Guidance for Chinese Textile and Apparel Industry on Responsible Overseas Investment

(V. 2018)

China National Textile and Apparel Council

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Contents

Foreword

Since the Chinese government proposed the “Belt and Road” Initiative, Chinese enterprises have been faced with new landscapes and opportunities in their endeavor to “go global”. While Chinese textile and apparel enterprises seek global presence, their social and environmental impacts are also attracting increasing attention from international stakeholders. Successful overseas investment relies not only on successful business valuation, decisions and practices, but also on social license that builds on due diligence and localization. The philosophy and principles of responsible investment can provide a cross-cultural but common communication and cooperation framework, and responsible investment decisions and conducts can improve the relationship between enterprises and stakeholders, help manage the impacts of overseas investment, and enhance the vitality of investment projects and enterprises’ competitiveness.

To put into effect the development ideas of “innovation, coordination, green development, opening-up and sharing”, strengthen Chinese textile and apparel enterprises’ responsible business conduct (RBC) in the stages of overseas investment assessment, implementation, and exit, enable enterprises in the industry to get better integrated into global value chains and investment destinations, and eventually contribute to building a community with a shared future and achieving the UN Sustainable Development Goals (SDGs) worldwide, China National Textile and Apparel Council (CNTAC), based on “CSC9000T Corporate Sustainability Compact for Textile and Apparel Industry” (2018), has developed the present “Guidance for Chinese Textile and Apparel Industry on Responsible Overseas Investment” (hereinafter referred to as “the Guidance”). The Guidance has been developed with reference to the United Nations Principles for Responsible Investment, ISO 26000 Guidance on Social Responsibility, other relevant international conventions, social responsibility standards, principles, and initiatives.

The Guidance and the CSC9000T management system will be used in support of each other. The CSC9000T management system mainly provides a social responsibility code of conduct and management approaches for textile and apparel enterprises to adopt in their production and operations. With the lifecycle of investment projects as the framework and in the light of the characteristics of overseas investment by the textile and apparel industry, the Guidance aims to realize responsible investment by integrating the measures for identifying and tackling social responsibility and sustainable development risks into every stage of investment projects.

I. Scope

1. Applicable Entities

This Guidance is applicable to the enterprises and individuals (investors) within China's borders that engage in outbound investment of the textile and apparel industry, as well as the enterprises outside China's borders or overseas investment projects, including the textile and apparel enterprises, assets owners (enterprises and individual investors in other industries), investment institutions and managers that invest in the textile and apparel industry.

Regulatory authorities, financial institutions, local communities and other relevant stakeholders may refer to and use the Guidance in the relevant decision-making on investment, financing and regulation in the textile and apparel industry.

2. Applicable Issues

This Guidance is applicable mainly to overseas investment assessment, implementation and exit before and after investors construct enterprises or investment projects overseas, and are used to develop, implement, maintain and improve the responsible investment management system in the above stages of investment, control and reduce the adverse environmental and social impacts that occur during the course of investment, and lower or address investment-related social responsibility risks.

2.1 Investment Assessment

Investors may identify and assess responsible investment risks and sustainable development opportunities in line with the Guidance in early-phase study and investment decision-making of overseas investment projects, and feed the assessment results into investment decision-making and implementation preparation. In practice, enterprises may, in investment planning, feasibility study, due diligence, environmental and social impact assessment, project implementation design and planning, and partner selection, identify, assess and manage the risks and opportunities of responsible investment and sustainable development in line with the Guidance, including establishing policies and guidelines, communicating and collaborating with stakeholders on identifying and responding to risks and opportunities.

2.2 Investment Implementation

Investors may keep identifying and assessing the risks and opportunities of responsible operation and sustainability according to the Guidance in the implementation stage of overseas investment projects, and include the assessment results in project implementation plans and management processes, better and consistently manage global operations across countries and regions, and promote stakeholders in the investment chain to accept and jointly implement responsible investment while showcasing to stakeholders their responsible investment practices.

2.3 Investment Exit

At the investment exit stage (including the completion, suspension, termination or exit of overseas enterprises and overseas investment projects), investors may also design exit mechanisms in the early stages of investment in line with the Guidance, and develop social responsibility due diligence plans in response to various exit scenarios, to meet due diligence requirements at the exit stage.

Investors may also assess the performance in preventing and responding to responsible investment risks and opportunities of overseas investment projects according to the Guidance. They may conduct comprehensive summary, analysis and evaluation by assessing the environmental and social impacts of investment projects, draw lessons from successes and failures, gradually improve due diligence, and increase the returns of investment for sustainable development.

3. Overlapping Application

Investors shall comply with all applicable laws and regulations, and respect relevant international norms of behavior, in particular the international conventions and customary laws accepted by both China and investment destination countries. Where the requirements of national laws and regulations or applicable international conventions are inconsistent with those of the Guidance, investors shall comply with more stringent requirements on the top of legal compliance.

The Guidance may also be applicable together with other standardized management systems, social responsibility and sustainability standards, guidelines or initiatives. Investors shall take measures to strengthen the coordination and alignment of the Guidance with other management systems, standards, guidelines or initiatives.

II. Terms and Definitions

1. **Overseas investment**: is equal to “outward investment” and “outbound investment”, and refers to the activities where an investment entity (investor) within the territory of the People’s Republic of China acquires any overseas ownership, right of business management, and other relevant rights and interests by contributing currency, securities, material objects, intellectual property rights (IPRs) or technologies, equity, creditor’s rights, other assets, rights and interests, or by providing guarantee.

2. **Overseas invest project**: refers to the specific investment object targeted, implemented or generated by the above “overseas investment” activities.

Note: In the Guidance, “overseas investment project” is sometimes referred to as “investment project” or “project”.

3. **Overseas enterprise**: refers to an enterprise generated in the final destination of the overseas investment project. The aforementioned final destination refers to the site finally used by a domestic investment entity for project construction or continuous production and operation.

