shall be guaranteed.

Physical, sexual, mental, or verbal harassment or maltreatment in any manner in the working environment shall be avoided.

There shall be necessary first aid preparations in the workplace and also regular examinations to verify the preparations.

Formal health and safety training shall be arranged on a regular basis, and additional training shall be provided to new employees and employees assuming new positions.

6.4 Career Development

Corporations shall create necessary conditions for the career development of their employees, and establish regular training programs. Pre-job training shall be offered to new employees, so as to guarantee their possession of sufficient information and skills required by the job demands. Certain basic skills for re-employment training shall also be offered to employees on temporary dismissal, according to the specific circumstances.

7. Products and Services

7.1 Advertisement

Any form of advertisement shall be healthy and civilized, and shall offer true information and accurate information based on scientific evidence; false advertisements shall be prohibited.

7.2 Quality and Safety

7.2.1 Quality control and safety

Corporations shall continually improve the quality of their products and services, avoid fake and low-quality commodities, and when necessary provide consumers with any information

pertinent to their interests, the products, or service.

7.2.2 Guarantee

Corporations shall train the consumers how to safely use their products and services by all means necessary, explain the correct ways of using the products or receiving services, and give clear and full explanations or indications as to the products and services liable to harm personal safety or health.

Corporations shall use non-toxic materials, develop innovative technologies and devise better protection measures, so as to continually improve the safety of the products and services.

Give systematic and serious evaluations of chemical products and set safety maintenance plans in protecting public health and the environment while making expected profits.

7.2.3 Harm prevention and compensation

When new research results clearly indicate that certain products or services threaten the health and safety of consumers, corporations shall stop providing these products and services; shall make public announcements calling for the suspension of the use of the products, and shall recall any products already sold by all necessary means. Furthermore, they shall provide proper compensation for damages already incurred.

7.3 Equity and Respect

Respect for the psychology and habit of customers prohibits buying and selling by force, and prohibits any mental or physical harm to customers.

Endeavor to provide customers with products and services at a fair and reasonable price; oppose any kind of discriminative behaviors; and shall not gain private information of the customers by force or dishonest practices.

Unless based on compulsory regulations stipulated by law or by the government, corporations shall not provide private information of the clients and customers to irrelevant third parties (including corporations or individuals), without the permission of the clients and customers.

7.4 Communication of Comments and Feedback

Corporations shall establish convenient channels for the communication of comments and suggestions with both clients and customers, and also respond and express gratitude in a reasonable amount of time.

Corporations shall enthusiastically adopt reasonable opinions and suggestions offered by clients and customers in the process of production and distribution, so as to provide products and services that will better meet their needs.

8. Competition and Cooperation

8.1 Fair Competition

Corporations shall abide by industrial regulations and strive to maintain the market.

For the aspects of market entry, raw material purchasing, and pricing, corporations shall abide by the principles of free market competition; oppose monopoly and abuse of market power, and avoid unfair competition such as dumping products with prices lower than the costs. Business corruption shall be prohibited.

8.2 Cooperation and Development

Corporations shall establish mutually beneficial and cooperative relationships with all members along the supply chain, based on the principles of cooperation and development; Shall not intimidate business partners into cooperation or to indirectly weaken the development capacity of the supplier

8.3 Fair Play

8.3.1 Game rule

In transactions with business partners, corporations shall follow a principle of voluntariness, equality, fairness, honesty and credibility, and shall fully respect the values created by the dealing parties, which may include values unweighable by the market because of price distortions.

8.3.1 Contract

When signing a contract with business partners, corporations shall follow the principles of justness and impartiality, transparency and standardization. Shall not arrange charging items repeatedly or indirectly; prohibit any charges outside of the contract by force or unrelated to the business; prohibit unauthorized balance recoupment from business partners, unless regulated in the contract or agreed upon in the aspects of charge items and charge fares.

Best practices prohibits taking advantage of the contract format to obtain the supplier's

property by fraudulence means.

8.4 Promoting sustainability through collaboration

8.4.1 Expand due influence

Through their rational influential powers in the industrial value chain, corporations shall encourage and supervise their upstream and downstream corporations in actively assuming their social responsibilities.

8.4.2 Share information

Try to share necessary information with upstream and downstream corporations, and actively explore opportunities for enhancing CSR performance.

8.4.3 Mutual trust

Corporations shall establish a relationship of mutual trust to enhance efficiency, and reduce the waste of social and environmental resources.

8.4.4 Disseminate valid experience

Expand the corporations' modeling influence in promoting sustainable development; disseminating and sharing their own experience.

8.5 Innovation and Intellectual Property Rights Protection

8.5.1 Innovation based upon social responsibilities

Corporations shall seek to profoundly understand and explore their business growing points and innovative opportunities embedded within the issue of CSR; for instance, to develop ecological industries, to support industries poor areas, and actively establish creative incentive systems with the guidance of CSR.

8.5.2 Maintenance of property rights referring to innovation based upon social responsibilities

Corporations shall pay considerable attention to the protection of business innovations within the guidance of CSR, and actively apply for intellectual property rights. Meanwhile, they shall respect innovative CSR achievements achieved by other corporations.

9. Natural Resource Conservation and Ecology Protection

9.1 Principle

Corporations shall commit themselves to the establishment of an environment-friendly and resource-saving society.

9.2 Natural resource conservation

9.2.1 Energy savings and alternative resources

Corporations shall reduce the consumption of non-renewable resources along their supply-chain and among their business activities, enhance the efficient use of resources, and actively develop alternative resources and clean energy.

9.2.2 Recycling and making full use of resources

Corporations shall start from as early as the technology development and product design stage to enhance the efficient use of resources during the entire business process and product lifecycle, improve productivity of resources by adopting reverse logistics, re-manufacturing, re-use, recycling, and other approaches.

9.2.3 Criteria and examination

Corporations shall set key performance criteria in examining, controlling and reducing the cost of unit production value, and bring into their performance evaluation the factors of energy and water saving, and integrated utilization of resources.

9.3 Biological Protection

9.3.1 Active participation

Corporations shall actively participate in solutions to regional and global ecological problems, such as the proposal to reduce the disposal of CO₂, and the rejection of unauthenticated timbers.

9.3.2 Prevention, recovery and compensation

Corporations shall be cautious with the possible impacts brought by their operation and products to biological diversity and the sensitive ecological system, take effective measures in preventing and diminishing negative influence, and make compensation for damages already made, in addition to providing for the recovery of the natural environment.

9.3.3 Biological protection and poverty alleviation

When their operations are involved with the residents and ecological system of underdeveloped regions, corporations shall take the initiative to innovate viable business

models for biological protection and poverty alleviation.

10. Environmental Performance

Corporations shall systematically analyze and closely monitor potential environmental pollution or damage that might be caused by their business activities or products/services throughout their entire life-cycle, and shall actively improve their environmental performance continually.

10.1 Fundamental requirements

Corporations must abide by environmental management rules, regulations, and standards.

10.2 Environmental Management System

10.2.1 System establishment

Establish and improve standardized or non-standardized environmental management systems, authorize relevant departments to arrange professionals to deal with the system work, and integrate the environmental management system into the performance assessment system. The establishment of this system shall aim at the continual improvement of environmental performance.

10.2.2 Total quality environmental management

Corporations shall closely monitor and analyze the possible impacts and damages brought by its manufacturing and other operations, and their products and services shall meet the requirements of environmental protection for the entire life-cycle.

10.2.3 Environmental information disclosure

Corporations shall communicate relevant information to their stakeholders through environmental reports or community meetings, depicting major environmental influences and potential dangers already posed or which might be posed by corporate activities. Corporations shall commit to adjust their behaviors according to the reports, and suspend certain operations when necessary. Corporations shall report potential environmental problems to the supervision department, local communities, and other interested parties.

10.2.4 Recovery of environmental damage and compensation

Practical measures of rehabilitation and compensation shall be provided for adverse environmental damages that have already occurred.

10.2.5 Environmental risk management and emergency measures

Corporations shall establish and maintain reliable routines, so as to identify, supervise and evaluate potential accidents or emergencies, to adopt prevention measures or to reduce possible incidental pollution or second-hand environmental impacts, to develop emergency-response plans dealing with various situations of risk, and to allocate the necessary resources for these arrangements.

10.3 Clean Production and Pollution Prevention

Clean production shall be adopted by all means, implementing effective prevention measures to reduce environmental impact and resource depletion as a result of business activities from manufacturing and operations.

10.4 Innovation in Environmental Protection

Corporations shall learn from their accomplishment concerning environmental protection of their advanced counterparts, such as anti-pollution, poison reduction, all-cost auditing, environment design, product superintendence, etc.; Furthermore, the knowledge gained from environmental protection should have a feedback mechanism into the business activities and learning process.

Shall cultivate environmental protection consciousness among employees, set up mechanisms for encouraging innovation, and promote the renovation of environmental technology and management.

11. Cultural Diversity

11.1 Respect and protect traditional culture

Corporations shall fully respect the characteristics and culture of different nationalities, and give equal rights to the existence, inheritance, and development of every single culture.

Shall fully consider different traditions through the whole process of the design, production, and distribution of their products and services;

shall actively co-operate with government, civil organizations, and individuals in protecting cultural heritage.

11.2 Breed an internal corporate culture

Corporations shall fully comprehend and respect cultural diversity among corporate

employees, guarantee a harmonious relationship between the individuals and communities of different cultures, and develop an internal culture that is tolerant of both traditional and modern culture.

12. Public Relations

12.1 Public relations principles

Corporations shall take into consideration the interests of all parties concerned when dealing with the relationship between corporations and governments or other interest groups (such as non-profit organizations and the media), develop communication and cooperation on the issues of sustainable development and social responsibilities, and create a multi-cooperation mechanism.

Corporations shall actively pursue a high-level standard of professional ethics, so as to create a justified and regulated corporate environment for communication. The unfair exchange of benefits shall be avoided.

12.2 Partnership with public departments

Be co-operative and responsive to the government in the implementation of the *scientific outlook on development* and the establishment of the policies for a *harmonious society*.

Bring forward constructive suggestions on policies to the government, support the government, and enhance its capacity in improving governance and public service power.

12.3 Cooperation with non-profit organizations

Actively initiate dialogue and cooperation with non-profit organizations, actively respond to their calls for the protection and enhancement of public interests, and support their just actions.

12.4 International Role

Corporations shall creatively refer to the best practices and experiences of leading corporations in developed countries, practically improve their own social responsibility performance, systematically coordinate efficiency improvement, and actively disclose information to international society, so as to obtain broad understanding and support.

13. Community Construction and Public Welfare

13.1 Participating in community construction

13.1.1 Abide by community regulations

Corporations shall abide by the administrative rules and regulations of the local community and other locations affected by their business activities.

13.1.2 Set participating plans

Enact internally set plans, participate in and support the cultural and educational development and public welfare of the community.

13.1.3 Carry out the plans

Arrange the relevant resources (including human resource and financial resource) to organize and implement the plans of community development support, and record and evaluate the results of implementation, which shall be further improved.

Encourage employees to actively participate in the construction and maintenance of the order of the community life, so as to improve the quality of life for all stakeholders.

Actively participate in community activities.

13.2 Settling in or exiting from the local community

13.2.1 Pre-examination in and analysis upon community influence

When considering closure or relocation, corporations shall evaluate and analyze community impacts in advance, besides a purely business analysis; and actively adopt valid suggestions from the local government, corporations, and residents.

13.2.2 Proper exit measures

When deciding upon closure or relocation, corporations shall inform their community and employees in advance, and adopt relevant measures to reduce the negative effects of the change. These measures include providing assistance for relocation, gradually exiting the community in an orderly manner, and helping the community and affected employees to receive re-employment training, etc..

13.3 Supporting philanthropy and public welfare

13.3.1 Public welfare principle

Make donations to support philanthropy, education, and other public goods, protect

disadvantaged groups, and actively react to sudden disasters, and refrain from engaging in activities for profit under the guise of philanthropy.

13.3.2 Implement public welfare projects

Set clear targets for philanthropic donations, establish relevant standards for evaluation, and report to shareholders and investors on a regular basis.

Shall consciously fulfill the donation contract by law, shall transfer the property of donation to the recipient according to the terms and manners stipulated by the donation contract.

Encourage employees to actively participate in and support social public welfare activities, in addition to providing institutional support.

13.4 Supporting sustainable livelihood of the poor in local communities

Corporations shall mobilize their unused resources in promoting the sustainable livelihood of the poor in local communities, including sponsoring the foundation of mini-corporations in the communities.

Recruit a reasonable proportion of the workforce from local residents.

Make their best effort to purchase raw materials, supplementary materials, products, and services from local suppliers.

14. Social Progress and Local Embeddedness

14.1 Local embeddedness of corporate social responsibility

14.1.1 Localized corporate social responsibility

Corporations shall take into consideration the appropriate content of their social responsibilities, with regard to the specific developmental stage of the local society where they have embedded, in an avoidance of unilateral policies.

14.1.2 Priority-setting of social responsibility

Corporations shall decide upon a priority sequence for issues concerning their social responsibilities according to the specific development stage of the local economy, in an effort to avoid neglecting important issues while dwelling on those that are trivial for the local community.

14.1.3 Adoption of proper evaluation measures

When evaluating their own social responsibility performance and that of other counterparts, corporations shall adopt proper evaluation measures according to the specific circumstances and development stages of the local economy they are in.

14.2 Contributing to development of civil society

Corporations shall make decisions and operate according to its members' behaviors and thus promote its own development.

Corporations shall mobilize their institutional resources or social powers to safeguard and advocate social justice.

For CSR performance management, corporations shall be self-disciplined; corporations shall also supervise, urge and assist other organizations to improve their own social responsibility performance, and oppose act of omissions.

Corporations shall actively foster the popularization of civil knowledge and the establishment of civic virtues system within the scope of their influential power.

14.3 Participating in good governance

14.3.1 Participate in poverty mitigation

Corporations shall take the initiative in improving the living conditions of disadvantaged groups, especially through innovative business solutions, to foster the development of poor areas, or to directly alleviate the plight of the poverty-stricken.

14.3.2 Participate in policy innovation

Corporations shall make efforts in promoting the innovation of macro-level CSR management mechanisms in an appropriate way and constructively participate in the hearing procedures of relevant governmental policy discussions.

14.3.3 Participate in multilateral cooperation

Corporations shall be devoted to the establishment of a new public administrative order – “good governance” – together with the government, citizens, and other non-governmental organizations.

14.4 Enriching the social responsibilities of inter-organizational organizations

14.4.1 Corporations belonging to groups

Corporations within groups, including multi-national investors and operators, shall by all

means maintain consistency across countries or regions regards to their CSR standards, so as to avoid double standards of discrimination. Meanwhile, corporations shall actively share their experiences in social responsibilities inside of and beyond the syndicates.

14.4.2 Corporations in strategic alliances

When initiating, dominating, or participating in a strategic alliance, corporations shall promote CSR principles within the alliance, and encourage management innovation.

14.4.3 Corporations in an industrially ecological system¹

Corporations shall actively develop the connection between themselves and local communities and industries, and voluntarily advocating for and participating in construction of local the industrially ecological system.

14.4.4 Corporations with virtual operations

Corporations shall consider the reasonable allocation of social responsibility in their virtual operational system and process, and adopt practical procedures to guarantee the accordance with the promised CSR performance standard.

14.4.5 Corporations in industrial associations

Corporations shall actively promote the industrial associations' collective acts to form a specific implementation system of CSR standard, as well as a response to relevant motions proposed by the industrial associations or other middle organizations.

14.5 Enhance social responsibility investment

14.5.1 Improve public opinions on enhancing social responsibility investment

---In a broad sense, Social Responsibility Investment (SRI) refers to business investment activities aimed at or involving the improvement of environmental and social sustainability.

---In a narrow sense, it refers to the financial investment activities guiding or fostering the improvement of CSR performance taking capital market and financial tools as the yardstick.

14.5.2 Renovate investment mode

---Corporations shall renovate their decision-making and investment modes according to the ideas and principles of sustainable development.

¹ NOTE: In a narrow sense it is an industrial associating mode or business production pattern in which the downstream corporations take the waste of their upstream counterparts as raw materials, and turn the originally linear and unilateral production into a closed and circular one. It usually helps to diminish environmental pollution, promote resource productivity, and increases profits for the corporations.

---When developing new products or making decisions for project investment, corporations shall take into consideration the environmental, social, and economic benefits measured by resource productivity and ecological efficiency; evaluate social benefits with SWOT, and calculate economic benefits with EVA and BSC.

---Financial institutions shall define the risks and opportunities of their investment, actively improve their decision-making procedures, and support sustainability-oriented entrepreneurship and corporate ventures.

---Strategic investors shall actively participate in the direct investment of public welfare programs for environmental protection, education, culture, and public health, through their partnerships with public departments.

15. Implementation of the Standard

15.1 Principles

The adoption of practical policies, strategies and managerial actions are recommended to guarantee the implementation of this standard.

Top corporate management or its representatives shall directly participate in the establishment and operation of a relevant management system.

Meanwhile, as a moral representative and an individual, the manager shall seriously consider whether his/her decisions meet the requirements of the CSR standard.

15.2 Enact a policy document

15.2.1 Content

This policy document shall include laws stipulated by state legislation or other applicable regulations signed by the corporations, and international covenants and conventions ratified by the Chinese government.

15.2.2 Dissemination

This policy document shall be delivered to all employees working for the corporation or representing the corporation, in a clear and comprehensible manner.

This policy document shall be obtainable by other stakeholders for free.

15.3 Development of a strategic program and project for implementing the CSR standard

Establish, implement and improve CSR performance guidelines at various functions and levels of the internal corporation, develop strategic programs to realize the objectives, break down the key performance indicator system, define functions and timetable, and form archived official hardcopy document.

