

## **Appendix A**

### **Chinese Overseas Development Guidelines**

Since China launched its "Going Global" strategy in 2000, several Chinese entities have issued hundreds of guidelines to orient, promote and control the flow of Chinese financing abroad, dozens of which have environmental and social content. The guidelines are a set of voluntary norms, standards, and principles that apply to banks and state-owned contractors, and in some cases to private Chinese companies. Most of the guidelines have been issued by government regulators, financial institutions and business associations under the titles of "Measures," "Guides," "Guidelines," and "Directives."

The most significant guidelines in terms of environmental and social content did not appear until the mid-2000s, coinciding with the start of large-scale lending overseas. Even though most guidelines are broad and vague, various explicitly call for environmental and social impact assessments ex-ante and ex-post; prior due diligence assessments; hiring third party evaluators; compliance with workers' rights; making information publicly available; and providing opportunities for civil society participation.

The content of the guidelines has been improving over time. We list some important milestones below:

- i. The Green Credit Directive (2012), which points out that banking institutions should ensure that due diligence is "complete, thorough, and detailed."
- ii. The Guidelines for Social Responsibility in Mining Investments Abroad (2014), which states that mining companies should respect free, prior, and informed consent of local communities affected by new operations.
- iii. The Environmental Risk Management for China's Overseas Investments guideline (2017), which notes that the quantitative analysis of environmental costs and benefits should be improved as part of an investment decision-making process.
- iv. The Standardization of Banking Services Enterprises to Go Out and Strengthen the Guidance of Control and Risk Prevention (2017), which urges Chinese companies to establish a complaint response mechanism to deal with grievances from individuals, non-governmental organizations, and other stakeholders.

Some guidelines also have incorporated implementation and accountability mechanisms as follows: (a) The Key Performance Indicators, according to which Chinese banks should report their compliance of the Green Credit Directive. (b) The Implementation Plan and Implementation Manual for the Guidelines for Social Responsibility, which is still a work in progress of the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC), and aims to ensure the implementation of the Guidelines for Social Responsibility in Mining Investments Abroad. Guidelines issued in 2017 and 2018 list troubled projects and create punitive and accountability mechanisms such as "black or negative lists" to identify Chinese companies that commit illegal acts or fail to comply with the Chinese regulatory measures. The guidelines call for ad hoc inspection visits to projects, audits and evaluations by third parties, and due diligence examinations.

While Chinese environmental and social guidelines are not binding and the institutional structures and mechanisms to implement and monitor compliance have yet to be established, the guidelines are important to communities and civil society because they challenge three critical obstacles (and misperceptions) when trying to hold Chinese entities accountable. These obstacles include (i) the presumption that Chinese banks and companies do not have environmental and social responsibilities; (ii) the "non-interference principle," by which Chinese entities only engage with host-country government agencies; (iii) the "deferential approach," by which Chinese companies and banks solely focus on compliance with host-country laws.

Environmental and social guidelines for overseas operations are not common, even among developed countries. In this sense China is ahead of the curve, at least on paper, taking responsibility for environmental and social impacts that lie beyond its borders (Table A.1). Notwithstanding the fact that China has declared its intention not to interfere in other countries' internal affairs, the Chinese guidelines create space for Chinese companies to interact directly with local communities. The Chinese guidelines make clear the obligation of Chinese companies to respect host countries' legal frameworks and international standards—especially those that go beyond host-country standards—and to fulfill international conventions and UN resolutions.

China has come a long way. But to be taken seriously as a standard-setter and the promoter of "eco-civilization," China will need to implement its own guidelines and make them mandatory.

**Table A.1. Relevant Chinese Environmental and Social Guidelines for Overseas Investments**

Guideline	Year	Promulgator
Guiding Opinions for Strengthening the Construction of the Credit System in the Field of Foreign Economic Cooperation	2018	Development and Reform Commission and the Ministry of Commerce
Measures for the Administration of Overseas Investment of Enterprises	2018	National Development and Reform Commission
Code of Conduct for Private Companies	2017	National Development and Reform Commission
Environmental Risk Management for China's Overseas Investments	2017	Green Finance Committee of China Society for Finance and Banking, Investment Association of China Banking Association, Asset Management Association of China, Insurance Asset Management Association of China, China Trustee Association, and the Foreign Economic Cooperation Office of the Ministry of Environment Protection.

Standardization of Banking Services Enterprises to Go Out and Strengthen the Guidance of Control and Risk Prevention	2017	China Regulatory Bank Commission
Measures for the Supervision and Administration of Overseas Investments by Central Enterprises	2017	State-owned Asset Supervision & Administration Commission
Guideline for Sustainable Development of Natural Rubber	2017	Chinese Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters
Guidelines for the Construction of a Green Financial System	2016	People's Bank of China, Ministry of Finance, National Development and Reform Commission, Ministry of Environment Protection, China Banking Regulatory Commission, China Securities Regulatory Commission, and the China Insurance Regulatory Commission.
Sustainable Infrastructure Guidelines for Overseas Chinese Enterprises	2016	China International Contractors Association and Dagong Global Credit Rating
Guidelines for Due Diligence in Mining Investments Abroad	2015	China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters
Guidelines for Social Responsibility in Mining Investments Abroad	2014	China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters
Opinions on the Implementation of Green Credit	2014	China Banking Regulatory Commission
Guidelines for Environmental Protection in Investment and Cooperation Overseas	2013	Ministry of Commerce and Ministry of Environmental Protection
Green Credit Directive (Initially designed for projects in China, but now also considered guidelines for investments abroad. Article 21 specifically refers to overseas operations)	2012	China Banking Regulatory Commission
Guide to Social Responsibility for China's International Contractors	2012	Chinese International Contractors Association
Guidelines for Overseas Sustainable Forest Use and Management by Chinese Companies	2009	State Forestry Administration and Ministry of Commerce
Association of Chinese Banks: CSR Guidelines	2009	Association of Chinese Banks
China Banking Regulatory Commission: Guidebook for Commercial Bank's Management of Reputational Risk	2009	China Banking Regulatory Commission
Guidelines for Environmental and Social Impact Assessments of the Export-Import Bank of China loans	2007	CHEXIM
Guidelines for State-Owned Enterprises directly under Central Government Control to Comply with Corporate Social Responsibility	2007	State-Owned Assets Supervision and Administration Commission of the State Council

Guidelines for Sustainable Forestry for Chinese Companies Overseas	2007	State Forestry Administration
Guiding Opinion on Energy Conservation Credit	2007	China Banking Regulatory Commission

Source: several relevant policy documents from Chinese government agencies.