Note: The “overseas enterprise” is a type of overseas investment projects, but overseas investment projects also include other projects that are in the form of non-enterprise organizations.

4. **Responsible investment**: is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

5. **Social responsibility impacts**: refers to both positive and negative impacts on economy, society, environment, and governance, potentially or actually generated during the course of investment and operation.

6. **Stakeholder**: refers to an individual or a group that has interests in an organization’s decisions or activities, including an individual or a group that is or may be directly or indirectly impacted by an organization and its activities.

Note: In overseas investment, an investor must consider the following key stakeholders: project operators and users; community of the project location and its *residents; the employees required by the project and the employees in the project's supply chain; suppliers, distributors, retailers and other economic entities in the supply chain; governmental departments, legislative and judicial bodies; NGOs and media; other investors; counterparts in the same industry and industry organizations.*

7. **Supply chain**: refers to the sequence of activities or participants that provide products or services to an organization, including other organizations that directly or indirectly provide products or services for an organization.

8. **Investment project lifecycle**: refers to the whole process of an overseas investment project, from feasibility study, decision-making, construction and implementation, to project operation and maintenance, and investment exit.

Note: In the Guidance, the lifecycle of an investment project consists of four stages: investment assessment and decision-making, investment cooperation and implementation, investment operation and maintenance, investment exit and post evaluation.

9. **Due diligence**: refers to the process through which an organization identifies, prevents, mitigates and accounts for how it addresses its actual and potential adverse impacts as an integral part of business decision-making and risk management systems.

10. **Core business**: refers to operating activities aimed at generating profits. This includes operations located at the investor's headquarters, its branches, subsidiaries, and joint ventures, as well as trading and procurement activities with suppliers.

11. **Government relations**: refer to the interactions between the investor and government officials, agencies and organizations.

Note: Investors interact with governments at multiple levels, from the local to the central government. At issue may be the granting of licenses, the payment of taxes, the use of public services and other contractual relationships. For the investors that operate across borders, these include dealings with both home and host governments.

12. **Investment exit**: means that an investor transforms the invested capital from equity to capital when the overseas investment project that it invests in reaches a certain development stage or in a particular period, i.e. the realization mechanism and the relevant supporting institutional arrangements.

13. **Post-project evaluation**: means a type of technical activity that, after an overseas investment project has been constructed, put into production and operation for some time, or after investment exits, the whole execution process of a project, from project approval, decision-making, design, implementation, to production and operation, the benefits, functions and impacts are systematically and objectively analyzed and summarized, to judge to which extent the expected objectives are realized, and the results are fed into the improvement of future investment projects.

Note: In the Guidance, the basic contents of post-project evaluation include: project objectives, implementation process, benefits, impacts, and sustainability.

III. Principles for Responsible Overseas Investment

With reference to the UN Principles for Responsible Investment[1] and the Business Values of Chinese Multinationals[2]: realizing sustainable profit through ethical principles, strengthening good practices for sustainable profit, and embedding ethical principles into good practices, the Guidance has proposed the following principles of the Chinese textile and apparel industry for responsible overseas investment. These principles are the principle framework of the detailed contents and requirements in the Guidance, which provide principle guidelines for enterprises to deal with the social responsibility impacts in their overseas investment in the textile and apparel industry.

1. Global Operation

The overseas investment of the textile and apparel industry shall build on investors' strategic positioning and development directions in the global industry chain and value chain, define the roles and regional distribution of the investment projects, fully consider the relationship between overseas enterprises and their headquarters in China, and the relationship between current investment benefits and long-term sustainable development, so as to build a multinational enterprise strategy for global operation.

2. Sustainable Development

Investors shall include economy, environment, society, governance, and other relevant social responsibility factors in the lifecycle of overseas investment projects, to better manage risks and generate long-term sustainable financial returns.

[1]Six Principles for Responsible Investment (PRI) are: we will incorporate ESG issues into investment analysis and decision-making processes; we will be active owners and incorporate ESG issues into our ownership policies and practices; we will seek appropriate disclosure on ESG issues by the entities in which we invest; we will promote acceptance and implementation of the Principles within the investment industry; we will work together to enhance our effectiveness in implementing the Principles; and we will each report on our activities and progress towards implementing the Principles.

[2]In May 2017, the Belt and Road Forum for International Cooperation was held in Beijing. Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce of the People's Republic of China, Research Center of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, and United Nations Development Programme China jointly released the "2017 Report on the Sustainable Development of Chinese Enterprises Overseas". The Report put forward the Business Values of Chinese Multinationals: strengthening good practices for sustainable profit, embedding ethical principles into good practices, and realizing sustainable profit through ethical principles. This principle included three dimensions: Principle, Practice and Profit. It inherited from the traditional Confucian teaching on ethics and profits for businessmen still stands as a key reference for modern businesses in their long-term development. To translate the principle into modern business language, an enterprise must obtain the social license to operate in the market through a sound corporate governance mechanism and strict self-management; at the same time, it needs to follow social rules to utilize market opportunities to obtain sustainable benefits.

Meanwhile, enterprises shall address relevant social problems of investment host countries as well as the areas and communities of the projects through innovations in business and technology, and contribute to achieving the UN SDGs.

3. Balancing Ethics and Profit

Investors must balance their social impacts and demand for profit, to commit responsible investment to sustainability and long-term impact, and keep it strategically aligned with core business activities. To this end, overseas investment must ensure the social license required by its operation in market through good governance systems and strict management mechanisms. Meanwhile, investors shall also leverage market opportunities to gain sustainable benefits according to social license, to ensure mid- and long-term investment returns so that the costs will not exceed investment benefits.