Key performance indicators should be quantitatively measurable, and shall be consistent with the CSR policy.

15.4 Establish an internal administration system of CSR

15.4.1 Management representative

Management representatives are those appointed to directly report to the top principal; their function, responsibility and limits of authority shall be clearly stated, to supervise the implementation of the social responsibilities defined in this standard, and report to the senior management team with recommendations for improvement.

15.4.2 Employee training

Corporations shall train their employees in regards to the CSR standard on a regular basis, and also train new and temporary employees, so as to guarantee their understanding of the CSR standard and to ensure their responsible behaviors.

15.4.3 Internal examination and evaluation

Perform internal auditing and evaluation of the CSR management system according to the plan, and report the auditing results to management. Senior managers of the corporation shall evaluate relevant CSR activities and their effects on a regular basis, so as to determine whether the CSR objectives are effectively reached.

15.4.4 Opinions and suggestions from employees and other interested parties

Establish formal communication mechanisms between the employees and interested parties to monitor on, respond to and dealing with their complaints.

15.4.5 Profile recording and maintenance

Establish regular file records and maintenance procedures.

15.4.6 Examination and improvement

Make timely and appropriate remedies and corrections for actions or consequences violating the adopted CSR standard.

15.5 External communication of CSR performance

Conduct external evaluations of the works and achievements of the CSR management according to an established schedule.

Based on the results of internal auditing and external evaluation, managers shall communicate about CSR performance with groups consisting of the representatives of interest parties, promise continuous improvement, and preserve record of the communications and evaluations according to the standard, including:

- the degree of realization of the objectives;
- the conditions of correction, prevention and improvement measures;
- the latest changes in relevant laws and regulations, etc.

Appendix

Application System developed referring to this recommended standard

- ✓ Corporate Social Responsibility Evaluation System for Civil Corporations in China
(Completed by the Market Economy Academy, Peking University)

Records for all previous amendments

Appendix A

China CSR Recommended Standard
Application Instruction & Good Practices

October, 2006

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Introduction

“Application Explanation and Good Practice of the Recommended China Standard for Corporate Social Responsibility” includes the method framework to implement the standard, relative management experiences and practical examples of some CBCSD members, and additional explanations of the basis on which the standard is formulated.

We affirm that the performance of corporate social responsibility (CSR) can be improved through systematic approaches. The PDCA (Plan-Do-Check-Act) Cycle used in quality control for continual improvement can still be applied in the management of specific topics of CSR. However, the contents of CSR are far more complicated than that of quality issues. The former issue needs to have its own methodological framework. Therefore, we have developed a performance cycle for **“two-way improvement”** as the strategic road map of implementing the recommended standard for implementing units’ reference.

In view of the openness of the CSR category, the complexity of its dimensions and the multi-stage of its processes, the examples of concrete practical methods applied by the leading companies introduced here are not from a single organization as a whole, but composed of the management modes or examples selected from different companies in light of the concrete content of the recommended standard.

The following three articles, from A1 to A3 respectively, give a brief introduction of the implementation framework, CSR performance and its continual improvement principle, mainly aimed at the management control process and the organizational mechanism in improving CSR performance. Corresponding to the recommended standard, the 12 articles from A4 to A15, introduce illustrated examples of relative standards. The implementing units should formulate related strategies or innovative management modes according to their actual situations, but should not repeat the dogma mechanically.

While the contents of the CSR provided in the recommended standard are mutually complementary and not substitutive, it is absolutely appropriate for the implementing units to set priorities for actual implementation according to their traditional superiority and resource conditions in management (such priority orders would reflect the social process and local

embedment of the business) for gradual implementation and continual improvement.

We do not believe that corporate social responsibility can be brought into the process of organizational development and decision making merely through some kind of system, procedure, or mode. Attitude is an even more decisive factor. Corporate scale is not a decisive factor either. A large scale corporation should have conditions to perform better in CSR, but actually it may do even worse than smaller corporations. Most of the actual examples listed in the explanation are selected from large scale businesses, but it does not mean that this CSR a territory belonging only to large scale businesses – leaders and managers of all businesses can make limited but fundamental contributions in their “zones of discretion” in decision making.

A.1. Framework for Implementing the China CSR Recommended Standard

Initiative implementation of strategic management of CSR would help businesses to engage all current and potential stakeholders with unprecedented approaches to sustain the value creation process and optimize the value distribution incidence through partnership and innovation.

Businesses can meet the requirements of the China CSR Recommended Standard through strategies, policies, organization design, management system, operation process and other business activities with relation to their social responsibilities.

1.1 Main implementing bodies

1.1.1 Main implementing bodies at the corporate level

Main bodies implementing the recommended CSR standard in an organization should be its core decision makers, or authorized top management representatives, and principals of relative departments.

Relative performance assessment rules should be formulated for the main bodies in charge of implementing the CSR standard.

1.1.2 Main implementing bodies at department level

If the performance index has been assigned to some specific departments, the principals of these departments should be the main bodies to implement the standard and bear the responsibility to submit mission reports to the implementing bodies at corporate level.

1.1.3 Cross-departmental working group

In the initial period, it may be necessary to establish a cross-departmental working group

inside the business to bear the responsibility for introduction of the standard.

1.2 Approach of implementation

1.2.1 SR performance index system

The authorized main bodies entrusted to implement the standard should determine the targets and quantified performance index in CSR management based on the established work plan and procedures, and in the light of relative functions and levels inside the business.

1.2.2 Other topics

Rational explanations should be made of those SR topics not listed in the performance index system and the responses of relative interest-related parts should be treated in the proper manner.

1.3 Ensure implementation

1.3.1 Representatives of management

The functions, responsibility, resources and authority limit of the representatives of top management in charge of CSR should be clearly defined.

1.3.2 Specialized internal organization

It may sometimes be necessary to establish a specialized internal organization to take charge of the daily management and outside communications in SR affairs.

1.3.3 Training

Business managers and employees can be trained to understand and abide by relative standards and provisions.

1.3.4 Work record

Complete and perfect work record is the basis of management.

1.3.5 Performance audit

The SR management performance shall be checked through internal audit. If an SR report needs to be publicized, an outside audit should be made.

1.4 Implementation improvement

The implementation of the Recommended China CSR Standard shall be a process of persistent improvement.

1.5 Implementation for small companies

1.5.1 Objective effects of size

We admit that size of a company does indeed effect the implementation of the CSR standard. Therefore, priority of the CSR topics in different stages of business development and evolution should be considered.

1.5.2 Internal governance structure

Because they have fewer and relatively uniform shareholders, and lower complexity of entrusted agents than large businesses, small businesses do not usually embody complete vision in their organizational designing concerning in the power distribution, performance monitoring and incentive mechanism. However, when small businesses are becoming large scale mature businesses, the complexity of entrusted agents greatly increases at the same time that there is an expansion of type, number, and effects of the stakeholders; priority should be given to strengthening the internal governance structure.

1.5.3 Management capacity

Seeking to survive pressures may force small businesses to make their investments more oriented towards short term interests. However, compared with the continual innovation process of large businesses, small ones have more possibility to device interruptive innovation, and therefore have more room for CSR innovation.

In the process of becoming large scale mature businesses, small businesses need to formulate CSR strategic plans, establish specialized or ad hoc departments to manage CSR affairs, and attentively implement CSR standard gradually along with the integration and conventionalization of their organization structure and work flow.

1.5.4 Opportunities of small companies

Small businesses are generally weaker than mature large businesses in market competitiveness and organizational resources. However, in view of the fact that some of them are sustainable development-oriented innovative businesses, such as environment-friendly businesses, or community-based businesses providing products and services to low-income groups, small business may enjoy sound natural conditions and achieve real performance in implementing SR standards, in comparison with large businesses.

1.5.5 Cooperation between organizations of different sizes

Cooperation is necessary between large and small companies for implementing CSR standards.

1.6 Relations between the recommended China CSR standard and other CSR standards

There are more than 400 diversified standards, rules, codes and guidelines on corporate responsibility co-existing in the world, but there is also a trend for all these standards to be integrated or unified. This standard gives special emphasis to referring to the following principles and standards:

- International Labor Organization (ILO) Convention: has a long history, includes the core standards of freedom of association, right of collective bargaining, abolition of forced labor, minimum wage, elimination of discrimination, equal remuneration for male and female workers for work of equal value, etc. According to this convention, the government, labor organization and employers would organize a tri-party decision-making body, with rather high social confidence. However, there are no corresponding implementation methods.
- The Global Reporting Initiative (GRI): pays attention to the standardization of the content and format of business sustainable development reports, aimed at helping investors, governments, businesses, and the public to clearly understand the progress in sustainable development of the businesses. It also encourages businesses to improve their decision making by working out a set of widely accepted methods to measure businesses' social and environmental performance through cooperative consultations. The purpose of the GRI is "to evolve the sustainable development report to the level of financial report by establishing a widely accepted reporting system". The report formulating guideline is a valuable tool for business internal management.
- The UN Global Compact: includes 9 major principles regarding environment, labor and human rights. Its rationality is based on mainstream moral standards. Although falling short of a monitoring mechanism, implementation has been enhanced by adopting GRI as a mode of management.
- OECD Guidelines for MNEs: comprehensively covering many guidelines in competition, financing, revenue, employment, employee-employer relations, environment, science and technology; it includes the core labor convention of the ILO. The OECD Guidelines focus on how multinational companies comply with local codes and operate harmoniously.

- ISO14000 Standards: the international standards for business environmental management system. It provides an organizational guarantee for improving the process of a businesses environmental performance through administrative procedures, document control systems, and operation guidelines. It lacks stipulation of concrete environmental indexes and standard values. ISO14001 can be used as a certification standard, although only in relation to the environment, many believe that the ISO14000 standards can drive the improvement of a wide range of social responsibilities.
- SA8000 standards: give most consideration to the working environment within the retail sectors or manufacturers of clothing and toys, and also increasing participation of businesses in the agricultural and electronic sectors. These standards include the content of other conventions like ILO and adopt the management system of ISO. They can be used for certification.
- AA1000 standards: these series are standards in the area of basic procedures. The aim of AA1000 is to form the best comprehensive reporting standards according to the principles of materiality, completeness, and responsiveness in social and accounting audits, and to report through promotion of organized study activities in businesses by developing effective communication methods between businesses and their stakeholders.
- CSR standards for SVN: oriented towards a comprehensive CSR compendium, including three general standards for theory, responsibility transparency, and internal administrative and six standards for the interest-related investors, employees, business partners, consumers, community and environment. Each standard includes four concrete contents: defined principles, improvement means, and measuring index and tool resources.
- ISO26000: to be issued around 2008 will be a consolidated international standard, but it will not be used for third-party certification or in business contracts. It is a kind of steering document applicable to all social organizations instead of a standard for management systems. Developed countries still occupy predominant position in formulating this standard. The standard is under amendment and undergoing a process of refinement through a structured feed-back mechanism.

- Dow Jones Sustainability Group Index (DJSGI): aims at bringing the idea of sustainable development, including environmental factors, into the business and government structures, as well as incorporate shareholder value, performance benchmarks, and social responsibility, etc. DJSGI appraises and rates businesses in 64 industrial sectors based on their sustainability index, and then select the top 10% of leading companies as the intergradient of the index. The data used in appraisal and rating comes from different sources, including business questionnaire investigations, business files, public information, interest-related contacts, media reports, business interviews, etc. The methods and procedures followed in the appraisal are established independently in advance and are adjusted based on new developments, through yearly studies. This is to improve the accurate reflection of a businesses sustainability performance.

This standard would not replace any other standard, but it cannot be said that it will not be a supplement to or compete with other standards. It is hoped that this standard will give prominence to the fundamentals of CSR and reinforce its role as a foundation for Chinese businesses to understand CSR technical standard framework, business decision-making framework, and moral and ethical framework. This will alleviate much of the confusion associated with CSR standards. To a certain degree, this standard also includes contents of procedure and performance. In general, this standard and its explanations are aimed at promoting the CSR capacity of Chinese businesses, and at supporting Chinese businesses in adapting to mainstream international CSR standards effectively and innovatively.

A.2. Corporate social performance management framework

2.1 Social performance outlines of the Shell Group

2.1.1 Definition

Within Shell, social performance is defined as “an ongoing process that incorporates all the different ways Shell operations contribute positively and negatively, direct and indirectly to the communities and societies where Shell operates.”

2.1.2 Related social performance objectives

Avoid and/or minimize the negative impacts to local communities and other stakeholders from Shell’s operations.

(Specific impact types: Livelihood impacts; health, safety, and noise impacts; cultural and community lifestyle impacts; social infrastructure impacts; security and violence; indirect economic impacts)

Optimize positive opportunities for local communities and other stakeholders from Shell's operations.

(Many of the negative impacts previously identified can, if managed effectively, become positive impacts Other key areas include: local economic development, social infrastructure, including energy services, revenue management...)

Undertake activities to contribute more broadly to the societies and communities where Shell operates.

Shell social investment programs:

Are the outcomes of consultation with potential beneficiaries and include their input in project design and implementation;

Complement rather than duplicate or conflict with other local and regional development plans and programs;

Are usually undertaken in partnership with others;

Focus on capacity building, rather than "bricks and mortar";

Contribute not only financial resources, but other intangible assets, such as the use of the Shell operations (for example health facilities) and products (for example solar panels), as well as human resources and skills; and

have a clear business rationale, are managed in a professional manner, and include a well-defined exit strategy.

2.1.3 The business case for social performance

Gaining and maintaining a license to operate and grow;

Reduced operational costs and delays;

Facilitated access to project finance;

Enhanced reputation

2.1.4 Opportunities and challenges

The greatest management opportunities and social performance challenges are likely to be related to operations or activities with the following characteristics:

- *Major new projects causing permanent change in land use or long term change to local or national economic structures;*
- *Facilities such as chemical plants, refineries, terminals, pipelines, and oil depots with communities in close proximity;*
- *Closure – especially where facilities are a key part of the local economy;*
- *Operations with a poor HSE record which have damaged, or are perceived to have damaged, the environment, natural resources, or health;*
- *Joint ventures with companies without strong HSE/ethical/social performance systems – because of the barriers this presents to integrating social performance into operations; and*
- *Operations in sensitive locations.*

2.2 Delivering social performance

2.2.1 Strategic approaches

A number of strategic approaches are available to Shell operations including social impact management, strategic social investment, social investment, and philanthropy.

Importantly, and in relation to delivering greatest business and societal benefit, most emphasis is usually placed on good social impact management and strategic social investment.

Of lower significance are broader contributions through well-structured social investment programs.

- a) Social impact management concerns ongoing and routine activities and contains three important elements:
 - *The management of core project impacts*
 - *Clear links between social performance, environmental performance, and operational excellence.*
 - *Indirect impacts where Shell can only aim to “assist and influence”, such as the economic impacts deriving from the way in which oil revenues are manage.*

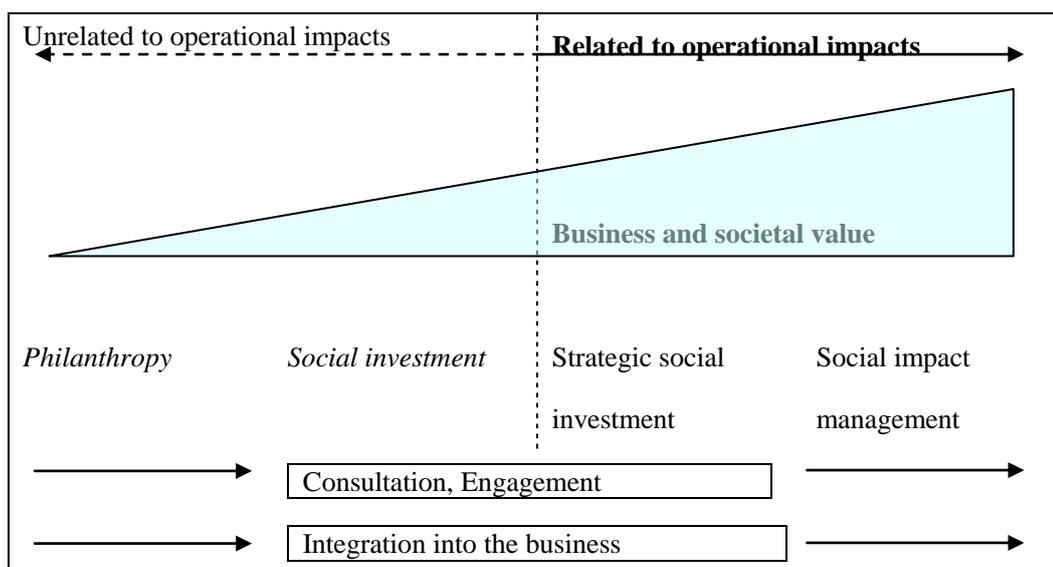


Figure 1 Delivering social performance

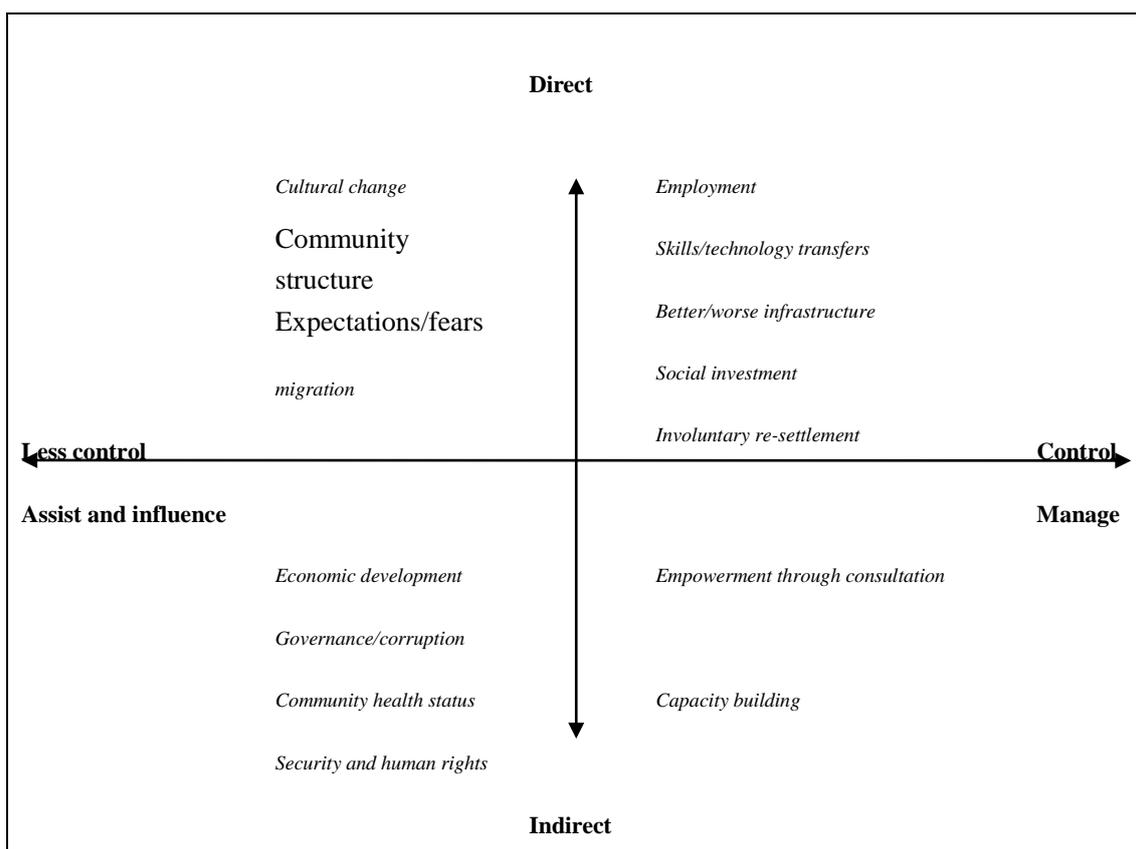


Figure 2 Social impact management strategies for direct and indirect impacts

- b) Strategic social investment is about leveraging stakeholder opportunities related to Shell projects and activities. In general this requires a more open and flexible

mindset. For new projects, opportunities need to be identified and integrated early into project design.