4. Inclusive Development

Investors shall take into full account the social environment factors of investment host countries, regions and communities, including the politics, economy, legislation, culture, religion and customs, respect and consider the interests of stakeholders, including local governments, communities, employees, upstream and downstream partners in the supply chain, respond to stakeholders' concerns and requirements in a differentiated and targeted manner, for investment in line with local conditions and inclusive growth, to create shared value.

5. Integration into Governance

Investors shall integrate the responsible investment and sustainable development philosophy into their core business, the lifecycle of investment projects and corporate governance. Specifically, to integrate responsible investment into governance means: public commitment from top management to responsible investment, consensus-based proactive responsibility fulfillment, due diligence and process integration that are combined with core business and the lifecycle of investment projects, and remediation measures aligned with the governance system.

6. Openness and Transparency

Investors shall openly and transparently conduct information disclosure and responsible investment reporting, consistently and efficiently communicate with stakeholders the investment impact and performance, fully consider and disclose significant economic, social, and environmental impacts caused by investment decisions and activities, and report the progress and challenges related to responsible investment by using the idea of “comply or explain”. In addition, investors may also actively join or participate in the international organizations, standards and initiatives on responsible investment, to enrich responsible investment practices in line with the idea of being open and transparent.

IV. Investment Assessment

Investors shall include social responsibility issues in the investment analysis and decision-making process, prudently identify and comprehensively assess in feasibility study and due diligence the social and environmental impacts of investment projects, develop targeted due diligence measures in investment implementation schemes, promote projects' positive impacts, prevent, avoid and mitigate negative impacts. In project decision-making, investors shall, in accordance with assessment results, choose the investment schemes acceptable to stakeholders, in which positive impacts can be expected, negative impacts controlled, due diligence measures implemented, economic costs afforded, partners trusted, so as to more comprehensively manage investment risks and increase long-term investment returns.

1. Identifying Investment Directions

In the initial stage of overseas investment, investors study the industry, choose locations, look for investment directions, select investment destination countries, develop responsible investment standards, and compile project proposals, to provide basis for feasibility study.

1.1 Investors shall, based on their own size and development vision, develop core business strategy, and define the positioning and regional distribution of overseas investment projects. Meanwhile, they shall include responsible investment policy in their headquarters' strategy, and actively implement the high-level statements and action plans on social responsibility issues and sustainable development in investment decision-making and implementation.

1.2 Investors shall consider in an all-round manner the development trends of the global textile and apparel industry, understand through multiple channels the existing industry policies and foreign investment policies in relevant investment destination countries, comprehensively analyze the impact of investment destination countries' factors on social responsibility, including political stability, effectiveness of government administration, completeness of law, foreign trade reliance of the economy, development level of textile industry and market competition, infrastructure and production support, business convenience, population size and labor force quality, and public security, and select investment locations after thorough comparison.

1.3 Investors shall, in line with the relevant international and domestic standards and norms of behavior on responsible investment and business conduct, and the relevant laws and policies of selected investment destination countries on foreign investment and social responsibility, identify and study the countries' social responsibility impact factors and risk points, and based on their own sustainable development strategy, adopt or develop responsible investment codes, implementation and evaluation mechanisms that shall be implemented during the lifecycle of overseas investment.

2. Studying Feasibility

In the feasibility study stage, investors mainly conduct technical and economic appraisal and benefit analysis, investigate and study in details projects' environmental and social impacts, develop feasibility reports and due diligence reports on environmental and social impacts, to provide basis for decision-making.

2.1 Investors shall include social responsibility issues in feasibility study reports, due diligence reports and other relevant investment documents, and conduct thorough, accurate and objective overall assessment of all the relevant direct, indirect and accumulative environmental and social impacts and risks, including detailed assessment of main stakeholders' viewpoints and positions on the social impacts of the industry and relevant investment projects.

2.2 Feasibility study shall focus on analyzing and assessing the impact of social responsibility factors on investment feasibility, such as labor resources, labor standards and policies, land, energy supply and environmental laws and policies, the support of textile and apparel industry chain, the possible social responsibility impacts and the impact on investment feasibility caused by export markets and competition environment. Meanwhile, investors shall also study the possible social responsibility and investment risks caused by local financial, foreign exchange, tax agreements, bilateral and multilateral trade agreements, national security review, and the laws and policies on anti-monopoly and anti-dumping review, to accurately identify the bottom line of responsible investment that is legally compliant and cost impact.

2.3 Investors may, when appropriate, assess the ability of internal investment decision-makers and management to include social responsibility issues in investment assessment and decision-making, and organize responsible investment training for the relevant personnel or obtain external professional support.

2.4 Investors shall communicate the expectations for responsible investment to investment service providers, require them to apply tools, indicators and analysis methods related to responsible investment in feasibility study and due diligence, and develop specialized environmental impact assessment reports and social impact assessment reports of investment projects, and when necessary, the reports on the impacts on investors' internal governance system.

3. Designing Implementation Schemes

3.1 The implementation schemes of overseas investment projects shall include responsible investment commitments and the corresponding implementation mechanisms, to ensure that the environmental and social impacts and risks of investment projects are continuously monitored, assessed, and managed during their lifecycle, and put into practice sustainable development strategies and responsible investment codes.

3.2 Where investment implementation schemes involve land acquisition and use, investors shall get an all-round understanding of the rights for land planning and use of project locations as well as local customary rules, investigate and verify in details the land-related credit and debt situation, assess and confirm whether project construction will involve relocation, resettlement and compensation.

3.3 Where investment implementation schemes involve the construction of dyeing and printing, cotton weaving and leather-making facilities that are characterized by high energy consumption, high water consumption, and high pollution, investors shall identify geological, hydrological, meteorological and other relevant natural conditions of the sites for project construction, identify whether the sites meet the requirements of laws and regulations on their distance from neighboring residential areas, water conservation areas and natural reserves, and the requirements of distance to address negative impacts. In particular, investors shall assess the impact of project construction and production on water supply and drainage systems, and make compliant plans and designs for waste air and wastewater discharge.

3.4 Investment implementation schemes shall include some technology and management capability export strategy, apply the advantageous technologies that are owned or can be owned by investors, market and management capability to overseas investment projects, and build overseas enterprises' long-term competitiveness while promoting local technological progress and industry upgrading.

3.5 Where investment implementation schemes involve joint investment, cooperation and entry into industry parks, enterprises shall develop relevant measures to conduct social responsibility due diligence and risk assessment of foreign and domestic project partners, to ensure that partners' credibility and operations comply with the laws and regulations in investment destination countries, as well as investors' sustainable development strategy and responsible investment standards.

3.6 When investment implementation schemes involve overseas M & A, investors shall focus on identifying social responsibility impacts and risk points on labor, IPRs, fair competition and cross-cultural management, thoroughly carry out social responsibility due diligence and risk assessment in M & A target selection and valuation, and post-investment integration scheme appraising and planning, to reduce the risks and costs of cross-border M & A.

3.7 In the course of reaching framework agreements on investment cooperation, investors shall thoroughly communicate to partners investment projects' positive and negative environmental and social impacts, reach consensuses on the boundaries of responsibility, due diligence priorities and action plans, to include social responsibility strategies and action plans in investment cooperation framework at the scheme development stage.

3.8 Investors shall properly design the code for dealing with government relations, and formulate clear policies and sound management process in implementation schemes, to ensure thorough communication and positive interactions with the relevant governmental departments and execution bodies, and within necessary scope of laws and commerce, increase the transparency of the relations with governments at different levels that projects involve, to prevent and control the occurrence of bribery and other corruptions.

4. Reviewing Decisions

At the decision review stage, investors shall review feasibility study reports and investment implementation schemes in an all-round manner, comprehensively analyze the risks, benefits, liquidity of investment projects, and make decisions in the principle of balancing economic, environmental and social benefits, and maximizing the overall benefits.

4.1 In investment projects' decision-making, investors may approve and make the decision to implement the projects that concurrently meet the following conditions:

(1) Investment projects have visible positive impacts on employment promotion, infrastructure improvement and technology export;

(2) Investment projects' negative impacts on land, water source, pollution discharge and community environment are controlled within legally compliant limits;

(3) Investment projects' due diligence measures to promote positive environmental and social impacts, prevent, avoid and alleviate negative impacts are feasible and economically affordable;

(4) Project partners are credible in social responsibility qualifications and capabilities; and

(5) Main stakeholders' responsible investment policies and due diligence measures for investment projects are acceptable.

4.2 In decision-making of investment projects, investors may make the decision to suspend implementation under any of the following circumstances:

(1) Investment destination countries' laws and policies on society, environment, market competition, and other social responsibility areas remain uncertain, and as a result, cause substantial difficulties for assessing projects' social responsibility impacts;

(2) Investors or partners are apparently divided in opinions on projects' feasibility study reports, due diligence reports and implementation schemes;

(3) The economic costs and management costs of the due diligence measures of investment project schemes are apparently excessively high; or

(4) Main stakeholders have significant disputes over projects' environmental and social impacts.

After project implementation is suspended, investors may take the following follow-up measures:

(1) Conduct additional due diligence on relevant issues;

(2) Re-assess the feasibility of investment projects;

(3) Adjust and improve the responsible investment policies and due diligence measures involved in projects' implementation schemes; and

(4) Thoroughly and effectively communicate in depth with projects' major stakeholders.

4.3 In decision-making of investment projects, investors shall make the decision that the projects are not to be implemented under any of the following circumstances:

(1) Investment destination countries undergo political turmoil, major economic or social events, and become conflict-affected and high-risk areas;

(2) Investment destination countries' laws and policies on society, environment, market competition, and other social responsibility areas remain highly uncertain, and consequently, projects' social responsibility impacts cannot be identified or quantified as a whole;

(3) The labor force, raw materials, technologies, market and other relevant operation resources undergo major changes in investment destination countries, and as a result, social responsibility risks are disproportionately high, and due diligence costs exceed investment income; or

(4) Investment projects are strongly boycotted by enterprises' shareholders, employees of the enterprises merged and acquired, community residents, and other relevant stakeholders, and the boycott exerts fundamental impact on projects' feasibility.

4.4 In the decision review process, investors shall fully consider stakeholders' opinions and impacts. In particular, regarding the investment projects that utilize land or water resource and have significant impacts on local communities, enterprises shall thoroughly and effectively communicate with governments, communities, general public, project partners, and other relevant stakeholders in advance, and targetedly increase the measures and solutions to prevent, avoid or alleviate projects' negative environmental and social impacts.

4.5 In the decision review process, investors may, as needed, leverage external expertise by inviting relevant experts and professional organizations to review and verify in an all-round way feasibility study reports, due diligence reports, and project implementation schemes, or conduct independent specialized assessment of projects' social responsibility impacts as reference for decision-making.

V. Investment Implementation

Investors shall start to put in place responsible investment implementation schemes and evaluation mechanisms while preparing for investment implementation, and incorporate the requirements of responsible investment codes, including respect for human rights, environmental protection, legally compliant tax payment, fair competition, community development promotion in organization establishment, fixed assets allocation and raw materials procurement, personnel recruitment and use, establishment of cooperative relations, management system and culture development.

1. Organizational Establishment

1.1 Investors shall identify preconditions of laws and administrative licensing, relevant competent governmental departments and their working procedures, including those for review and approval, land use, environmental assessment, labor use of foreign investment established by organizations, and comply with legal procedures and compliance requirements for organization establishment.

1.2 Investors shall identify host countries' access regulations on the organizational forms, investment ratio, means of financial contribution of foreign investment, comprehensively consider the impacts of tax, financing, foreign exchange, and other compliance issues, select overseas enterprise and appropriate organizational forms for investment, and go through the formalities for registration and tax declaration according to law. In particular, investors shall pay attention to the strict distinctions between the tax types that correspond to organizational forms.