Example: In Slovakia, Shell Retail is making retail space available (and thereby providing market access) for a number of products being produced through a micro-credit program operated by the local NGO Integra and supported by the Shell Foundation.

See also A.13.1 for Shell China example.

- c) Social investment concerns the support for activities unrelated to a project's direct impacts, but related to the operation's overall social, economic, and environmental responsibilities and business objectives.

It includes grants and donations programs, as well as more structured social investment programs and foundations.

There are also growing external expectations for Shell to participate and positively influence public policy in relation to broader societal issues.

2.2.2 Stakeholder engagement as the cornerstone of social performance

Stakeholder engagement is crucial to reach a better understanding of impacts.

Effective identification, assessment, delivery, and communication of social performance issues can only be achieved through sustained and structured external and internal dialogue.

The "how" of stakeholder engagement:

- a) *Effective stakeholder engagement requires Shell operations to approach stakeholder engagement in a structured and professional manner.*
- b) *Ownership and responsibility for stakeholder engagement must lie with Shell and not be outsourced externally.*
- c) *Different tools exist to assist managers in the identification, prioritization, and engagement with stakeholders.*
- d) *A range of informal and formal mechanisms exist by which Shell operations can ensure a structured and ongoing approach to stakeholders.*
- e) *Key principles of good stakeholder engagement include: (1) under-committing and over-delivering; (2) clear definition of boundaries of what is and is not possible; (3) focusing on developing mutually agreed processes that lead to*

long-term relationships, and (4) ensuring that any commitments made by Shell are fully delivered on.

- f) When external stakeholders do not have the pre-requisite levels of organization and skills to engage effectively with Shell operations, Shell should support capacity building of local stakeholders to engage on a more “level footing” with Shell.*

2.2.3 Organization and responsibility for social performance

- a) The presence of a senior champion and senior management support is typically critical.
- b) Responsibility for the actual delivery of social performance is ultimately a shared responsibility of the management team and is likely to involve, in particular, the HSE, human resources, security, contracting and procurement, and external affairs functions.
- c) Projects with significant social performance issues are likely to require a dedicated social performance manager with the overall responsibility of coordinating and championing Shell’s approach on a day-to-day basis.
- d) Achieve a sense of shared responsibility of social performance requires:
 - Inclusion of a range of managers in the review team for social impact assessment;
 - Establishing a social performance working group to develop and monitor the social management strategy and associated plans;
 - Providing internal training to line managers to increase awareness; and
 - Including relevant social performance targets on line managers’ scorecards.
- e) Ensuring the selection of senior managers for operations with existing or potential social performance issues, adequate awareness of and sensitivity to social performance.
- f) Shell’s approach to social performance therefore needs to extend beyond its own internal boundaries, to contractors and their sub-contractors.

2.3 Social performance management framework

2.3.1 Social performance framework

The key aspects of a social performance framework is best managed as part of existing

management systems, and as part of engagement and partnership with external stakeholders.

Using this approach, the core tasks for Shell managers are to:

- a) Identify and assess the potential impacts of Shell operations;
- b) Limit adverse impacts and deliver project and non project related benefits;
- c) Track and report performance; and
- d) Organize and train human resources for social performance management

2.3.2 Social performance plans

Building upon the management framework, those plans are intended to incorporate the following elements:

- a) Overall social performance vision and objectives;
- b) Summary of the business and social context;
- c) Summary of key stakeholders and their issues;
- d) Actions to minimize negative impacts;
- e) Actions to enhance project and non project benefits;
- f) Actions to measure and report on social performance;
- g) Budget and resources to implement the plan; and
- h) A timetable for periodic review of performance against objectives.

2.3.4 Social performance reviews

Social performance reviews are an important tool within Shell providing:

- a) An assurance for the operation and business on how social performance is understood and implemented within the relevant operation.
- b) A mechanism for the operation to identify gaps in its processes, procedures, organizational approach, and implementation of social performance.
- c) A mechanism for management with external stakeholders and the development/enhancement of common action plan.
- d) An additional opportunity for input and local plan development, and thereby demonstrating to stakeholders the operational commitment.
- e) An opportunity to share practices around social performance implementation both within the Shell Group and externally.
- f) A mechanism to raise social capabilities among the business or operation's team.

2.3.5 Social performance integration, gaps, and a way forward

The key challenge now is to ensure integration of this framework and tools into Shell's businesses and their operations.

a) Social performance integration

To improve social performance management the Shell Group Social Performance Management Unit (SPMU) was created in early 2002 to develop the capacity within Shell business areas and support functions for leadership in managing the impacts of operations and products on communities and society. The four core areas of work are to:

- Consolidate and validate the framework for social performance (work with the business to capture existing experiences and pilot new approaches);
- Provide competence development and training (raising awareness and building capacity);
- Communicate learning (internally disseminate learning tools); and
- Provide strategic consultancy services.

At the business level, Shell's major businesses (Exploration and Production, Downstream, Gas and Power, and Renewable energy) have also undertaken a range of activities to better integrate social performance into business operations.

A.3. Conceptual Model for Continual Improvement of Social Performance

A.3.1 Revisiting corporate social performance

It is obvious that a simple definition cannot reflect the comprehensiveness and complexity of corporate social performance.

A.3.1.1 Two dimensions of SP

To better investigate corporate social performance, two dimensions should be considered:

- Impact of a company's activities on the social and natural environment.
- Impact of a company's SP improvement activities to the organizational capabilities, and operational efficiency of the companies themselves.

Moreover, for each dimension, there are both narrow and broad understandings. In a narrow sense, it refers to corporate performance under current social standards and other measurable SP indicators. Those indicators are often quantitative and standardized, such as pollution release data. In a broad sense, corporate social performance refers to the company's overall

efficiency and accumulative effect on social impact.

At the corporate level, the main reason for improving social performance (in a narrow sense) comes from coercive force, among which governmental regulation places emphasis on result control, though it also contains some process control. To improve social performance in a broad sense, companies sometimes follow voluntary social or environmental agreement (for instance, ISO 14000, which aims at continual improvement of environmental performance through standard process control). The main driving forces are financial feasibility and legitimacy. From the perspective of institutional theory, even when the SP improvement project is not financially feasible, the company may also adopt similar or stricter social standards over competitors to gain a market edge.

A.3.1.2 Two levels of SP understanding

In terms of the degree of complexity, social performance should be understood at both the explicit level and implicit level. For example, toxic release level is a measure of a company's explicit environmental performance. Explicit social performance is easy to observe and measure at a reasonable cost. However, implicit social performance either includes some hidden private information, or the cost of information is too high to be efficiently measured.

- Take environmental performance for example. Governments traditionally rely on regulative means, like pollution release standard, to directly control explicit environmental performance. Nowadays, governments also use more and more creative market-based instruments to engage in indirect control, such as environmental taxes and emission trading mechanisms.
- For implicit environmental performance management, management costs can be reduced by reaching an agreement between government and companies, such as ISO 14001 certification. The weakness of the voluntary agreements is that it risks uncertainty in its results.

Improvement in explicit environmental performance is always related to increases in financial cost; therefore, the view that improving environmental performance will bring negative financial performance is based on the concept of explicit environmental performance. Some researchers take the view that appropriate environmental regulation can encourage companies to innovate and increase resource productivity, so as to achieve a competitive advantage. Furthering

this view, we can claim that the improvement in environmental performance during production process may help increase operational performance, and hence strengthen a company's market competitive advantage, and compensate for cost increases in the final reflection of improvements in financial performance. The logic path is the following: **operational efficiency**→ **market response** → **financial benefit**. However, the reality is not always as inspiring as the above analysis shows. The reason is that the analysis is static rather than dynamic. The deficiency of this logic is that it assumes that financial benefit incurred from environmental improvement and companies' value creation can be realized automatically. In fact, this value realization requires other preconditions relating to scarcity of organization resources.

A.3.1.3 Social performance and organizational processes

As aforementioned, we suggest that the continual improvement of social performance is business driven and occurs during the process of organizational capability development. From the organizational capability perspective, firms cope with the complex and unpredictable competition conditions by developing and managing a set of tacit skills, resources, and team-based functions.

The valuable but rare resources that can bring competitive advantage to a firm are not unvarying. Some of those resources, especially the tangibles, may change with financial decisions. Other, intangible resources, may decline when used inappropriately or, conversely, accumulate and be reinforced by organizational learning and innovation. Internal factors like leadership orientation, tradition of innovation, and prior experiences can accelerate the formulation of organizational capabilities. Some researchers argue that proactive environmental strategies help strengthen organizational resources and capabilities through continual innovation and organizational learning.

While monitoring or managing environmental performance, it is necessary to specify the organization levels concerned and the corresponding responsible bodies. The responsible bodies set up secondary control indicators in accordance with the performance objectives assigned to them by their superiors, and then follow the action plan, monitoring and rewards, and punishment. The problem however is the absence of responsible bodies; sometimes it is difficult even to define a clear-cut performance unit to be managed. As a result, only those environmental initiatives that coincide with the internal process of an organization receive sustained support.

A.3.2 “Two-way improvement” performance recycling

A.3.2.1 Implicit performance vs. explicit performance

When beginning to review the emerging corporate social responsibility theories, one may feel confused at the divergent results. But, the distinction between explicit and implicit social performance now allows us to tie these theories and processes together into an overall model.

Trying to make a preliminary attempt at integrating existing studies of corporate social performance, we reach a conceptual model (shown in Figure 3). The model contains two processes, one begins with financial performance, moves to assets dedicated to social responsibility, and then to explicit social performance; and another starts at implicit social performance, then to responsibility based organizational capabilities, and thence to financial antecedences. This model also combines external and internal driving forces with the two processes. The goal of this model is to reveal the organizational dynamics.

In understanding economic performance, besides financial indicators (F2) that could be directly measured, non-financial indicators (F1) such as economic value added (EVA) and market share, should be included. In fact, the corporate economic performance evaluation methods are experiencing a new era. The traditional performance evaluation system, which is simply composed of financial indicators, reveals its limitations both in analyzing corporate values and in evaluating corporate economic performance. The academic and practical fields are more and more concerned with how incorporate performance evaluation into the whole process of corporate strategic management. The corporate economic performance analysis could also be divided into two levels, the directly measurable and the potential (which are denoted with P2 and P1).

As analyzed above, there are two levels in the estimation of corporate social performance. Those that can be measured directly (R2), to a certain extent, are probably not the social performance indicator of a ‘corporation’, but that of the ‘government’. Tacit social performance (R1), including the indicators that reflect corporate decision-making process in setting up social performance goals, or indicators of performance assessment and innovation incentives, may not directly reflect social performance level on the surface. However, when judged from strategic and operational aspects, these elements are related to the responsible corporate capabilities. They could promote “team learning”, “innovative problem solving” and “continual improvement”, and thus have great significance for the fundamental enhancement of social performance. Tacit

indicators reflect the social performance improvement incentive and efficiency inside an organization.

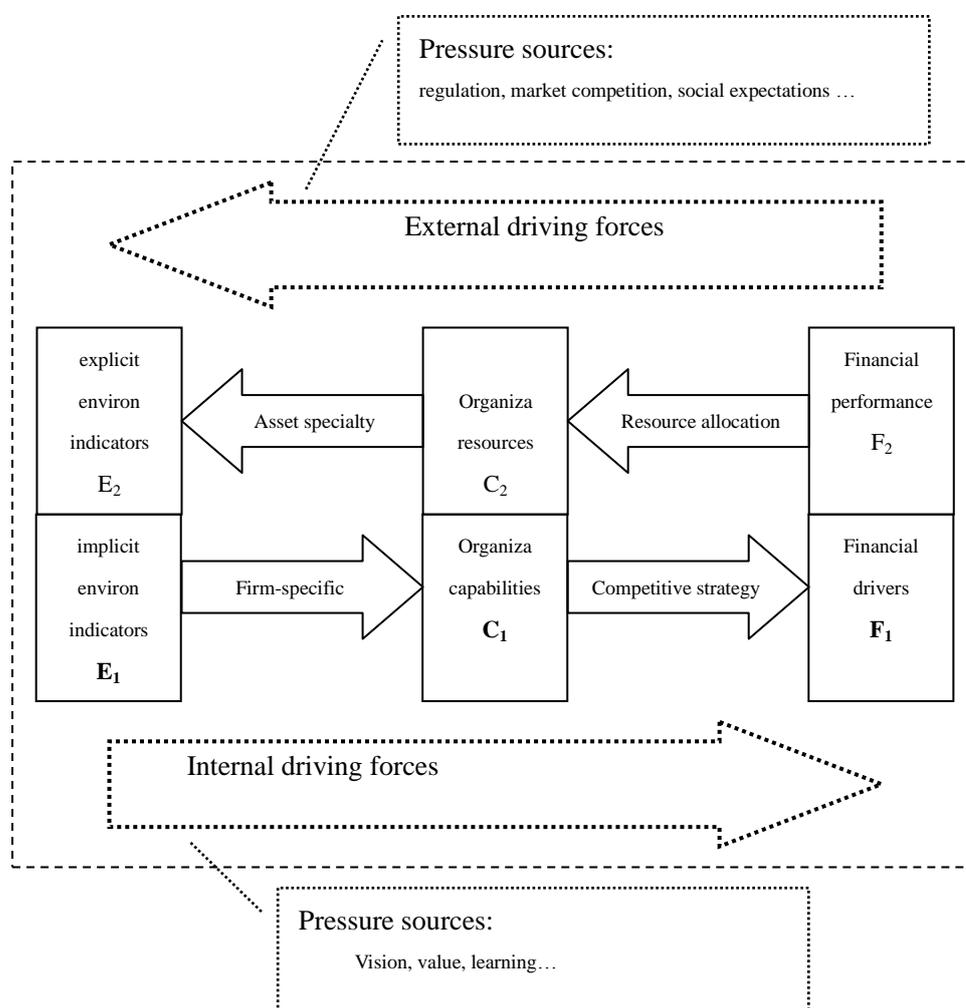


Figure 3 Double feedback process: Organizational mechanism for continual improvement of corporate social performance

Take environmental performance for example:

Stakeholders inside and outside the organization could explicitly require that the corporation promote its explicit environmental performance. However, there are diminishing returns for improving explicit environmental performance. Under the pressure of investment and operational costs, firms may turn to tacit performance for a better solution. For instance, in order to improve a chemical's life-cycle environmental performance, the chemical industry set up the "Responsible Care" program². Since the promoters of this initiative have a better understanding and prior

² Responsible Care was first initiated in 1985 by Canadian Chemical Industry Association. Responsible Care ® was registered by the International Council of Chemical Association and has been adopted by chemical

experience, they have a first-mover cost advantage.

The organizational capability³ indicator (C1) includes internal efficiency indicators like productivity of labor, quality defect rate, timing, delivery, rate of cost reduction, etc., Organizational resources (C2) indicate the tangible and intangible elements that can be purchased, such as advanced equipment, clean technology, environmental professionals and employee environmental training.

The boundary between resources and organizational capabilities is sometimes blurred in the resources based literature. But scholars in this field have also discussed the distinction between resources (freestanding assets that can be evaluated in isolation from other freestanding assets) and capabilities, which is the organization's ability to integrate and coordinate resources. We hold the opinion that resources are not necessarily the antecedent of organizational capabilities. Firms can accumulate large stocks of assets without generating any competitively useful capabilities. We take organizational resources and organizational capabilities as paired concepts.