1.3 Investors, in the preparations for investment implementation involving contracting, procuring and purchasing services, shall strictly implement the ethical sourcing policy, and the standards and procedures for selecting local contractors, suppliers and service providers shall be transparent. Social responsibility requirements shall be included in contracts, which define the rights and obligations on implementing responsible investment codes and addressing social responsibility impacts in the cooperative relations.

1.4 In the process of organization establishment, investors shall establish the mechanism for monitoring fund transfer and the procedures for managing specific bribery issues, such as risk assessment, compliance training and internal reporting or complaining mechanism, monitor relevant transactions as well as resource and cash operation, prevent and control the corruption and fair competition risks of bribery, kickback, facilitation payment, protection fee, blackmail, fraud, and money laundry in the business process.

2. Fixed Assets Allocation and Raw Materials Procurement

2.1 Investors shall strengthen the training and capacity-building on environmental protection laws and policies for projects' on-site management, highly value the environmental protection assessment procedures and environmental protection compliance review of investment projects, obtain formal approval documents from environmental protection authorities according to law, and maintain close communication with the surrounding communities on project construction arrangements.

2.2 Where investment project implementation involves land development and building construction, investors shall comply with relevant laws, regulations and construction plans, strictly follow legal procedures in signing contracts on land use, lease, transfer or ownership-based benefits distribution. In project construction, investors shall pursue orderly construction and work safety, increase energy utilization rate, prevent and reduce pollution, and meanwhile, pay attention to the impacts of transportation, construction, warehousing, and material stacking on neighboring communities, and keep at appropriate distance from residents' living areas.

2.3 Where land development and building construction involve community relocation, investors shall consult with communities and relevant stakeholders on fair, just and reasonable compensation, and resettlement, to reach agreements. Involuntary relocation shall be avoided under any circumstance to the extent possible.

2.4 The investors that purchase, rent or use existing plants shall confirm the safety and effectiveness of the existing equipment and facilities, identify safety and environmental problems faced by the existing plants, put forward practical and feasible solutions, and assess enabling conditions and improvement measures, to reduce safety and environmental impact and satisfy construction needs.

2.5 Investors shall develop ethical sourcing codes, encourage and guide the production equipment and raw material suppliers selected at the preparation stage of investment implementation to meet responsible investment codes, so as to manage social responsibility impacts in the supply chain. Where procurement from China or a third country is involved, investors shall strictly comply with host countries' regulations and policies on customs inspection and quarantine, duty-free import of production equipment, raw materials, and construction materials.

3. Personnel Recruitment and Use

3.1 Regarding the personnel required by project implementation, investors shall comply with the requirements of local laws and regulations, establish the human resource management system that is in line with local conditions and industry characteristics for employee recruitment, contract signing, job responsibilities, labor remuneration, working hours, rest and vacations, health and safety guarantee, work accident compensation, labor disciplines, grievance communication and contract termination, and keep procedures as detailed as possible, to ensure that the management covers all the links and the whole process is traceable.

3.2 In applying for overseas work permits for Chinese employees, investors shall strictly comply with relevant laws, regulations and procedures, encourage Chinese employees to learn local languages, and be able to communicate on work in local languages, provide Chinese employees with training on cross-cultural communication and conflict handling capability, gain basic understandings of local ethnic groups, religions, cultures, and customs, and enhance cultural sensitivity and adaptation.

3.3 Investors shall recruit employees in line with the requirements of local laws and regulations, go through the necessary formalities for filing or registration at labor authorities, explicitly announce in job advertisements and interviews the responsibility commitments to anti-discrimination, equal employment and child labor prohibition, to avoid the sensitive issues related to race and religion.

3.4 Investors shall, to the extent possible, recruit local personnel in project construction, in particular the personnel in the communities of project locations, and only use the personnel from China or a third country when local personnel are restricted on technological capability. Meanwhile, it would be best if the teams in charge of employee recruitment have experienced local members. Investors may also select the local employment agencies to recruit employees that are familiar labor laws and policies, and have close connections with local labor authorities.

3.5 Investors shall, for project implementation, establish policies and mechanisms on child labor, explicitly state the working age limits, prevent and avoid employing any child worker who falsifies or falsely reports age by strictly reviewing applicants' birth and identity certificates, requiring applicants to provide the official documents issued by the governmental departments at their hometowns, and visiting employees' homes and communities for verification.

3.6 Investors shall, for project implementation, establish policies and mechanisms on bondage labor and forced labor, including those on transnational human trafficking, to ensure that all the participants, in the process of project implementation, have legal identities and are entitled to basic rights and freedom, including those of action and employment.

3.7 Investors shall sign labor contracts pursuant to laws, regulations or contract provisions, respect and safeguard employees' rights and benefits, including supporting the establishment of trade unions according to law, providing employees with fair remuneration and decent working conditions, providing employees with training on occupational skills, and paying special attention to female employees' equal employment, labor protection and career development.

4. Cooperative Relations Construction

4.1 Investors shall, for project implementation, establish rigorous, inclusive and participatory stakeholder consultation mechanisms, identify stakeholders' requests concerning social responsibility, understand stakeholders' expectations in a timely manner via regular communication, topic-specific communication or other relevant forms, give feedbacks in time, and keep improving work performance, to have positive interactions between stakeholders.

4.2 Investors may, by referring to the free, prior and informed consent principle, develop community communication and grievance mechanisms, and establish formal and transparent communication and grievance procedures, to ensure that projects' implementation and future operations fully consider the impacts on local stakeholders.

4.3 Investors shall, for project implementation, responsibly select constructors, subcontractors, suppliers and other business partners, include in cooperation agreements the requirements to implement responsible investment standards, manage and control social responsibility impacts, including supervision, capacity-building and communication mechanisms, and need to make it clear to partners whether subcontracting partly or wholly is allowed, and if it is allowed, what are the requirements to manage and control social responsibility impacts in the supply chain.

4.4 Investors shall recognize the importance of industry organizations in host countries, strengthen contacts with local industry associations, actively participate in the projects organized by industry associations, seek help from industry organizations when encountering problems, leverage industry associations' connections in the society and industry, and expert teams' experience, to address the social responsibility impacts arising from project implementation.

4.5 Overseas Chinese chambers of commerce are platforms for Chinese investors to have dialogues with local governments and societies. Investors may join local Chinese chambers of commerce to promote information and resource sharing among enterprises. Meanwhile, investors may also leverage the chambers of commerce as the bridges and bonds between Chinese enterprises and local Chinese consulates and embassies, to protect their legitimate rights and interests to the maximum extent, and share their experience in implementing responsible investment with stakeholders in China.

5. Management System and Culture Development

5.1 Investors shall ensure that, based on the identified social responsibility impacts, the corresponding responsible investment codes are incorporated into the organization management systems for investment project implementation, the various levels, departments and processes of daily operation, and establish the systems for managing and controlling social responsibility impacts, including establishing indicator systems and performance appraisal measures.

5.2 Investors may, for investment project implementation, set up high-level cross-function coordinating departments or dedicated departments for social responsibility, which internally safeguard the establishment, operation and improvement of management systems, and externally are in charge of creating social responsibility information communication and disclosure channels, completely, accurately and promptly communicate projects' commitments, measures and progresses on social responsibility, and reaching consensuses with stakeholders to win their confidence.

5.3 Investors, Chinese managers and employees who participate in project implementation shall fully understand the cultural traditions, customs, habits and religious beliefs in host countries and the areas and communities where projects are located, including cultural taboos and sensitive issues. Investors shall also encourage or require Chinese managers and employees to learn daily expressions in local languages and behavior etiquettes, and hire honest, reliable local translators with a high level of translation expertise and good communication skills to avoid misunderstandings and even disputes caused by differences in culture and folk customs.

5.4 Investors may identify the impacts of investment projects on local community residents' life, understand local communities' reasonable expectations for improvement in education, healthcare, environment, health, and culture, help investment projects get integrated into local communities by participating in and supporting community development projects, and meanwhile create enabling conditions for investment project implementation.

5.5 Investors and the managers who participate in investment projects shall learn to interact positively with local police, industry and commerce, tax, customs, labor and other law enforcement departments according to law, and actively support their performance of public duties. They shall be rational and not violate laws while protecting their legitimate rights and interests, and behave on just grounds, to their advantage and with restraint.

5.6 Investors and investment projects shall establish and maintain good relations with local media, approach media in the principle of being proactive, transparent, sincere and rational, organize media activities as needed, to fully disclose responsible investment policies, mechanisms, outcomes, challenges and requirements for cooperation in project implementation.

VI. Investment Exit and Post Evaluation

Investors shall consider the arrangements after the current investments are due in the early stages of investment projects, and pre-design the options of continuing to invest, exiting markets or adopting the strategy of waiting when the investments are due or conditions change, taking into account investment implementation schemes, and the expectations for foreign investment policy adjustments, and changes in operation resources and markets in investment destination countries. Meanwhile, investors shall establish and improve the post evaluation system for investment projects, keep adjusting and optimizing follow-up investment directions and improve overall investment decision-making and benefits through environmental and social impact assessment during and after the exit.

1. Pre-design of Exit Mechanism

1.1 Investors shall stress on the design of investment exit mechanisms in the early stage of overseas investment projects, so as to properly address the economic, social and environmental impacts at the investment exit stage in future, avoid or alleviate the negative impacts on employees, clients, local communities, governments and other stakeholders caused by the exit.

1.2 In designing proactive investment exit mechanisms, investors shall focus on investment structure design and legal channels for capital exit.

1.3 In designing passive investment exit mechanisms, investors shall focus on considering investment projects, including the bankruptcy system frameworks for corporate governance and effective mechanisms for exercising creditors' rights.

1.4 Investors may, in agreements for overseas M & A, joint investment and cooperation, make intentional provisions on investment exit time and means, pre-consider the social responsibility impacts related to exit liquidation, and reserve exit channels.

2. Responsibility Impact Management during Exit

2.1 In case of capital exit of overseas investment, investors shall fully identify the impact of various exit means on stakeholders, including liquidation and deregistration, equity transfer and IPO, specify corresponding investment exit schemes, and exit investment by legal means, to ensure the legal rights and interests of shareholders, creditors and stakeholders are respected and protected, prevent, avoid and alleviate the negative environmental and social impacts caused by investment exit.

2.2 At the liquidation stage, investors shall fully identify host countries' relevant laws and regulations on project dissolution and bankruptcy liquidation, comply with host countries' procedural provisions on bankruptcy application or filing, court liquidation, enterprise deregistration, and exit investment after paying off wages, labor insurance, and taxes, settling claims and debts, and properly handling employee placement pursuant to laws and regulations, to avoid stopping operation without authorization, or direct withdrawal of investors or management.

2.3 In the process of liquidation, investors shall ensure that assets and important documents are protected, to avoid the illegal misappropriation and destruction of projects' tangible and intangible properties.

2.4 Where investment exit involves collective employee dismissal, investors shall safeguard employees' legitimate rights and interests, properly handle employee compensation and replacement, and meanwhile, identify, prevent and control employees' possible disapproval and overreactions, effectively communicate in a timely manner and thoroughly consult with employee representatives, trade unions and the competent authorities of local governments, to alleviate to the extent possible exit's adverse impacts on employees.

2.5 Investors shall identify the impacts of investment exit on environment and local communities. Where the investment exit involves plant closure and land use exit, investors shall enforce the laws and regulations on land exit and rehabilitation, pollution control and bio-diversity protection, and when necessary, communicate and consult with the groups impacted by investment exit in local communities on post-exit arrangements and compensation.