Organizational capability can be regarded as the intermediate link between corporate environmental performance and economic performance. For example, instruments such as total-cost accounting and environmental design can be used to promote the efficiency of organizational resources. Just like 6σ management, judged from the corporate strategy and management perspective, the implicit CSR performance (R1 in terms of environmental aspect) itself may not be sufficient to promote environmental performance directly, but to promote corporate organizational capabilities. Besides, synergy effect may coexist. For example, generally speaking, cleaner production systems can efficiently strengthen traditional operation management technologies and processes such as total quality management (TQM).

A.3.2.2 Two basic processes

The first basic process, as evidenced by many business cases, (as illustrated in Figure 1) is P2→C2→R2. The logic is as follows. First, under stakeholders' requirements, firms may need to improve their explicit environmental performance indicators, which are usually measured directly. Then, they may allocate financial resources in environmental protection assets to solve any

manufacturers in more than 40 countries. Its basic content and goal is to promote the operational standard of chemical enterprises, and urge them to improve their performance in health, security and environment (HSE). Much emphasis is put on the public's right to know and participation, and winning a good credit.

³ As far as this paper is concerned, other conception overlapping with organizing ability, like core competency, dynamic ability and so on, is not pointed out.

problems. The decision-making process follows economic analysis. On the other hand, the process of $R1 \rightarrow C1 \rightarrow P1$ allows firms to increase their organizational capability through adopting innovative solutions (it is reasonable to believe that enterprises have the incentives to carry out this process).

A.3.2.3 Two feedback loops

Feedback loop 1 is R-C-R. This short loop mainly reflects the environmental professional activities inside firms. Sometimes, simply rearranging organizational resources through environmentally oriented innovations will bring about directly measurable improvements in environmental performance. For example, changing from a reliance on end-of-pipe control to actual pollution prevention will effectively reduce emissions.

Feedback loop 2 (R-C-P-C-R) consists of two basic processes that reflect the more complicated and dynamic relationship between R, C, and P. This is an explanation for the organizational conservation activities at the corporate level. In this feedback loop, the process of $R1 \rightarrow C1 \rightarrow P1$ can be compared to arteries in the process of blood circulation. Enterprises with a favorable economic performance can improve their explicit environmental performance through the process of $P2 \rightarrow C2 \rightarrow R2$, which can be compared to veins. The environmental advantages gained through this can improve economic performance through the process of $R1 \rightarrow C1 \rightarrow P1$. Thus, these dynamic processes form a positive feedback loop of continual improvement. Continuing with the blood circulation metaphor, a healthy heart is indispensable in this process. An understanding of the essential attributes of environmental performance is the key point for fulfilling the above cycle.

Although the first feedback loop has significance for the efficiency of the EHS department's operations, the second feedback loop is more meaningful. Those enterprises that improve their environmental performance purely through putting in more organizational resources get a diminishing return on performance improvements.

What should be noted is that, there are processes in which firms use capital investment to build up their organizational capability. For example, when investing in a new project, firms gain new knowledge; in fact, it is a process in which the enterprise maintains, consolidates, and increases its organizational capability. And thus the process of $P1 \rightarrow C1 \rightarrow R1$ should be an integral part of the model. At the same time, there should be more sophisticated feedback loops. Because

these processes are usually the incidental results of other business processes (such as project investment), we will not analyze them in detail.

We view organizational capability as a key endogenous variable in the relationship between environmental performance and economic performance. In comparison, past studies regard organizational ability as an exogenous variable. For example, it is believed that organizational capability and resources are complementary assets required to fulfill environmental strategies, with attention still on the static stock organizational resources and capabilities.

The dynamic relationship between corporate environmental performance and economic performance shows that a positive feedback mechanism may exist. This explanation breaks through simple deductive logic and is consistent with the viewpoint that describes the path-dependence of organizational capability development, and is also consistent with evolutionism. Meanwhile, this explanation is also consistent with some observable results. For example, firms with capabilities accumulated from earlier experiences in improving environment performance, can apply this advantage to reduce costs and improve quality, and can then gain more policy support and attract more investors, and are therefore more interested in making even more efforts to innovate further and strengthen their competitive advantages.

Imagine, for example, that a firm has long been pressured because of its lagging explicit social performance; it is likely that the potential of the implicit social performance area will be tapped by greater efforts from the firm. However, if the explicit social performance is improved rapidly or tremendously, it is likely that the potential of the implicit area will also be tapped by greater efforts from the firm.

Also, it is obvious that if a firm or its employees try to improve its explicit social performance with more enthusiasm, the more likely it is that the potential of the implicit aspect will be tapped with greater efforts by the firm.

It's necessary to highlight that explicit social performance pressures may be transferred to implicit social performance pressures; this is usually a good thing. There is evidence that gaps in directly measurable performance (similar to R2) could trigger the redesigning of EHS organizational structure to improve efficiency (similar to R1). Interactive planning methodology has also been successfully applied to restructure the EHS in DuPont Special Chemicals Company.

The following sections contain the implementation practices corresponding to the requirements of section 4-14 in the recommended CSR standards.

A.4. Internal Governance & External Regulation

Consummate the internal management system, and strengthen the optimization and clarification of the distribution and responsibility patterns.

- **Examples from BASF China** It is only a bottom line of BASF to abide by the laws and regulations, while effective and clarified management has ensured the company a responsible and value-oriented one. To make sure that all BASF actions are a truthful representation of its values and local laws and regulations, BASF has issued *The Code of Conduct* as a strategy to regulate the behavior of its staff. Its management pattern being a matrix of concentration as well as dispersion, a department of sustainable development has been established to focus on the thorough implementation of sustainable strategies inside the company. BASF is one of the forerunners in establishing a Sustainability Council; the BASF Council is constituted of 8 branch business presidents and board members. A Sustainability Center has been set subordinate to the council in order to gather the current sustainability experts in charge of studying and promoting sustainable strategies and guiding local committees. Besides, the company has also established three Sustainable Development Steering Committees covering America, Asia, and Africa. These committees are chiefly responsible for adjusting regional sustainable strategies in order to guide the business of local companies, such as formulating short-, mid-, and long-term strategies. To this end, they hold regular discussions, examining specific projects in detail, and work to establish effective motivational systems to encourage the whole staff to participate in positive sustainable work. Furthermore, these regional committees appoint sustainability managers or groups for different countries according to the respective needs of that area. A Sustainable Development Steering committee for China has been established to formulate related strategies. The committee will center its work upon three points: 1) to promote responsibility concerns in a wider range in China; 2) to focus on assisting BASF clients in their advance towards success; and 3) to support education. There

will also be a sustainability manager in charge of the dissemination of sustainable development strategies, readjusting resources, and public relations for the different departments.

- **Examples from CIMC:** A scientific management system has the healthy development of the business as its essential goal. It also has characteristics of “clarified property right, divided responsibility, and coexisted profit”, and “mutual-trust and -benefit” as its guiding principle. In this way it guarantees the rationalization of decision-making, the effectiveness of supervision, the feasibility of management, and the rationality of allotting. When these various factors are combined they provide the business an essential system for its sustainable development. At present, the board of CIMC is constituted of 8 members, representing a four-cornered restriction-and-balance pattern of two big shareholders, other small shareholders, and professional managers. Among the group are two members from COSCO, two from China Merchants Bank, three independent board members, and one interior executive board member. This pattern prevents any member from wielding absolute control. The power of every individual member is balanced by that of the other members, and prevents individuals from gaining a monopoly. Everyone must abide by the principle of “a healthy and sustainable development of CIMC. This guarantees fair and rational decision-making and steady progress of the company, which form the very basis of the long-term development of CIMC.

The enterprises must do business under law and credit, and conform to or take the initiative in following exterior rules, including laws and regulations, ethics, morals, etc.

- **Examples from BASF China:** BASF has started a worldwide “Compliance Program”, aimed at helping every staff member to understand the values and law-abiding policies of the company, and thoroughly carry them out in their work. In 2003, BASF went a step further by nominating a Chief Compliance Officer, and hence became the very first German company to establish this position. The officer is chiefly responsible for the thorough and consummate implementation of the Compliance Program worldwide, and acts as the superintendence of local

correspondents. By carrying this out BASF has shown its determination in the pursuit of ethical and just commercial behaviors. BASF believes that in many cases, timely suggestions can prevent transgression from occurring. In cases when BASF staffers have doubts regarding the legality of their behaviors, or think that there are illegitimate operations in the course of their work, they can turn to their supervisor, related departments, HR, or Law departments for help. Besides, there is also a “compliance hotline” in BASF, answered by a professionally-trained lawyer from an independent office to provide the staff with legal consultation and help during office hours. The hotline in BASF China was set up on August 1st, 2005, and provides a bilingual service in both Chinese and English. The staff may provide information anonymously, and the lawyer will then draft a report to present to the hotline office and be evaluated by its members.

A.5. Basic Human Rights

The enterprise must enhance its operational performance and other responsibilities, on the grounds of guaranteeing basic human rights.

A.5.1 Prohibition in recruiting or employing child labor

- **Examples from Alcoa:** The human rights principles of Alcoa concerning child labor have been definitively stated: “As a fundamental, we shall not employ or agree in employing child labor. However, we have agreed that regular education should be provided to young people for the formulation of their training or apprentice.”
- **Examples from Dow Chemical China:** “It is Dow’s belief that the foundation of a successful enterprise is to respect individual dignity, rights and ideals. It is applicable to all Dow’s staff all over the world. And it is also Dow’s wish that similar values and criteria be applied by its suppliers and contractors. Dow abides by all laws concerning child labor, and fully understands that children may be able to legitimately finish certain work provided that their education, health, safety and growth are not hampered. ”

A.5.3 Prohibition in direct or indirect application of compulsory labor

- **Examples from Alcoa:** The human rights principles of Alcoa concerning labor freedom have been definitively stated: “We believe that people do not work because they are compelled to do so, but because they love or need their job. We prohibit the employment of culprit labor, compulsory labor, mortgage labor, serf labor or penal servitude.”

A.5.4 Accept and respect the staffs’ freedom of legitimate organization and participation in labor unions, and their rights in collective negotiation.

- **Examples from FAW:** The Labor Union of FAW uses the enhancement of democratic management as an important means to fulfill its maintenance function and promote the steady development of the enterprise. This enables staffs be mobilized to participate in democratic decision-making, management, and superintendence of the company. On the one hand, there are numerous regulations formulated and amended by FAW during the three-tier representative meeting, in which the discussion and every special committee’s function are emphasized to create a democratic and harmonious atmosphere. On the other hand, the Union’s function of organizing and communicating is exerted to stand up for the staff’s legal rights at labor disputes. Under the principle of serious study, careful intermediation, and timely solution, the Union has, for the most part, appealed to the staff’s needs as well as maintained the enterprise’s favorable social image.

A.5.5 Avoid discrimination

- **Examples from Dow Chemical China:** Dow Chemical has implemented a 13-item Global HR Policy of general applicability, among which there are definitive statements about responsibility and human rights: “Dow provides for its staff an atmosphere of mutual respect and no discrimination (which shall not be accepted and allowed in any form); meanwhile, Dow Chemical is also devoted in forming a culture tradition of compatibility, when every Dow staff member shall understand and respect the commonness and discrepancy among their colleagues, clients and communities.”

A.6. Employees

The enterprise must treat its employees with humanitarianism and guarantee their fundamental rights.

A.6.1 Overtime

- **Examples from Dow Chemical China:** From the previously mentioned 13-item Dow Chemical Global HR Policy there are definitive statements about double-worker families and job flexibility: “Dow approves the unique challenge confronting double-worker families, and is willing to win a balance among serving the consumers, conforming to law and tradition, and respecting the need for job flexibility of its staff.”

A.6.2 Salary and Treatment

- **Examples from Zhenhai Refining & Chemical Company Ltd (ZRCC) :** When it comes to salary and welfare, the company is able to provide its staff with competitive salaries, complete legal transactions concerning endowment insurance, hospitalization insurance, workers-comp insurance, unemployment insurance, and procreation insurance. In addition it offers such welfare programs as a housing accumulation fund, supplementary endowment insurance, supplementary hospitalization insurance, and recuperation. All of these policies are carried out according to the benefits of the enterprise.

A.6.3 Working Circumstances

- **Examples from COSCO:** It is the goal of COSCO to establish a safe working environment by preventing accidents and fatalities, including those caused by ship wreckage, poor planning, damage to machinery, pollution, and fire, As per this goal, the safety percentage should stay above 98%, and labor mortality under 0.01%. This can be further broken down to at most one automobile accident per 1 million km of transportation, a 100% security rate in big transportation projects, and the delay rate of ships within 0.3%. Its final pursuit is the realization of the policy “no accidents, no casualties, no pollution”.
- **Examples from Bayer China:** According to Bayer’s security and environmental protection requirements, all big factories worldwide shall be equipped with their

own professionally trained first aid workers, automobiles, and fire departments. Smaller factories shall co-operate with local fire control sections and hospitals under contract. At present, Bayer Caojing Incorporate Manufacture Base has signed a contract with Shanghai Jinshan Hospital; the latter having set up health files for the Bayer staffers, held regular examinations for them, and kept in their archives all data concerning harmful chemicals related to the staffers' work. Meanwhile, Bayer has also agreed with the hospital that in the case of any accidents happening to its staff members, there shall be a life channel prepared for them to get first aid. This will allow them to receive expedited medical treatment and avoid procedures for pre-payment of medical treatment to save time. Since the campus is still under construction and has no fire departments of its own, Bayer has established fire control procedures with the No. 6 Branch of Shanghai Fire Section.

- **Examples from BP China:** Strict examination is required for office equipments procurement, to ensure that not only all environmental standards are passed, but also 人体工程学 principles are considered. The routine safety checking has been conducted for every two months as self-conscious behaviors in the workplace to eliminate every small accident. The first topic of new employee orientation is workplace safety training.

A.6.4 Career Development

- **Examples from FAW:** To take full advantage of training resources, and create an elite training pattern that fits its need, FAW has readjusted the former Changchun Senior Academy of Automobiles, FAW Staff College, FAW Senior Technician School, and FAW Technological School into a single unit, known as the China FAW Training Center. At the center, training is provided for all posts, and programs are divided three series (manufacture & operation, professional technology management, and executive management) and ten grades, according to specific training contents and periods that are necessary for further progress.
- **Examples from COSCO:** Throughout the history of COSCO's development training has always been a focus of the leaders, and has played a crucial part in the group's exploitation of its HR potential. Training has played an important role in

improving the comprehensive making and professional competence of sailors and land staff, adjusting to the requirements of the group's innovation and development, guaranteeing regular production and making great profits. At present, COSCO has its own staff training system set up with an investment of more than 100 million RMB, that has wide contacts with colleges and training centers both in China and abroad, and a training network that connects the interior and exterior of the enterprise. The group has also been awarded "Advanced Unit in Training in the Communications Field" and "National Advanced Unit in Staff Training". Each year, COSCO inducts about 800 graduates with maritime majors from the Sea Transportation School of the Ministry of Communications of PRC and from schools within the group itself. After a period of training, the newcomers will start at the position of sailors and mechanics. They will take part in regular training and earn their promotion step by step under the requirements of "training-examination-certification-promotion" from the National Bureau of Maritime Affairs. Usually it takes about 8 to 10 years to become an ocean captain or pilot, during which time one must participate in several field and college training sessions, in addition to experience gained on the job. It may well be said that COSCO has now accomplished a consummate training system with training and employment closely connected. COSCO career development policies conform to both national and international standards, and ensure an endless supply of senior maritime persons of ability for COSCO fleets to meet the needs of its development.

- **Examples from CIMC:** "Strong nation, affluent society"--- this is always the ideal of the CIMC HR department, which enables a mutual progress of both the enterprise and its staff, and establishes the groundwork of a benign circulation for sustainable development. The specific tactics are: 1) Be a responsible employer; this entails paying close attention to the staff's benefits when standardizing the process of employment, and offering reasonable salary and welfare; 2) show genuine concern for staff health, especially workers on the front line; make great efforts in lowering work intensity, improving work conditions, and reducing the number of workers suffering from industrial diseases; 3) Promote continual study;

keep a keen eye upon the staffers' individual development; and provide them with a training for climbing the career ladder by setting down different plans for core groups, elite groups, and the front line workers.

- **Examples from DuPont:** Study is a sustaining progress at DuPont. Employees have chances to improve their professional competence and personal capabilities. As a formal program, "directional development" helps individuals and their superiors, in planning their future. This policy allows the employee to realize their personal career goals and the company to realize their business goals. DuPont acknowledges the effects of experiential learning, and deems it a chief channel to train the staff on the job. The staff may also benefit from the unique opportunities brought by the co-operation between the company and many other enterprises, colleges, institutes, as well as industrial and professional organizations. Besides, formal training is another important method for obtaining new skills. Every operational department in the company possesses a specially designed on the job training program. This aims at the maximization of the staffers' performance and is in line with the department's business goals.
- **Examples from BYPC:** "Career Design" for college students: 1) The novitiate. To help college graduates in becoming familiar with their work, and progressively and purposefully build up persons of ability that fit the needs of the company. BYPC has established a system of one year's novitiate for new-comers. During this period of time, tutors are appointed for the students to complete their novitiate program, and those who perform excellently will be transferred into regular staff ahead of schedule. 2) The second difffluence. After the novitiate, examinations will be continued for the new-comers according to their performance, personal interests, and potential. What follows then is a second difffluence and re-adjustment of positions: ①technicians; ②scientific researchers; ③managers; ④those for further education. Different training will be implemented according to these different patterns. 3) The third difffluence. After the second difffluence, examinations will be continued for the new-comers in order to select and cultivate those who excel: ①experts; ②versatile persons; ③leaders. These outstanding individuals will

continue with progressive and purposeful training and upbringing. 4) Re-education. Based upon the fundamentals of “work as you learn”, “supply what you lack”, “follow updates in information and technology”, the staff will be re-educated and re-trained.