3. Post-investment Evaluation

3.1 Investors shall establish post evaluation systems for overseas investment projects, comprehensively review and evaluate projects' process management, economic, technological, social and environmental impacts after the projects end or exit, to investigate and identify the causes for project successes or failures, feed the experience and lessons into future investment projects, and provide supporting experience and information for future projects.

3.2 The post-investment evaluation shall be included in the information and materials accumulated in investment projects' lifecycle, and consider the interaction between the factors involved as well as the resulting economic, social and environmental impacts of investment projects.

3.3 Investors shall take the experience, lessons and policy recommendations identified by post-investment evaluations as the reference and basis for follow-up investment decision-making. When decisions are made for existing projects to continue to invest or exit from markets, or when new investment projects are planned, the post-investment evaluation findings and recommendations of the past same-type projects shall be referred to.

Annex 1

1. United Nations Principles for Responsible Investment

2. Equator Principles

3. UN Global Compact

4. UN Guiding Principles on Business and Human Rights

5. ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

6. OECD Guidelines for Multinational Enterprises

7. OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

8. ISO26000 Guidance on Social Responsibility

9. Business Social Compliance Initiative (BSCI)

10. Social Accountability International (SAI) SA8000

11. Global Reporting Initiative (GRI) Sustainability Reporting Standards

12. CSC9000T Corporate Sustainability Compact for Textile and Apparel Industry (2018)

Annex 2

Country-specific Risk Guidelines

To guide Chinese textile and apparel enterprises in identifying and preventing relevant risks in overseas investment, these Guidelines have selected 12 common investment destination countries of the textile and apparel industry, and listed the risk points related to society, politics, finance, economy, industrial layout, environmental protection and safety, as well as useful information and links as a supplement to these Guidelines, for investors' reference and use.

Vietnam

Strikes occur occasionally. Vietnam has witnessed many strikes and protests, almost all of which are attributed to issues, like wages and working conditions. A footwear subsidiary in Vietnam of Pou Chen Group encountered 5 strikes in 7 years, and thousands of workers participated in the one that occurred in March 2018.

Labor costs keep increasing year by year. In recent years, the labor costs in Vietnam have kept increasing. In the past 20 years, the basic wages have increased by over 17 times. Now a worker's average monthly wage is about USD 250, which keeps increasing at an annual rate of 10%.

The industrial chain is not well developed. Textile raw materials and grey fabrics rely heavily on import, and China is a leading exporter of fabrics to Vietnam.

Wastewater discharge standards are stringent. The most stringent standard for BOD in the discharged wastewater from the dyeing and printing industry is 0 mg/l, while that for COD is 7,530 mg/l.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Vietnam (2017)
2. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Socialist Republic of Vietnam http://vn.mofcom.gov.cn/
3. World Bank Group, Doing Business 2019: Vietnam http://chinese.doingbusiness.org/data/exploreeconomies/vietnam
4. Labor legislation in Vietnam (source: ILO) https://www.ilo.org/dyn/natlex/natlex4.countrySubjects?p_lang=en&p_country=VNM
5. Business Association of China in Vietnam
   Tel.: 0084-4-37368950 Website: www.vietchina.org/
6. Center for Vietnam-China-ASEAN Legal Information & Consultancy

Tel.: 0084-4-37151341, 37151391

Fax: 0084-4-38293849 E-mail: vichaslic@vnn.vn

7. Vietnam Textile and Apparel Association
   www.vietnamtextile.org.vn
8. Long Jiang Industrial Park Investment Procedure
   http://ljip.vn/web/zh/%E6%8A%95%E8%B5%84%E8%AE%AF%E6%81%AF/%E6%8A%95%E8%B5%84%E6%B5%81%E7%A8%8B.html
9. Consular protection hotline of the Embassy of the People's Republic of China in the Socialist Republic of Vietnam: 0084-24-39331000

Myanmar

Myanmar is in transition. Social, ethnic and religious contradictions are complex. In 2013 and 2016, EU and U.S. respectively imposed economic sanctions on Cambodia. During the military regime, the educational system collapsed. As a result, universities all adopt distance education, with worrying quality, and the higher education enrollment rate is only 12%.

The administration is complex, with low efficiency. In addition to the Myanmar Investment Law, the laws applicable to foreign investments in Myanmar vary in accordance with investment objects and fields. For instance, in some fields, investments need to observe the Myanmar Companies Act, while joint investments with state-owned enterprises need to comply with the Special Companies Act. Except the investments in special economic zones and the joint investments of foreign investors and state-owned enterprises, all other foreign investments shall be reviewed and approved by Myanmar Investment Commission (MIC).

The rule of law is at a low level. In World Bank's Ease of Doing Business Index 2015, Myanmar ranked 185th in 189 economies in terms of enforcing contracts.

Armed conflicts occur occasionally. Since 2011, many armed conflicts have broken out between Myanmar's military and Kachin Independence Army and ethnic Kokang rebel forces; in June 2012, a large-scale armed conflict broke out between Rohingya Muslims and Buddhists in Rakhine State. The deeply-rooted ethnic contradictions in Myanmar cannot be solved in the short term and are potential factors for social instability.

The power supply is inadequate. Power cut is likely to occur any time. Besides, Myanmar government prioritizes household power supply. Power is supplied only 4 hours a day in industrial zones. Foreign enterprises' water, electricity and rental expenses are all calculated in USD, and 2 to 3 times of those of local Myanmar enterprises.