A.7. Product and Service

The enterprise must provide products to the consumers with fairness, safety, and responsibility.

A.7.1 Advertisement

- **Examples from SINOLUBE:** Strictly following national, industrial, and enterprise criteria, SINOLUBE has managed to accomplish a product eligibility rate of 100%, which helps in continually gaining the approval of clients. SINOLUBE became the very first in its field to pass ISO 9002 Quality Authentication from Beijing Jiuqian Quality Authentication Center at the end of 1996, and from Rhine Technology Superintendence Company (Germany) in 1997. On the one hand this proves the quality and progress of SINOLUBE products, and on the other helps to extend its business into the international market. From 1999 on, SINOLUBE began to establish and implement the QS 9000 Quality Control System, and took the lead in its industry to pass the third-party authentication. To add to the power of the company, and actively take up the mission of environmental protection, SINOLUBE adopted the ISO 14001 Environmental Protection System and the OHSAS 18001 Industrial Security and Sanitary Control System. Both standards conform to the HSE Management System, which was later incorporated with the Quality Control System. This resulted in a comprehensive system which can identify and supervise related processes and factors, simplify work flow and unify operations, maintenance, and improvement. SINOLUBE holds the principles of harmony with security, environmental protection, health and productivity as being its first and foremost concerns. Pursuant to these principles, SINOLUBE spares no efforts in organizing “clean production” and extending HSE Management, does its best to provide society with high-quality and environment-friendly products,

continually reduces the general output of infectants, and build a harmonious relationship with its communities. These efforts result in the advances of its credit and social image. After SINOLUBE had implemented this program, SINOPEC made their own efforts in carrying out a brand-adjustment strategy by shooting an advertisement called, “Wind and Cloud”, under the direction of a world-class director. Taking the lead in the domestic industry, this ad succeeded in winning the public ad bidding for the CCTV golden time during the Spring Festival. The result was a greatly improved brand image. At the beginning of 2004, the company took a further step by being the sole sponsor of an F1 sports team and gained a name worldwide. In the year 2005 SINOLUBE was the power supplier of “Snowy Dragon”, the Chinese scientific research vessel that made expeditions into the Poles. As a result SINOLUBE completed its virgin voyage to the Poles, and obtained authoritative authentication in its field.

A.7.2 Quality and Security

- **Examples from BP:** Yangtze Acetamide Chemical Co., Ltd., a joint venture of BP and SVW of SINOPEC, is a modernized chemical enterprise, and the largest acetum manufacturing base in China. Its manufacturing (acetum and its ramifications are widely applied in producing low-toxicants, such as food, vitamin, drugs and their package, cosmetics, detergents, habiliments, glues, etc.) is now appealing to the growing need for acetide products all over China, with a market share steadily taking the lead in its industry. It has successfully brought in the techniques of low pressure methyl alcohol carbonyl synthesis glacial acetic acid and switchable esterified acetide products, $C_4H_8O_2$ and $C_6H_{12}O_2$, developed by BP. The products are of a high quality, consistency and stability. Yangtze Acetamide Chemical Co., Ltd. takes up the responsibility of upholding the essence of both Western and Oriental marketing cultures, and promoting a healthy, safe, and environment-friendly business. It aims at satisfying clients with beneficial products of a high quality. To realize these objectives it relies upon advanced international marketing skills and a modernized information control system, recruiting a large number of persons of ability, and commits itself to enhancing the technology and

development of its domestic counterparts. In only a couple of years Yangtze became a world-renowned, and since then has been supported by consumers.

- **Examples from RHSCI:** The product stewardship of RHSCI can be applied to all the areas concerning its products. This includes the development, manufacturing, transportation, sale, and the final disposal (i.e., from raw materials to waste). The goal is to reduce the risks to societies' health, security, and environment caused by their products. RHSCI adopts a variety of measures in every chain of production, that take into consideration healthcare, security, environmental protection, and energy-saving. Most of these are required by the headquarters, and are then adjusted to local conditions. In the beginning, there are regular examinations of the machines during general production, in case there is any emitting, dripping, or leaking from the materials. It is the opinion of RHSCI that not only does this measure eliminate pollution and hidden safety troubles, it also lowers costs (raw materials are about 90% of the whole changeable cost) and improves productivity. Due to a considerable amount of acid mist among leaking gases in the manufacturing of fine chemical, corrosion in machines may occur. Therefore, it is important to prevent emitting, dripping, and leaking to extend the lifetime of capital assets and enhance their values.
- **Examples from DuPont:** Safety is not only a widely-adopted principle in production and daily life at DuPont, but also the main focus of its product and technology development. At present, DuPont is researching the possibility of enhancing traditional manufacturing by using biotechnology to solve many problems that are inextricable with current technology. As for the application of bio-tech, especially in agriculture and food industry, possible safety problems leave the public with misgivings. As an enterprise centered upon safety, DuPont shows considerable respect for these misgivings, and is therefore very cautious and responsible in its research and development of new technology. In 2000, DuPont established a bio-tech consultant committee constituted of renowned experts, to guide its research and development in the field of biotechnology. All bio-tech programs are to be examined and approved by the committee. The committee's

examination report, and the related data from DuPont research should also be made public through the DuPont website. This bio-tech website, a window for information and exchange with concerned parties, guarantees the clarity of the research and development, and marketing process of DuPont. At the same that they adopt all possible scientific knowledge to guarantee product safety, DuPont also gives consumers the rights of free reasoning and choice

- **Examples from RHSCI:** Community Awareness and Emergency Response, or CAER, is an objective to harmonize the company's emergency plans with those of local communities or other fields, and hence achieve mutual support and aid to guarantee the security of its staff and people in the communities. The cooperative emergency plans are to be carried out through communications between chemical manufacturers and people in the communities. Policy stipulates that there should be at least one drilling per a year, covering all the accidents possible in the manufacturing, application, transportation, sale, storage, and disposal of all the dangerous materials.

A.7.3 Communication and Feedback

- **Examples from SINOLUBE:** As early as the beginning of the 1990s, SINOLUBE developed the ideal that "products shall satisfy the customers" In 2001 it began the thorough implementation of the "customer satisfaction" project, which was deemed as important to the long-term and strategic missions of the company. A third party was entrusted to conduct research into customer satisfaction in order to absorb customer feedback and make progress. In 2004, SINOLUBE took the lead in China to provide the first brand service ---"spring breeze". This consummated in the most advanced service center in the industry, with features such as toll-free dialing, 24-hour consultation with experts answering all questions, and a complete series of solutions ranging from consultation before sales to service after sales. There are also five big service centers located in Beijing, Shanghai, Maoming, Chongqing, and Wuhan, that enables consumers to enjoy the first class service of SINOLUBE.
- **Examples from Alcoa:** Alcoa deeply understands the need of its customers in regards to the operation of ABS systems, and never ceases to meet or surpass their

requirements. Regulations are built into its sustainability principles to build up stable long-term clients in every layer of business; to span the boundary of systems and regions and offer impeccable service to customers; to become the forerunner in their set market or field; to develop innovative products, service and consultation; to establish and build the brand name of Alcoa; and to establish and sustain a powerful capacity for commercial organization.

- **Examples from Dow Chemical China:** Dow has opened a 24-hour consultation hotline in China, to provide professional service for farmers concerning how to apply the agricultural products of Dow. As a representation of Dow's respect for its consumers there are 10 doctors on this hotline, who speak a range of dialects, and serve farmers 24 hours a day

A.7.4 Fairness and Respect

- **Examples from SINOLUBE:** Seen from the viewpoint of consumer needs, the starting point of the brand orientation of SINOLUBE is to better appeal to the individualized needs of consumers. Most of the internationally renowned lube brands provide mature products, which are, of course, specially aimed at Chinese consumers and their environment. As for Chinese automobiles, they have a lifespan 2-3 years longer than in other countries, suffer from quicker aging due traffic jams, and have more easily constricted lube channels as a result of frequent sandstorms. Therefore, there are very high demands for the purity of lubricants. Because, in Europe and America foreign lubes are tested in a comparatively friendlier environment, it is very easy for them to encounter quality difficulties in China. Keeping all of these factors in mind, SINOLUBE after a series of research and development, SINOLUBE has been able to produce lubes that meet the demands of Chinese drivers. At the same time, a new series of diesel oil has also been brought to market in consideration of the complex roads, heavy weight, and unsteady oil quality of Chinese diesel cars.
- **Examples from BP China:** To provide "Safe, Good-Quality and Reliable" products, BP Suzhou LPG Co., Ltd., as the first refrigerated LPG player in China, also commissioned China's first LPG Customer Service Centre, which provides

24-hour quality services to its customers on a "one-stop-shopping" basis. Equipped with LPG tank and bottle filling facilities, the company can deliver LPG to customers located along the mid and lower-reaches of the Yangtze River as well as the East coast and inland parts of China. BP Fujian Liquefied Petroleum Gas(LPG) Service Center was established in 1998. Its outstanding characteristic is to provide one-stop service by relying on well-equipped service networks, advanced information transmission systems, effective human resource management and active participation in sales. The most well-known thing is that the service center's hot line number is 87-517-517, which has the same pronunciation with Wo-Yao-Qi, Wo-Yao-Qi (我要气,我要气 in Chinese), meaning "I want gas, I want gas". The service center provides all-weather services even in holidays. Whenever called, the center will send people specially assigned to provide you comprehensively with before-sale, amid-sale and after-sale services, including delivering gas, giving consultancy, settling customer complaints, answering reparation requests, safety checking on site as well as on-line helping. In addition, the hot line works as emergency phone call; special work group will rush to the emergency site within 30 minutes if the phone rings. In 2004, an attending panel for customers was set up, which was mainly made up of personnel from the managing level, technical apartment, sales apartment and operation apartment. The panel members visit customers regularly, listen attentively to customer voices face to face, and then form formal reports. Moreover, in 2003 when SARS broke out, a reserve service center which played the role of alternative emergency-dealing organization was founded to deal with system failures and unexpected incidents, and thus to guarantee that the service center runs normally and properly under any circumstances.

A.8. Competition and Cooperation

The enterprise must follow the industrial criteria in its operation, and work together with business partners to ensure a safe and level playing field for the industry while bringing benefits to the economy, our customers and our communities..

A.8.1 Fair play

- **Examples from Lafarge China:** While most of its competitors are operating under the environmental protection criteria of China, Lafarge has set itself a series of stricter standards (usually slightly higher than those of Europe), such as one particular standard on cement --- according to the Chinese standard, the suspended particulates are 100 mg per cubic meter, while to Lafarge it is only 50. Besides which, Lafarge has always been committed to the research and development of environmentally-friendly construction materials, with a variety of low-pollution materials already put into production.
- **Examples from SINOLUBE:** Among the market shares of lubricants, 70% are domestic brands, while 20% are foreign; but among those of top-grade products almost 80% of them are foreign. Confronted with increasingly intense competition, SINOLUBE does not become disillusioned, but instead concentrates emulating the keys of success for foreign companies. These include such keys as renowned brands, a powerful sales network, advanced technology, solid research groups, stable supply, experienced salespeople, and top-grade service. Meanwhile, it makes efforts to strengthen its own brand image and management, exerting itself in top exploration, re-adjusting service resources, and improving service levels.

A.8.2 Co-operation and Development

- **Examples from COSCO:** Innovative logistics have allowed COSCO to form a more durable business model based upon adding value for its clients. For instance, when transporting fittings for TCL and GM Shanghai, it extends its service into the clients' product line, and classifies tires and lights according to the respective designs of the line, which saves its clients the trouble of transportation inside the factory and hence saves their time. At the same time, COSCO can earn more profit by this value-added service.
- **Examples from Arcelor:** The stock department of Arcelor implements a program of "sustainable stock", requiring its supplier to take up the responsibilities of respecting human rights and protecting the environment. In the upstream stock area, Arcelor strictly follows the sustainability strategy of energy-saving and

cost-reduction, especially for energy suppliers. The Arcelor group has signed a free-will agreement with the Belgium government for stocking renewable resources, promising that there must be a certain proportion of renewable resources among all its stock. As a supplier itself, Arcelor spares no effort in enhancing its own qualifications by actively adopting methods of energy-saving and environmental protection.

- **Examples from GE China:** Ever since the implementation of these programs in 2002, GE has made considerable accomplishments in its cooperation with its Chinese suppliers, more than 650 of whom have passed examination. In China, the suppliers have made corrections for over 15,000 problems. Feedback from most of the suppliers is positive, and they deem this a golden chance to extend their cooperation with multi-national clients. There are, of course, a small number of suppliers whose contracts are terminated because of their failure in meeting the requirements.
- **Examples from BAOSTEEL:** With “long-term co-operation and mutual progress” as its tenet, BAOSTEEL furthered enhanced strategic cooperation with its counterparts in 2004: 1) to establish long-term and stable cooperation with main suppliers in iron, coal, and noble metal supply, as well as ocean and river transportation; 2) to sign strategic cooperation agreements with key junior enterprises in pipeline steel, top-grade wire, domestic apparatus board, etc.; 3) putting into production of the Laser tailored & welded blanks under the joint efforts with Arcelor;; 4) signing a contract with Nippon Steel and Arcelor for the management of auto board product line, and starting a joint venture.

A.8.3 Fair Trade

- **Examples from GE China:** To ensure the implementation of the global supply chain in China, GE carries out the following programs: 1) suppliers must pledge to at least follow the most fundamental laws and standards in the areas of the environment, health, security, and employment); 2) examine the new suppliers before their business with GE begins; 3) 169 GE Chinese buyers are approved to hold examinations after three days of training and on-the-spot assessment; 4) track

specific adjustments and make a record of problems until they are solved; 5) strengthen support for suppliers through a “Suppliers’ Handbook” and training courses.

- Examples from **BASF** China: In the aspect of developing cooperative relations with raw-material suppliers, besides price, quality and reliability, **BASF** pays special attention to the terms of abiding by concrete standards concerning environment, safety and health. The terms work as a prerequisite for establishing business relations with raw-material suppliers. **BASF** purchasers shoulder dual responsibilities to negotiate contract terms and to evaluate relevant risks concerning each product and raw-material supplier. As for this, **BASF** has formulated a safety matrix, in which all the raw-materials are divided into three categories according to environment characteristic, toxicity and safety and correspondingly labeled as A (safe), B (harmful) and C (poisonous). For instance, sodium chloride (generally called table salt) belongs to category A; ethyl alcohol (alcohol in alcoholic beverage) belongs to category B for its high flammability; and formaldehyde (ethyl alcohol with high toxicity) belongs to category C. Circumspect investigations shall be conducted to the products or raw-material suppliers belonging to category C for the high potential risks. In other words, the personnel from purchasing department and experts on environment, health and safety (EHS) visit the suppliers and conduct EHS evaluations to make sure whether the suppliers run their businesses according to the Responsible Care standards (for instance, in the aspects of waste water disposing, maintenance, equipment reliability and quality control). If a potential supplier's plant facilities meet the requirements, then the product/producer is promoted to C2, which means that **BASF** may start to purchase raw material from the enterprise regularly. **BASF** lays special emphasis on equality and long-term commercial relationship. If fact proves that certain suppliers are unable to satisfy its EHS requirements, **BASF** may help to solve the problems through formulating plans concerning joint efforts. Once the improvement requested in the plan is taken into action, regular purchasing may start. Here is an example: a certain supplier was evaluated in 2000 for the first time, though its overall performance was fairly good, it still failed to meet certain EHS requirements, for instance, it lacked protection equipment so that some virulent products were carried open-air and the workers were exposed to dangerous smoke and dust. With instructions and assistance of **BASF**, the supplier improved its production system from open-air one to a closed one, and provided the workers with adequate safety equipment,

only till then did **BASF** accept the supplier.

A.8.4 Promote sustainability through joint efforts

- **Examples from BASF China:** The logistics management of BASF includes both those of stock and sale. According to BASF Global Stock Regulation, all the dangerous chemicals stocked are to be picked up from the manufacturers' by appointed logistic suppliers, while all those sold are to be delivered to the clients by BASF itself. There is a "special requirement on the first delivery", meaning that before the very first delivery of certain chemical(s) to a customer, the logistics department of BASF, product superintendent, and customer service representative are to visit the customer together, for the purpose of helping them building up a reasonable goods delivery system. BASF can associate with the undertakers, contractors, and raw material suppliers in adopting the standard. From 2004 on, BASF began to adopt a new business benchmark -- two separate yet echoing panes (one big, the other small) representing the determination of BASF to obtain mutual success with its co-operators. Most of the repairing, transporting or packaging of the BASF manufacturing base is completed by the contractors. In order to improve the occupational security of the contractor staff, BASF has carried out a plan encouraging safety work routines, which is put into all agreements with the contractors. In case that the contractors' staff violate any of the BASF safety regulations, there will be a certain proportion of their bonus (decided beforehand) deducted -- for example, a deduction of 2.5% of the contract sum for anyone not wearing safety gloves, and 30% for any incidents resulting in a loss of more than three days' working hours -- all of the deducted sum is to be paid to BASF. This means that the safer the contractors' work is, the more bonuses can be left for them when the program is finished.
- **Examples from NOVOZYMES:** At the beginning of 2003, NOVOZYMES began to examine the social responsibilities of key raw material suppliers worldwide on the basis of human rights and labor standards. In 2004, 80% of its stock came from suppliers joining the examination. And beginning from 2004, all new suppliers were required to pass the examination of social responsibilities before any stock

contracts were signed. In China, NOVOZYMES Tianjin applies this to all Grade A suppliers, strategic and high-risk suppliers, and packagers. The examination includes a communication with the suppliers beforehand, the dissemination and gathering of questionnaires, and the collection of feedback. Besides this, there are to be 4 suppliers taking part in on-the-spot examinations every year. From 2003 to 2004, there have been altogether 53 suppliers examined by NOVOZYMES Tianjin, 47 of who are Grade A suppliers. Up to July, 2005, more than 60 have been examined, 57 of them being Grade A suppliers.

- **Examples from DuPont:** DuPont wishes to exert the leading role of its enterprise in sustainable development, and extend and disseminate its experience. It spares no efforts in emphasizing the idea of safety in its operations, its experience and professional opinions regarding safety with society. In China, DuPont has been invited to many enterprises for safety training, sharing with Chinese managers the ideal that “all incidents can be avoided”, which is now extending to the oil fields, mine and building sites in China. There is also a publication by DuPont, “A Handbook of Safety for Students in Preliminary and Junior Middle Schools”. DuPont has held several competitions on safety knowledge for these students on the Chinese mainland and Taiwan, in hope of disseminating the idea and habit of safety. By providing safety management services for global enterprises and governmental organizations through its safety consultation department, DuPont has helped them in improving their capability for safety management, thus reducing labor incidents. In the oil pipe project of Guangzhou New Airport, China, in March, 2004, the DuPont safety consultation department was associated with the breaking of a new record of no injuries in 5,150,000 work hours, and saving 40 million RMB from the budget. “DuPont Mode” is a success of circular economy theory in industrial practice. As early as the 1990s, DuPont took the lead in setting the target of “zero drainage, and making it a promise to the public on environmental protection in the 21st century. DuPont believes in the practicability of the goal, and declares four great aims for the year 2010: 25% of gross income coming from regenerative resources; reducing 65% of greenhouse gas in global factories on the

basis of 1990; keeping energy consumption at the level of 1990; and 10% of its energy consumption coming from regenerative resources. Starting from 1990, DuPont has been publishing a sustainability report for the world every year. In 2003, productivity was raised 35% all over the world, energy consumption was kept equal with that of 1990, and toxicant gas was reduced 76%, greenhouse gas 67%, toxicant castoff 40%; and the adoption of regenerative resources and raw materials surpassed the goal previously set for the year of 2010. In 1997, the Shanghai Branch of DuPont China cooperated with Shanghai Economic Committee in holding an industry and environmental-protection seminar, to share DuPont's environmental ideals and its experience in the disposal of solid and liquid industrial wastes with enterprises in Shanghai.

A.8.5 Renovation and Intellectual Property Rights Protection

- **Examples from FAW:** Renovation is far from merely the production of mere goods, but that of circulatory chain products. The trucks of FAW represent the crystallization of independent innovation, for which immense investment has been made. From 2000 to now, the investment in research has reached as much as 7 billion RMB. Altogether 920 types of autos in 58 series, and 17 platforms have been developed; 180 national patents have been declared, with the monopoly of 55 techniques and a large number of experts. After the development of the Aowei Engine with an investment of 1.2 billion RMB, FAW has successfully put it into market when the demand soon exceeded supply. This success brings not only new products, but new systems, new persons of ability, a new work flow and the mastery of how to explore the "gold mine". This experience has now been applied by FAW to saloon cars, strengthening independent development capacity and forming a corresponding platform.
- **Examples from NOVOZYMES China:** Renovation is always the focus of NOVOZYMES, which boasts strong research capacity and has its research centers in Denmark, the US, Japan and China. The research outlay is about 13% of the net turnover, and most of the new enzymes and their development are accomplished by NOVOZYMES. A part of NOVOZYMES Global Research Center, NOVOZYMES

China Center focuses upon the following three fields: selecting with hi-tech new enzymes from the various epiphytes in China, and developing them into new enzyme preparation to provide new solution for all industries worldwide; opening the Chinese and global detergent market, and testing detergent enzymes by adopting a variety of washing machines; and finally, continually identifying and developing new enzyme preparations for the Chinese market through co-operation with Chinese customers, such as applications in the industries of food and beverage.

- Examples from COSCO: Taking technological renovation as its pursuit and responsibility, COSCO invests almost the same as those newly-developed enterprises in technology and product development, though its container manufacturing is comparatively traditional. Meanwhile, the products of COSCO are made competitive and appealing to customers through the establishment of enterprise technology, consummate interior scientific research system and platform, and the formulation of mid-and long-term strategies and short-term plans in technological renovation. 1. Consummate system and regulations provide a long-term mechanism in technological renovation. (1) The company encourages innovation in product development, technological progress, fundamental research and basic management, and holds a yearly innovation meeting. This creates an atmosphere of technology-sharing inside the group, which greatly quickens progress from technology to productivity. (2) Establish a research and production system that fits the group. Centered upon “the specialization of research and development, and pressing products close to manufacture bases”, COSCO restructured its organization into a new system of “centralized management, disseminated research, and distributed manufacture”. (3) Support research with information. The PDM product data control system, co-built with the group’s ERP construction, has already established a research platform among enterprises and their branches, realizing the integration of CAD, CAE, and CAPP. 2. The high intensity investment in research sets the groundwork and solidifies the leading role of COSCO in its industry. Through independent research, COSCO is able to

provide an entire set of products at the requirements of its customers, qualifying itself as a total solution in transportation for the clients. Meanwhile, the leading role of COSCO I in its field is realized by such research. For example, it has developed the very first environmentally-friendly refrigeration container and the very first environmentally-friendly container manufacturing base. Furthermore, it has succeeded in a container floor program that substitutes natural trees from tropic rain forests with man-made trees, and put into practice the large-scaled business manufacturing, solving a global problem of environmental protection.

3. Implement patent strategies to protect property rights. COSCO has suffered great losses in property rights when exploring overseas market, which has in turn taught it a valuable lesson. Therefore, COSCO intensifies the establishment of its property rights system including leading patent and technological secrets and brand copyrights. It now has an effective patent mechanism constituted by declaration, implementation, preservation, and anti-violation, which is not only responsible for the products, but also bringing more profits by meeting international criteria. At the same time, technicians can also be encouraged through the premium for patent originators and inspiration for technological renovation.

4. Seize the summit of technology through technological standardization. It is an important means to avoid technological risks and seize the technological summit by joining industrial standard formulation and standardized management. COSCO is now able to lead the formulation of the industrial standards in the global container business. It owns the most property rights on containers in the world. The standardized management has now become a triple-run system divided by the headquarters, sub-centers, and companies.

A.9. Resources save and ecological protection

Enterprises should devote themselves to building an environmentally-friendly and resource-saving society, and actively participate in solving global and regional ecological problems.

- **Examples from BP China:** BP's world-leading PTA chemicals business thrives on

the introduction of new technology. "Purified Terephthalic Acid", or "PTA" is a kind of chemicals to which our daily necessities like, clothes, beverage bottles, music tapes, tyres, are all related. As one of the largest PTA unit in China, BP Zhuhai Chemical Company's phase II project started in June 2006, will use BP's advanced PTA technology, which would help build BP Zhuhai into the most efficient PTA plant. Compared to conventional PTA technology, Zhuhai phase II project will require much less energy to operate, reduce green-house gas emissions by 65%, liquid waste discharges by 75% and solid process waste by 40%, meaning this investment will meet China's needs for economic growth that efficiently utilizes resources and respects the environment. Years ago, BP Zhuhai's Phase I project also benefited from the technology, which helped reduced its capital costs by over 25%. However, there were still some problems inherent in the first version of the technology, for instance, production costs were higher than those of the conventional technology plant. As the saying goes that 'problem is the mother of invention'. One significant opportunity for improvement was decreasing raw materials consumption, namely acetic acid and paraxylene. "Now we have improved the design for the advanced technology such that we will have lower consumption of feedstock chemicals in the PTA manufacturing process than any other plant we know of", said Jim Tibbitt, technology manager for BP's PTA technology development. The technology also incorporates very sophisticated wastewater treatment technology, and gases leaving the process are treated in high-temperature catalytic reactors that destroy all of the organic materials which will deliver a step change in environmental performance.

- **Examples from BAOSTEEL:** BAOSTEEL Group has established an energy committee which holds meetings regularly to discuss how to improve the efficiency of energy utilization, to better the energy-retrieving facilities, and to make energy-saving plans. During 1999-2003, the comprehensive energy consumption of making one ton of steel has already been reduced by 7.66%. In addition, coke oven coal gas has achieved 100% utilization, and the rate of recycling for other coal gas is also very high. Special attention is paid to the recycling of electricity and heat. In 2003, the energy-recycling rate of the corporation had already reached 12% of the whole energy purchase volume. Obviously, this has been noticed by at management level as having realistic

economic benefits, and hence the corporation will be more committed to social responsibility.

- **Examples from BASF China:** The founder of BASF has an ideal on the initial stage of establishing the enterprises: to integrate the research and production of the dyestuffs. The production devices are connected to one another. The products and remainders from the previous process become the material of the successive process. This cycle not only facilitates transportation, but also saves energy. Now, BASF has already turned the ideal into reality: located in the world's largest comprehensive chemical production base in the harbor of Luther Vichy of German, 250 sets of chemical devices, which become an association, are closely connected with one another. In Germany, *Verbund* just means association. According to calculations, this association saves up to 3,800 million RMB on productions costs every year for BASF. Without the association, the energy consumption of electricity and steam would be 92% higher, equivalent to crude oil of 3,700,000 cubic tons. In the association's production procedure the catalyst used, having been refined through continual innovation, has reduced carbon dioxide emissions by 230,000 cube ton; equivalent to electric energy consumed by 140,000 families each year.
- **Examples from SINOPEC Shanghai Petrochemical Co. Ltd (SPC) :** In April 2002, Shanghai Petrochemical Environmental Protection Centre started to set up a 2 hectare "Ecological garden" to the west of the environmental protection centre and to the north part of the oxide ditch. To monitor the ecology, the center raises some animals and plants some plants which are sensitive to environmental changes; the growth of these animals and plants has received from the local community as well. There are various kinds of animals here, including sika, chicken, wild duck, and fish. All of these animals are the " environmental monitors" of the garden. The animals have responded well to their new habitat; they give birth to successive generations, which are all good in health.
- **Examples form Shell China:** Two typical cases involving Shell associated companies are a coral transplant project and a turtle protection project. The

investigation of the ecology of the sea floor for one south China project showed that jetty construction may influence living corals. The Shell joint venture cooperated with the South Sea Marine Research Institute to transplant 400 square meters of coral 10 kilometers away. After the move, 95% of the corals remained healthy. After careful consideration, all lights for the road leading to the project construction site were installed on the southern side of the road. If the road lights had been installed on both sides, lights on the northern side might have had a negative impact on the turtles' laying of eggs.

- **Examples from Arcelor:** In the frame of the “Kyoto Protocol”, Europe promises to reduce greenhouse gas emissions by 8% during 1990-2008. From 1990 to 2004, Arcelor has already reduced the amount of carbon dioxide emitted in producing one ton of crude steel by 23%, or by 18% in terms of absolute value calculation. According to present technological conditions, the technology to further reduce carbon dioxide emissions during the making of iron ore steel, has already been close to limitation: Only real technological breakthroughs can further reduce emission by 30-70%. As leader and sponsor of European carbon dioxide "ultra low carbon dioxide steel-making"(ULCOS) project, Arcelor, together with Nippon Steel, Thyssen Krupp, Crews, POSCO and other 40 more cooperative partners put forward the project. The ULCOS project assess the feasibility of all steel-making technologies, for instance, the recycling of blast furnace gas emissions, the use of hydrogen or biological fuels, and the deposit of carbon dioxide. This international project will open a new technological beginning in solving the problem of carbon dioxide discharge for the steel and iron industry. In addition, Arcelor planted 1,000,000 trees around a subordinate factory in Brazil, which could absorb carbon dioxide, create carbon credit, and to a certain extent could replace the coke with charcoal produced using the trees. Arcelor regarded this as an investment in the field of "biomass energy" (a good scheme of reducing the emissions of carbon dioxide).
- **Examples form SINOPEC Yanshan Petrochemical:** to optimize the management system, save energy and reduce costs by setting up an all-staff, full-scale, and

whole-course energy-saving management system. This has allowed the corporation to make great efforts to save the resources of production and increase the output of products. By making 17 rules at the corporate level and more than 30 rules at the factory level, it makes the energy-saving management standardized and institutionalized. It implements energy consumption quotas management, assigns a quota of "comprehensive energy consumption of output value of ten thousand RMB" and a quota of "main products energy consumption" to every factory; and makes an energy consumption quota assessment rate for the economic responsibility system. This contributes to increasing worker enthusiasm. At present, compared with its counterparts, Yanshan Petrochemical has reached a relatively advanced level in improving the efficiency of heat energy conversion. It is also advanced in the efficiency of the network's heat retention, the efficient use of energy as well as the remaining heat energy. During the 10 years from 1994 to 2004, the total industrial output value of Yanshan Petrochemical (fixed price) increased by 158.78%, the energy consumption of output value is reduced by 38.46%, saving 1,310,000 tons of standard oil in other words.

A.10. Environmental performance

Enterprises should systematically analyze and carefully monitor the possibility of pollution and dangers to the environment caused by their operational activities or by the products/services, and continue to actively improve their environmental performance.

A.10.1 Basic environment protection requirements

- **Examples from BP China:** Commitment to HSSE. "Everybody who works for BP, anywhere, is responsible for getting HSE right. Good HSE performance and the health, safety and security of everyone who works for us are critical to the success of our business." "Our goals are simply stated - no accidents, no harm to people, and no damage to the environment." "We will continue to drive down the environmental and health impact of our operations by reducing waste, emissions and discharges, and using energy efficiently. We will produce quality products that can be used safely by our customers." "We will: 1) consult, listen and respond

openly to our customers, employees, neighbours, public interest groups and those who work with us; 2) work with others - our partners, suppliers, competitors and regulators - to raise the standards of our industry; 3) openly report our performance, good and bad; 4) recognize those who contribute to improved HSE performance.”

“Our business plans include measurable HSE targets. We are all committed to meeting them.”

A.10.2 Environmental management system

- **Examples from SINOPEC:** SINOPEC has further strengthened the implementation of clean production in 2005. According to the requirements of the “Enterprise’s Clean Production Standard”, enterprises affiliated to SINOPEC promote normalization of clean production procedures, devote themselves to setting up long-term mechanisms for clean production, improve internal blowdown charge systems, and guarantee that the pollutant is controlled throughout the whole course of production. Compared with 2004, on the basis of production expansion, the total amount of index COD concerning waste water pollutant has been reduced by 6%, and the fresh water for industrial use reduced by 4% compared with the same period of the previous year.
- **Examples from ZRCC:** Training for its safe and healthy environment principle takes three steps: 1) Management procedure --- to pursue HSE management systems in a holistic manner. The company has finished a series of works in pursuance of this principle, such as the compilation of HSE management system manual and procedures document, a safety check analysis, feasibility study, identification of environmental factors, identification of negative effects and appraisal of environmental factors. 2) Prevention procedure for promoting the qualification of the staff. The leading group has held many meetings on this theme, for the purpose of studying and discussing how to rectify, and standardize the order of construction site. It also has made it a rule for the unit in charge of construction to hold regular safety meetings, to notify the security inspection of the construction site and the company’s management expectations in time. 3) Examination and approval procedure --- to improve the policy of making safety

commitment and the policy of risk deposit. Through strict examination and approval procedures, the company is constantly strengthening staff consciousness of safety production responsibility.

- **Examples from Shell China:** In the aspect of the environment, Shell China has been closely observing the “Environmental and Social Influence Appraisal Report” which assesses and elaborates upon the impact on the environment, social economy, and health during the course of the construction and running of a certain project. The report has been examined and approved by an internationally renowned independent organization

A.10.3 Cleaner Production and pollution prevention

- **Examples from GE China:** An intact management system must include the content of the reporting system. All the factories of GE shall report the performance and plan implementation data to their EHS headquarters on a monthly and quarterly basis. The company’s planning group for environmental protection gathers the performance data, and then submits the quarterly reports to the company's president, as well as reviews the plan during the “environmental protection meeting”. The “environmental protection meeting” is held once a year, office manager (instead of EHS manager) shall report on the EHS working progress to the head of its department and to the environmental protection planning group of the company. During this time they give a brief introduce to the achievements in the previous year and the task of the coming year briefly.
- **Examples from ZRCC:** In June 2000, all petrol products of ZRCC have reached our country’s clean petrol standards 3 years ahead of schedule. Diesel oil quality has reached new standards for national clean diesel oil one month ahead, and aviation kerosene quality has continued to move ahead with the most advanced levels worldwide. At present, the sulphur content index in petrol No. 90 and diesel oil No. 0 sold at home of this company are both superior to the national standards by a large margin. SINOPEC Shanghai Petrochemical Co. Ltd (SPC) : The clean production procedures of this company includes mainly the following four stages:
(1) Disposing of the clean production device (2) Establishing the leading group for

clean production(the clean production leading group was established in 1999 under the direct leadership of the vice general manager. Subsequently, five major divisions established their own leading groups for clean production and then made plans of carrying out clean production according to their own actual conditions).

(3) Making plans for clean production, inviting experts to give lectures, and opening some training courses to train the relevant personnel of the divisions about auditing clean production. (4) Clean production is audited and confirmed by holding thematic meetings of clean production, organizing the members of leading group in accordance with the principles of clean production, making future work plans, and ensuring that before the end of 2005, the devices involved pass the check and examination of internal clean production audit list.

- **Examples from BAOSTEEL:** In discerning and observing the environmental regulations, the office in charge of safety and environmental protection of BAOSTEEL Group is responsible for gathering the relevant legal rules and regulations and revising the company's management files. This is to guarantee that the production and operating activities of the company accord with relevant requirements. In the annual evaluation of environment management system, the office mentioned above is also in charge of evaluating and judging whether a project observes the laws and regulations concerning environment. This serves to transfer the demands of laws and regulations to quantitative executable performance goals. In addition, the corporation has make it a rule that the internal control standards for disposal of pollutants forms the basis of project design and is daily requirement for environmental management.

A.10.4 Environment management innovation

- **Examples from ROHMHAAS China:** Responsibility care --- the first of six general practice principles is "Community Awareness and Emergency Response" (CAER). Its purpose is to let our emergency plan echo with the emergency plans of the local community in order to guarantee the safety of the staff and the community. Through dialogue about the manufacture of chemicals, and with members of the local community, ROHMHAAS China has recently completed a draft cooperative

emergency plan. This stipulates that emergency exercises will be carried out at least once a year. These emergency procedures cover the manufacture, use, distribution, sale, and storage of hazardous, and contingencies for all possible incidents.

- **Examples from Nonozymes China:** Tianjin is a north China city which is in crying short of water. **Nonozymes** Tianjin makes great efforts to adequately recycle water resource and to refresh both disposed water and water in disposing. The industrial sewage which has experienced full circulation enters the sewage disposing plant, after being disposed, it is stored in the lagoons built by **Nonozymes China** for irrigating the green grass lands and showering the saline-alkali lands. **Nonozymes China** has set both medium-term and long-term plans for water recycling. Fermentation residual is the main solid waste produced in the process of enzyme preparation. Since the residual is rich in organic materials, the company further processes it into Novo fertilizer, which is provided free of charge to the peasants nearby, altogether it amounts to 80,000 tons since 1998. For several successive years, Novo Fertilizer has good application effect, which is highly appraised by both Application Ecology Research institute under China Social Science Academy and Tianjin environmental monitoring center. Because of Novo fertilizer's remarkable effects in improving saline-alkali soil in Tianjin Binhai area, Tianjin saline-alkali land ecology afforestation engineering center affiliated to Taida Group (Holding Company) proposed the first five-year agreement with **Nonozymes China** in terms of Novo fertilizer utilization. Formerly the fertilizer is packed in bags when provided to the peasants, later it is changed in bulk with the thought that packed bag itself is a kind of resource waste.

A.11. Cultural diversity

An enterprise shall respect and strive to maintain the traditional cultures of various nationalities and areas, protect cultural diversity, and actively develop a distinctive corporate culture.

A.11.1 To respect and protect traditional culture

- **Examples from Lafarge China:** Lafarge actively promotes a new and truly transparent working mode. They have built a museum to protect an ancient kiln from the Song Dynasty. This has garnered an award with the title of “advanced unit of historical relic protection” by the Chengdu government. Lafarge has also donated 1000 tons of lime, valued 90,000 RMB, to the renovation project of Beijing’s ancient city wall. The donation was used to repair the 57-meter-long ancient city wall of the Ming Dynasty lying to the east of Beijing railway station. Lafarge China actively popularized the "forest rejuvenation" plan worldwide. The Lafarge plant at Dujiangyan, China, has planned to gradually replant the forest destroyed by mine exploitation, over the course of three years.
- **Examples from COSCO:** “To pioneer an enterprise with arduous efforts and to be patriotic and devoted” is a flag that will never fade from COSCO’s culture. Under the guidance of this large flag, China COSCO Group China carries forward the national spirit and makes great efforts to win glory for the motherland on the shipping stage of the world. COSCO has come from a beginning of 4 small-scale boats their current fleet of 603 modernized merchant ships; from originally entering the international marketplace with difficulty, to spreading itself to more than 1300 ports worldwide. Nowadays, this huge state-owned enterprise with 80,000 personnel is contributing enormous vigor for China’s reform and opening by constantly forging its own culture in the tide of the market economy. While numerous domestic enterprises study the advanced practices of large foreign companies in regards to social responsibility, COSCO combines the advanced practices with adaptations for China’s peculiar traditions, culture and patriotic devotion.

A.11.2 Enterprise internal culture

- **Examples from SINOPEC:** SINOPEC promotes the construction of enterprise culture with “competition, opening, standardization, trust-worthiness” at its core connotation. It has incorporated the core concept into the production and operation management practice, and has thus built a good internal human environment. SINOPEC makes great efforts to improve the skill level of the staff. It has also

increased consciousness of the corporate culture through implementing the staff's quality project, launching the activity "to establish study-oriented organizations and strive to be a personnel of knowledge", and carrying out some mass economic and technological innovation activities. These activities include such innovations as emulation drive, conductive suggestion, technological innovation, technological cooperation, inventing and creating, on the job training, and technological competition.

- **Examples from FAW:** The core concept of FAW is "First car, nearest partner". In 1953, Chairman Mao Zedong named and inscribed "Foundation commemoration for the First Vehicle Manufacturer", the great man has given the historical mission to FAW. FAW pursued "customer first" as its operation theme and wins loyal customers with the loyalty to the customers, and hence the realistic benefits of this principle. Meanwhile, China FAW Group Corporation lays great emphasis on the harmonious development of people, cars, and society. For each Chinese family to have its own car is the very dream that the corporation has been assiduously pursuing. "First car and first partner", FAW shares the joy of innovation with customers, and thereby achieves a win-win situation hand in hand with their cooperative partners.
- **Examples from SINOPEC Shanghai Petrochemical Co. Ltd (SPC):** SPC takes "to be equitable, trust-worthy, consistent and precise" as its business operation creed. The goal of its cultural construction is to build a generally-acknowledged outstanding corporate culture which has a value guidance effect, high cohesiveness, wide ranging external influence and compliments the other strategic objectives.
- **Examples from Holley Group:** During the benign cycle of cultural collision, integration, unification, and emergence of a new collision, Holly Group has made a meticulous reflection and summarization of its former corporate culture and then made a refinery corporate culture of "common understanding, harmony, co-renovation and sharing". It has also made it a core concept "to promote social interest and realize the true value of life, and hence to fasten the promotion of its corporate culture. The document "Manual of Holley Group Corporate Culture"

embodies a concentrated reflection of its corporate culture system. Holley Group regards the manual as its guideline and code of conduct to face the world and open its causes. The corporate culture construction is a very important part of Holley Group corporate management, and includes four platforms: (1) Organizational guarantee platform --- It is the Party Committee, trade union, Youth League committee and the department for corporate culture promotion of Holley Group that implement the promotion of the corporate culture construction. They shoulder the responsibility of corporate culture construction and carry out the work through coordination. The corporation has put forward the practice that “managers see to the corporation culture construction”. All the corporate culture construction units are in their due places and hence the culture construction gets a strong organizational guarantee. (2) Institutional improvement platform --- Holley Group has evolved from a workshop into its present form with a dense traditional culture. When the institutional construction was in its early stage, this culture played a positive role and inspired unity. Yet, when the institutional construction entered its later stages, this culture began to play a negative role, with factors such as nepotism, favoritism, and gender discrimination. These normal operations of the company. Through institutional improvement, Holley Group made clear the generally-acknowledged truth, value judgment criteria, and mutual commitments of the staff. This allowed them to eliminate gender discrimination so as to uphold the corporate spirit in a reasonable and legal manner. For instance, in its treatment of the retired, it founded a staff fund guarantee association to solve the problems accumulated through the years. The management system, staff behavioral norms, employment system, performance examination and approval, remuneration incentive system, etc., are all a concentrated reflection of the corporate culture. It is Holley Group’s mission to integrate the culture into the institutional system so that the corporate culture can have performing power. (3) Cultural activity platform --- The rich and colorful cultural activities enjoy the limelight. As an important means of spreading the corporate culture, various cultural activities are organized by the labor union and committee of the Youth League. With the quickening pace of

globalization, the corporation demonstrates enormous opening and generosity. Open and interactive communication has gradually become a new characteristic of the corporation. Holley Group holds an annual forum meeting to discuss the macro propositions about corporate operation, management and development. Here, ordinary staff, managerial personnel and foreign staff can participate in the discussion and voice their opinions freely, and thus the reflections on corporate development are finished. (4) Publicity platform --- There are many channels to spread and publicize corporate culture. The channels that Holley Group uses mainly include “Holley Group Newspaper”, “Holley Group Website”, pamphlets, cultural education bases of the subsidiaries, and a corporate headquarters cultural show room.

A.12. Public relations

An enterprise shall set out its public relation policies, and establish a department or authority to deal well with the relationship between the enterprise and the government, as well as other stakeholders (such as non-profitable organizations and media). Furthermore, it shall launch communications and cooperation concerning sustainable development and social responsibility, and set up multilateral cooperation mechanisms.

A.12.2 Partnerships between enterprises and public departments

- **Examples from** Sound Group: In view of China’s current environmental protection situation in the science and technology industry, Sand calls upon the government to undergo rapid change, in light of the serious phenomenon that has environmental protection enterprises largely detached from the solution of real environmental problems. Sand calls upon the government to promote and encourage by means of policies the development of technology-oriented environment protection enterprises. Sand proposes some concrete measures from three aspects: 1) To favor scientific and technological development actions of the enterprises by means of finance and tax policies. If an enterprise is proved or confirmed to invest in technological development by a corresponding monitoring and supervising mechanism, the tax for such investment can be reduced or remitted; or such

enterprise may get loans from the government at a favorable rate 2) to set up technological research projects for environment protection enterprises. It is necessary to realize that the technological research activities conducted by the enterprises as the key players are of great significance for the overall progress of the country. The country should therefore establish technological research projects in the field of environment protection, and relevant capital support should be guaranteed. 3) The country should select some key enterprises to give them special aide, and such candidates shall be those large-scale environmentally-friendly enterprises with abundant practical experience and sound technological research foundations.

- **Examples from FAW:** As for the domestic orientation of the reasonable consumption of cars, the government, enterprises and consumers should shoulder their respective responsibilities. The government should have correct policy guidance and take the lead in setting examples. Government departments at all levels should abandon rivalry of buying large luxury vehicles with high amounts of exhaust for departmental use. This should be replaced by setting energy-economical, environment-friendly and small exhaust cars as the top candidate model for public affairs.
- **Examples from Lafarge China:** In public relations, Lafarge holds that an enterprise should act as a "good neighbor". Lafarge has fully realized that if an enterprise concentrates on development alone, perhaps a lot of profits can be made in the short term, yet such profits cannot be sustained; for example, it will be impossible to accomplish sustainable development. Lafarge China always hopes to achieve the overall improvement of its surrounding environment, in terms of professional technology, environmental protection, and social public services. Lafarge is also participating in a CSR project in cooperation with Chinese governmental bodies at all levels. Lafarge has established good relations and laid a sound foundation in China for its further development.
- **Examples from Nonozymes China:** 1) Participation in the establishment of labor sanitary standards for detergent processing industry. In view of the poor working

situation in the Chinese detergent sector, and an absence of good protection measures for workers, Nonozymes has proposed to develop trade standards in cooperation with P&G, Unilever, and Henkel. 2) From 1999 onwards, in cooperation with experts of the Chinese Food Additive Committee, Nonozymes put forward a proposal to ban the use of the potassium bromate, and proposed an alternative scheme. On July 1, 2005, the Ministry of Health promulgated a formal ban of potassium bromate in flour modifier. 3) On the basis of experiences accumulated in the USA and Brazil, Nonozymes promotes the feasibility analysis of petrol alcohol in China. At present, petrol alcohol containing 10% ethanol has already been used in nine pilot cities of China. 4) Participation in the Huaihe Basin Water Control Seminar, as organized by the Waste Control Department of the State Environment Protection Administration. Management representatives and professional technicians were sent to the seminar to present their experiences. 5) In October 2005, the Nonozymes factory in Tianjin was awarded the title "National Environment Friendly Enterprise" by the State Environment Protection Administration.

- **Examples from Dow Chemical China:** In March 2005, the State Environment Protection Administration and Dow Chemical jointly announced in Beijing the formal launch of model demonstration collaborative project of national clean production. In June 16, 2004, both sides signed letter of intent in regards to cooperation. Dow Chemical promised to donate 6 million RMB over 3 successive years from 2005 to 2007. This cooperation program is intended to support the promotion and development of clean production in China by guiding the enterprises to voluntarily implement clean production. Small and medium-sized enterprises should be guided to enhance efficiency, prevent pollution and continually improve environment performance. The priority is to enhance promotion, staff training and results audition in the small and medium-sized enterprises of the chemical industry such as pharmaceuticals, printing, dyeing, papermaking, electroplating, and the brewing of alcohol.
- **Examples from BASF China:** BASF exchanges and shares advanced construction

concepts with construction sectors in China and establishes strategic and technological cooperation partnership with China Construction Ministry in the fields of energy conservation and environmental protection as far as construction is concerned, and hence supports the development of China's energy conservation in construction. In the meanwhile, BASF takes active steps to introduce its advanced energy-saving materials and technologies to China's construction and design circle through a series of model projects concerning construction energy conservation. As for this, we can take a China countryside sustainable development project in Benxi suburbs of Liaoning Province as an example, which is initiated by Sino-USA Sustainable Development Center. BASF provides funds, building materials as well as specialized technology for this project so as to build a model inhabited area which practices energy conservation and environmental protection. The inhabited area, which is designed on the basis of circulation, uses innovation technologies and construction materials. And in this way, it is advantageous in promoting the housing comfort level and the quality of life of the rural inhabitants. BASF heat-insulation and thermal-keeping material is made from Styroper polystyrene which is both light and energy-saving, this BASF material boasts energy conservation, meanwhile it helps to lower the operation cost by reducing Carbon Dioxide emissions.

A.12.3 To cooperate with the non-profitable organizations

- **Examples from Lafarge China:** Lafarge is among the founders of a nature protection partnership project of the World Wide Fund for Nature (WWF). WWF and Lafarge have signed the relationship agreement with cooperative partners, for the purpose of rejuvenating the ecological value of the mine with the strategy of the bio-diversity. In regional areas, the cooperation deals with issues such as mine recovery, environmental awareness, and working position related to safeguard the forest business and newly-increased positions. Some operation units of Lafarge have already launched cooperation with the national-level organization of WWF. These collaborative projects have already compelled both sides to sign local partnership agreements with China in projects located in Austria, and Kenya. Both

sides of the developed countries and developing countries are confirming other new projects.

- **Examples from BP China:** Due to its business characteristics, road safety is a pressing concern for BP. Driving safety has evolved as an integral part of the company culture. In China, besides focusing on road safety in our daily operations, BP also works with the government and the academic institute on the research and development of driving safety standards and involve in raising public awareness and capacity building. In China, nearly 300 people die from traffic accidents everyday, about 100,000 people die and some 550,000 people are injured every year out of the same reason, so drastic and effective prevention measures should be taken to prevent this kind of thing from happening. Study shows that the risk of death reduces even 60 percent for the drivers with safety belts versus those without. According to China's First Road Traffic Safety Law implemented in 2004, drivers and first-row passengers are requested to have safety belts on. However, though overwhelming majority mobile vehicles (not including trucks) are equipped with safety belts, the utilization ratio is far below the international level. It's obvious that road casualties can be greatly reduced through intervention measures for safety belt utilization. In BP corporate, "Safe Driving" has become part of its corporate culture, BP business sectors in China are taking active part in local road safety activities. In 2005, BP China established cooperative relations with WHO(World Health Organization) and Gorge International Health Study Center in Australia, made joint efforts in implementing "Promotion Project of Safety belt utilization in China" This project helped to enhance the ratio of using safety belt correctly by 20 percent through one-year term intervention activities in Guangzhou which is one of the experimental sites; and adequate data was acquired for evaluating the cost efficiency, meanwhile, the city's road traffic injury prevention ability was greatly enhanced.
- **Examples from Nonozymes China:** In 2001, Nonozymes began to cooperate with WWF, setting up "Small-scale project fund for the preservation of Chinese rare

species”, with the purpose of strengthening some weak links in China's biodiversity research and protection. The fund is also a commitment to the bio-diversity principle (enzymes are produced by microorganisms) and biodiversity convention. Nonozymes only chooses those projects which need real protection and the investigation projects which are carried out for better protection. It educates the local community, takes an down-to-earth attitude in protecting species and hence inspires and improves the protection awareness of the local residents. Meanwhile, Nonozymes keeps in close touch with various governmental or non-governmental organizations, such as trade associations, etc. and actively participates in some activities. It is also a member of China Industrial and Commercial Council of Sustainable Development.

- **Examples from Bayer China:** When it comes to the dissemination of information concerning HIV/AIDS, Bayer places special emphasis upon the importance of work atmosphere. This is done in the hopes of providing a simple and direct for people to learn more about the contagiousness of HIV/AIDS, and also to understand carriers of the virus, and help them in their daily life. The media plays a crucial part in preventing and reducing the humiliation and discrimination of those suffering from HIV/AIDS and other chronic diseases. Accordingly, in 2004 Bayer established a program to encourage and train media workers in how to report HIV/AIDS and other chronic diseases, as well as the related medical treatments and healthcare. This program, the “Tsinghua-Bayer Public Health and HIV/AIDS Media Lab”, has contributed to the construction of a national platform for medication and healthcare reporting practices.

A.12.4 To play the international role

- **Examples from COSCO:** In the course of 43 years' development, *Guanghua*, the international passenger liner of COSCO, was sent to Indonesia 13 times and in India 3 times for the purpose of transporting distressed citizens back to China. *Weihe*, another international liner, was sent to the south of Yemen to rescue foreign-aid experts. Abominable situations, such as the riot in Somalia, and war in the Middle East, always witness the specials mission carried out by COSCO ships.

As a floating territory of the People's Republic of China, COSCO has already become a spokesman of the Chinese people. After the incident of the plane collision over the South China Sea, *Zhenhe* COSCO sailed to Boston for the first time. It was a typical event of the realization of Sino-America win-win cooperation, in which non-governmental cooperation promoted diplomatic communications between large countries. The original voyage of *Zhenhe* to Boston not only created 9000 employment opportunities for Boston, but also entirely changed the ideas held by some Americans about COSCO and Chinese state-owned enterprises. COSCO continues to grow stronger and serve the country; it has already established an international brand. In this sense, the community social responsibility performed by COSCO has already gone beyond the connotation of any commercial attribute. In a fast changing world, COSCO bears serious historical and sacred responsibilities. COSCO enjoys higher and higher popularity and competitiveness worldwide. At the same time it retains its Chinese features as well as a sense of historical duty to the world. In the trading field, China has already become a global focus. The most far-reaching CSR responsibility assumed by COSCO is analyzing the important functions that Chinese elements can play in the structural change of international shipping, and thereby bring important development opportunities for the international shipping business. It is devoted to actively fostering and fully utilizing relevant industrial and commercial associations and organizations together with other enterprises, so as to make contributions to international marine shipping and relevant business, and even the steady development of global economy and trade.

- **Examples from COSCO:** In the container field, in 1997 China COSCO started its cooperation with Kawasaki Kisen Kaisha Ltd from Japan, Yangming Marine Transport Corp from Taiwan, as well as other companies. Later, COSCO accepted an invitation to join with Hanjin Shipping from South Korea, and thus established the largest container service alliance worldwide, entitled CKYH. This allows mutual rent and coordination in sending ships. At the beginning of 2006, COSCO signed a cooperation agreement with Japanese Railway Freight Company. Under

this agreement, COSCO can engage in joint shipping and railway transportation projects. This has allowed it to penetrate more deeply into the Japanese market, known as the most difficult market to enter in the world. Because there are some prejudiced opinions and misunderstandings towards Chinese enterprises worldwide. These problems affect the global development of Chinese enterprises, including COSCO. For example, in the USA COSCO was subject to unfair treatment, known as “controlled carrier”, for a long time. However, COSCO insisted on a win-win situation based on competitive cooperation and mutual benefit. First of all, COSCO had a large public relation effort according to local practice in the USA, with the purpose of obtaining understand and support from friendly figures in the American political circle. On the basis of a feasibility analysis, COSCO made an important decision: the liners shall be affiliated to Boston port, thus solving the employment problem of 9000 dock workers. Such decisions have not only helped to bring some economic benefits, but also to achieve good results in politics and diplomacy. Eventually, in November, 2004 the American government announced the exemption of “controlled carriers” treatment for COSCO, as well as two other Chinese shipping companies.

A.13. Community construction and public utilities service

An enterprise should observe the relevant rules and regulations of the local community where the business sites are located, as well as the total area influenced. The enterprise should also actively participate in and support local construction, public affair management, and public service.

A.13.1 Participate in community construction

- **Examples from CSPC:** common development of enterprises and community --- CSPC undertook to respect and safeguard the interests of the original inhabitants, and ensure the interests of the affected community near the new project were taken into account. More than 2,700 households, about 8,300 people from two villages (Donglian and Yanqian) of the Daya Bay area, were relocated to newly-built residence areas away from the project site. The issue of emigration involved in a

large project is often very hard to tackle for the developers as well as the local government. In this respect, CSPC has set an example through its active efforts. Adopting Chinese and World Bank principles, together with the government, the company developed a transparent resettlement action plan, and conducted an independent survey of the people to be resettled. Second, it supported new enterprises set up by the villages. Together with the villagers and the government, CSPC helped both villages to set up village-run companies, the Dongyi and Qianxing corporations. CSPC offered small enterprise business consultation and training services to both corporations. Through both corporations, the villagers were hired to work for the project and received dividends from being joint owners of the companies. During more than two years of construction, an average of 350 villagers worked on the project each month. CSPC also appointed a third party to organize small business training for six months, for newly created village-run corporations, in accordance with the requirements of sustainable development. Third, CSPC helped the villagers to find jobs. Relocation due to the project changed the production and lifestyles of some of the original villagers. Funding employment was therefore a priority. As well as employment on the construction and operational phases of the project, CSPC also trained more than 1,000 people in a variety of skills, including computers, languages, vehicle maintenance, and housekeeping. With the assistance of Daya Gulf Labor Bureau, CSPC set up a workforce database of relocated villagers including information on age, employment, and professional skills. CSPC, its contractors and the government departments could find qualified workforce through this database and track the training and employment status of the villagers at the same time. Employment procedures for relocated villagers were also developed to find a suitable workforce to work for the project, as required by the construction contractors. Fourth, priority in local purchase. In order to promote local industry, CSPC formulated contract bid award procedures, making a list of the construction and purchase contracts that could be completed by local contractors or suppliers, as well as the names of the potential contractors and suppliers. This ensured local materials and services were

used as much as possible. In addition, CSPC also set up a project purchase website (<http://info.cspc.net.cn>) and organized purchase procedure lectures, providing on-line registration for the businesses intending to become suppliers or service providers of the project. More than 150 companies from Guangdong province were on the list. Fifth, to construct roof vegetable gardens across the village. In talking to villagers, the company heard that some resettled villagers hoped to continue vegetable planting in their new homes, and discovered that one innovative household had already started to grow vegetables on the roof of their new home. CSPC started a roof vegetable garden program, in which 850 interested households took part.

A.13.2 Settle in or exit from the local community

- **Examples from Shell China:** CNOOC Shell Petrochemical Company Limited (CSPC) (jointly invested by Shell, China National Offshore Oil Corporation (CNOOC), and Guangdong Provincial Investment and Development Corporation).
 - 1) Participation from the stakeholders --- From the beginning of the project, CSPC listened extensively to the opinions of various stakeholders so as to understand their viewpoints and concerns. The project not only solicited the opinions of the government, cooperative partners, customers, and the media, but also kept in close touch with other circles of society. The project carried out extensive discussions and issued many public notices, including the villagers who will be relocated.
 - 2) Public participation and discussion about relocation arrangements --- The issue of “Land Use and Relocation Compensation & Arrangement Plan for CSPC Project” has taken full consideration of the formal requirements that the stakeholders of the project have put up forward. The village committee held regular meetings so as to inform the stakeholders, or to discuss relocation principle procedures and project progress. Furthermore, it created a forum for the stakeholders to make suggestions or comments on the project as well as its execution. The discussion covered compensation standard and methods, residential district position and planning, building construction, and living conditions.
 - 3) Transparency and responsibility explanation system --- Before the construction of the project, CSPC invited the

domestic and international authoritative institutions to prepare “Environmental and Social Impact Assessment (ESIA)”, and made an “Environment and Social Management Plan” on the basis of said report. CSPC engaged an independent organization to monitor more than 40 environmental indexes and more than 60 social and health indexes during construction. The “Environment and Social Management Plan” and “ESIA” were made public while the joint venture engaged external interested parties for input into the terms of reference for the study and the results. Every quarter, an independent consultant undertook a survey of resettled people to understand their concerns and ensure that they are followed up on by the relevant party. 4) CSPC has undertaken a range of training activities to provide alternative skills to people who were resettled and moved from an agricultural to an urban environment. There have also been contributions to education and health in the area.

- **Examples from Dow Chemical China:** Dow Chemical carries out staff and community investigation, among which community investigation is mainly used to assess satisfaction towards Dow Chemical from the community of the factory site. For each community, Dow sets assessment targets in accordance with the size of the factory as well as the impact degree upon the community. In the main production area, community satisfaction for Dow means at least 80% of the inhabitants consider Dow as a good neighbor and a valuable community member.
- **Examples from Alcoa China:** The success of Alcoa is closely linked with the hygiene and welfare of several hundred communities where Alcoa factories and office sites are located. Alcoa enriches the community life through multiple methods including donation, constructive suggestions, and voluntary contributions of resources and time. Apart from the core principle of donating the resource of time, Alcoa allocates special funds to promote two global plans designated to reward the voluntary work made by Alcoa staff. The ACTION program (it means, Alcoa staff gathers together in our community) encourages Alcoa staff to set up in groups and help the local non-profit organizations. Another program entitled “Bravo!” is designated to praise individuals who have offered voluntary

contributions of service.

A.13.3 Support charitable public service

- **Examples from BAOSTEEL:** In 1990, an Education Fund was set up by BAOSTEEL. The total fund reached 50 million RMB by 2004. So far, BAOSTEEL education awards or scholarships have been obtained by more than 10000 excellent teachers or students across the country from more than 100 higher education institutions and 19 research institutes directly subordinated to Chinese Academy of Sciences. Award expenditure and education assistance has reached more than 68 million RMB. In 1993, BAOSTEEL contributed another 10 million RMB to set up BAOSTEEL Grace Art Award Fund, used to rewarding excellent artists or writers who have made outstanding contributions to the prosperity and development of art and literature in Shanghai. The priority shall be to help struggling troupes such as Beijing opera, ballet, and juvenile literature, and art. So far, more than 8,400,000 RMB has been used to reward or support 61 excellent works, 249 outstanding art and literary talents, 19 outstanding art and literary troupes and 10 art and literary groups.
- **Examples from SINOPEC:** For many years, Sinopec has been undertaken the anti-poverty commissions of some poverty-stricken population in the Midwest region of China. In 2005, Sinopec invested totally more than 20 million RMB in an anti-poverty fund in Luxi county, Fenghuang county of Hunnan province, Yuexi county, Yingshang county of Anhui Province, and Bange county of Tibet. Large anti-poverty efforts, as well as aide to Tibet, have achieved a preliminary improvement of the local situation in general, and in specific areas such as ecology, education, and infrastructure.
- **Examples from BASF China:** BASF supports the scientific achievements made by Chinese universities and research institutes. In May 1997, a Sino-German Research and Development Fund was established, mainly designated to support the scientific research cooperation between BASF and Chinese higher education establishments, as well as the relevant research institutions subordinated to the Chinese Academy of Social Sciences, through financial aid and scholarship.

A.13.4 Support sustainable livelihood of the local poor

- CASE: left vacant for the time being

A.14. Social process and the local insertion of the enterprises

An enterprise is usually inserted in the situation composed of different concrete relations involving economy, society and natural environment in which such enterprise is situated. The conflicts that an enterprise may encounter are subject to the evolution of the society. The concrete CSR requirements and evaluations therefore cannot ignore the interaction between the enterprise and the concrete social situation and development process in which the enterprise is located. The improvement of CSR performance can not be conducted in a “vacuum”. Therefore, it is necessary to take into consideration the local development level into which the enterprise is inserted to determine appropriate CSR content. At the same time, the enterprise should play the active role of a citizen so as to promote the development of social progress.

A.14.2 Promote civil society construction

An enterprise should maintain and uphold social justice by utilizing its organizational resources, as well as the social forces that can be mobilized.

As far as CSR management performance is concerned, apart from the achievement of its own CSR targets, an enterprise should also supervise, encourage and help other organizations to improve their CSR performance and be against any enterprise that makes no efforts in CSR.

An enterprise should actively promote the popularization of citizen awareness and the construction of citizen morality within the scope of its impact.

Case: temporarily unavailable (social construction promotion efforts, to some extent, can enhance the demands for CSR, thus stimulate and realize the value creation on the basis of CSR performance improvement, namely social responsibility supply)

A.14.3 Participate in good governance

- **Examples from China Merchants Bank (CMB):** Wuding County is located in the middle of the Yundian plateau. Many factors, such as an inhospitable natural environment, frequent natural calamities, large population of ethnic minorities and underdeveloped infrastructures, have resulted in persistent poverty. In view of such a situation CMB, together with leaders from Yunnan Province, Chuxiong

autonomous state, and two counties, studied the issue together and established an anti-poverty guideline. This guideline, “update conventional ideas as a breakthrough, anti-poverty by education as focus, and comprehensive development as main direction ” In May 1999, the first batch of anti-poverty cadres of CMB hurried to Yongren and Wuding to take up some temporary posts. So far, CMB started its all-round way anti-poverty efforts targeting both counties. As for the poverty-stricken area, efforts in business and capital introduction will boost the local economic development. CMB anti-poverty cadres, together with local people, established a development plan for an economic project corresponding with the features of local resources, and development characteristics. In Wuding, in consideration of the new construction strategy of “homeland of *Baiyao* (a kind of Chinese medicine)”, CMB cooperated with scientific and technological forces in the county to invest in the construction of Chinese herb planting base. This base focused on *Zhonglou*, the raw materials used to produce Yunnan *Baiyao*. The confirmed success in Wuding was extensively applied in other areas such as Bailu village and Gaoqiao town, thus promoting Chinese herb plantation across the county. The experimental introduction of high-quality forage grass witnessed another success. Two million seedlings were reproduced and cultivated, and the demonstrative promotion was extended to more than 2000 mu (a Chinese unit of area equal to 1/15 hectare) across the county. This encouraged a tendency towards animal husbandry across the whole county. CMB organized various programs of rural practical techniques, as many as ten thousand individuals received training, helping numerous people acquire techniques to improve their living conditions or become wealthy. In Yongren, CMB cadres went to the uninhabited area to explore tourist resources. Through continual efforts, Yongren was classified as the key county to develop tourism in Chuxiong Autonomous State. Yunnan Province allocated a special fund of 500,000 RMB to plan tourism for this county. CMB has also made active efforts to introduce some projects such as Xiaolongshan Mineral Water, and Fangshan Attraction Park. There is no doubt that “blood transfusion” is important, but a health organism must have its own hematopoietic function. From

June 2001, CMB began to lend small amounts of credit to the farmers of both poor counties. Four million RMB would be set aside in order to support the farmers to develop plantations and breeding, and to cultivate their “hematopoietic function”. The release of micro-credit promoted the transformation of poverty alleviation from unique and temporary relief, into a comprehensive anti-poverty action. In order to help both counties to obtain the extensive availability of electricity, water, and roads, CMB anti-poverty cadres conducted on-site investigations all over the mountainous area, and made a lot of efforts in coordination. They were eventually able to set up projects for investment. From 2001, CMB successively invested in the construction of 5 model villages where the villagers could had reached a level where they had enough food and clothing, and built up a some infrastructure as well. At present, all of the 5 model villages have achieved good results. There have been obvious improvements in the production and living conditions, and preservation the ecological environment. CMB’s efforts have received favorable remarks from locals. The statistics shows, the average annual income has increased in the five model villages since their establishment surpassed more than 180 RMB. This amount is higher than the average level of the whole county, thus playing a positive exemplary role.

A.14.4 Enhance social responsibility of intermediary organizations

- **Examples from BASF China:** BASF has embraced the goals of the chemical industry's voluntary "Responsible Care" initiative and apply them to the entire BASF Group. The Competence Center Responsible Care defines concrete goals for the key sectors of Responsible Care, ensures their implementation and monitors goal achievement. In China, BASF devotes itself to the promotion of Responsible Care, which is the best practice in the management of safe production and environmental protection in international chemical industries. BASF forges alliances with the International Chemical Products Manufacturer Association and the Industrial Association of China’ Petroleum and Chemical Industries, instills and transmits the conception and experiences of Responsible Care to the small and medium-sized enterprises in chemical industry.

- **Examples from Novozymes China:** As one of the active players who promotes the realization of regional coexistence and recycling economy in the Development Zone of Tianjin, Novozymes recommended the industrial ecology model adopted by the Danish town of Kalundborg in the planning and construction of Tianjin Taida Ecological Industry Park. It went beyond suggestions and actively participated in the construction and operation of Taida Waste Minimization Club (WMC).

A.14.5 Strengthen social responsibility investment

Social responsibility investment includes not only any investment related to the core business activities of an enterprise or any alternative investment due to strategic development, but also the investment activities intended to promote the economic development and social progress of the backwards area.

- **Examples from Arcelor:** On November 7, 2005, Arcelor signed cooperation memorandum of understand with the United Nations Development Program (UNDP) in Beijing, in order to support the implementation in China of the environment protection and energy utilization plan proposed by the United Nations. This was a demonstration of its devotion to promoting the sustainable development of energy and the environment in China. The main cooperative fields include strengthening policy and legal frameworks, enhancing relevant capacity building and supporting improvements in energy efficiency. These are undertaken in view of the implementation of the Clean Development Mechanism as advocated by the Kyoto Protocol. This is a measure created to enhance public environment awareness and improve environment management capacity of the government; to promote the development of partnership of Chinese public and private sectors, provide a tool for poverty alleviation and the pursuit of development, especially in the fields of energy and environment. It is furthermore meant to support the realization in China of the millennium development goal as defined by the United Nations, with a focus on four provinces: Shandong, Jiangsu, Qinghai, and Sichuan.
- **Examples from Bayer China:** In the rural areas of China, most people have no recourse to loans. A lot of people do not have a livelihood that can support their family. Bayer pays considerable attention to the livelihood of rural Chinese people. Through the micro-credit, Bayer hopes to help the large countryside population. In order to promote

this micro financial credit service, through active cooperation with Mercy Corps, China Poverty Assistance Fund, as well as some other sponsorship organizations, Bayer has carried out its micro-credit program across the peripheral countryside of Fujian Province for the past 2 years in order to support local development. Now, a lot of households that were poor two years ago have become the owners of livestock farms or cash crops. In 2005, Bayer cast its sight on the countryside of Guizhou Province, and their investment has already witnessed initial successes.

A.15. CSR strategy implementation models

Shell Group: Embedding sustainable development

Making SD commitment come alive is a massive undertaking. There is still much to do, but the Shell Group made good progress in a number of areas such as:

- Appraisal and reward systems: Since 1997, contributions to SD have been counted in the appraisals of the Businesses, and remunerations of senior staff.
- SD in Business proposals: Before an investment is made, the key SD aspects of a project must be addressed.
- SD Learning: SD is being integrated into leadership development, training, and recruiting programs, as well as internal communications.
- Tools development: The SD alignment tool and others, help align systems and processes and increase levels of staff awareness and competence.
- KPIs measure and drive progress in critical areas of SD.
- Social plans: All major OP and chemical facilities are required to have a social performance plan in place.