The military government is in conflict with local governments. Most agreements for Chinese investment in Myanmar are signed with the military government. Project operations are often not transparent to stakeholders, and many other problems also exist, such as unfair displacement compensation, insufficient attention to profit sharing, local interests, environmental protection, CSR, and local culture. As a result, some projects encountered obstacles with local governments. For instance, after Letpadaung Copper Mine suspended operations, the Letpadaung Taung Investigation Commission Report recommended that the Chinese company reduce the share of profits, and resume operations after taking necessary corrective measures on issues of environmental protection, demolition compensation and CSR, and revising the agreement. The Myitsone Dam project and the China-Myanmar oil and gas project face similar problems.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Myanmar (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/miandian.pdf
2. Labor legislation in Myanmar (source: ILO) https://www.ilo.org/dyn/natlex/natlex4.countrySubjects?p_lang=en&p_country=MMR&p_order=HIERARCHY
3. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Republic of the Union of Myanmar http://mm.mofcom.gov.cn/
4. World Bank Group, Doing Business 2019: Myanmar http://chinese.doingbusiness.org/data/exploreeconomies/myanmar
5. Chinese Enterprises Chamber in Myanmar
   Address: Room 0305, Business Suite, Sedona Hotel, Yangon, Myanmar
   Tel.: 0095-1-666900-7904
6. Myanmar Chinese Chamber of Commerce http://www.mccoc.com.mm/zh/
7. Myanmar International Television http://www.myanmaritv.com/
8. Central Bank of Myanmar

http://www.cbm.gov.mm/

9. 24-hour consular protection hotline of the Consular Affairs Department of the Embassy of the People's Republic of China in the Republic of the Union of Myanmar: 0095-1212223

Cambodia

Domestic turmoil caused by political reasons may occur. There are 59 political parties in Cambodia, with 42 legally registered. These political parties have complex fractions, with sharp contradictions. In particular, the People's Party struggled fiercely with the opposition party (Cambodia National Rescue Party). All previous general elections are highly sensitive periods of Cambodian politics.

Employees are in lack of training, and strikes and demonstrations often break out. The labor efficiency in Cambodia is about 60% of that in China, but the minimum wage has risen to USD 170 a month. There are nearly 400 factories and about 1,900 trade unions in the country. On the average, each factory has 5 trade unions. Cambodia has more trade union organizations than many other countries in the world.

The industrial chain is incomplete. Textile materials excessively rely on import. Cambodia's largest import is garment raw materials, and the largest export is ready-made garment (the export value of ready-made garment products totals USD 3.9 billion, accounting for 70% of the national total and about 17% of the country's GDP).

The legislation is not sound enough. Cambodia's development started late, and the development of the relevant institutions are still in its infancy. Laws and regulations have been inadequately implemented, and policy stability and governance capability need to be further enhanced. In case of commercial disputes, investors' rights and interests cannot be effectively protected.

The government faces serious corruption problems. On the one hand, foreign enterprises that apply for access into the Cambodian market are required to pay some fees, commissions or bribery. Otherwise, the applications will be rejected. On the other, due to government officials' long-standing corruption and dereliction of duty, the Cambodian government's credibility has been severely weakened. As a result, foreign investment projects in Cambodia are opposed to by the local people, bringing trouble and losses to foreign investors.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Cambodia (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/jianpuzhai.pdf
2. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Kingdom of Cambodia
http://cb.mofcom.gov.cn/
3. Cambodia Sihanoukville Special Economic Zone http://www.ssez.com/index.asp
4. The Cambodian Investment Board
http://www.cambodiainvestment.gov.kh/
5. Chinese Businessmen Association in Cambodia
http://www.cbac-kh.com/
6. Textile Enterprise Association of Chinese Chamber of Commerce in Cambodia
http://www.teaccam.com/
7. World Bank Group, Doing Business 2019: Cambodia
http://chinese.doingbusiness.org/data/exploreeconomies/cambodia
8. ILO knowledge portal: Cambodia
https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=KHM&_adf.ctrl-state=ywcdqrpy6_9
9. Process of investment registration in Cambodia
https://www.cambgz.com/portal/article/index/id/103.html
10. Overview of tax regimes in Cambodia
http://cb.mofcom.gov.cn/article/ddfg/201504/20150400944773.shtml
11. Cambodian online Foreign Workers Centralized Management System
https://www.fwcms.mlvt.gov.kh/
12. 24-hour consular protection hotline of the Consular Affairs Department of the Embassy of the People's Republic of China in the Kingdom of Cambodia: 00855-12901937; 00855-12901923

Bangladesh

Attention should be paid to avoid political risks. Bangladesh adopts the multi-party political system. The two leading political parties engage in fierce competition. In early-stage investigation of investment projects, investors shall guard against the risks of being involved in political struggles.

The exchange rate of Bangladesh Taka is highly volatile. Investors need to track real-time exchange rate, apply hedging, submit tenders with 2 currencies, or by other means, to avoid exchange rate risks.

The commercial banks in Bangladesh are generally not reputable. Many L/C issuing banks operate against regulations. As to export contracts with a high value, it is recommended to have them covered by export credit insurance.

Religious extremist forces are active. Economic poverty and political chaos provide an enabling environment for the expansion of Islamic extremist forces. Ramadan begins in mid-May.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Bangladesh (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/mengjiala.pdf
2. UNDP, National Adaption Plan process in focus: Lessons from Bangladesh http://www.undp.org/content/undp/en/home/librarypage/climate-and-disaster-resilience-/national-adaptation-plan-process-in-focus--lessons-from-banglade.html
3. UNICEF, Ending child labour in Bangladesh https://www.unicef.org/bangladesh/Child_Labour.pdf
4. Labor legislation in Bangladesh (source: ILO) https://www.ilo.org/dyn/natlex/natlex4.countrySubjects?p_lang=en&p_country=BGD&p_order=HIERARCHY
5. ILO knowledge portal: Bangladesh https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=BG

D&_adf.ctrl-state=15s5r6hyco_9

6. Embassy of the People's Republic of China in the People's Republic of Bangladesh
   http://bd.china-embassy.org/chn/
7. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the People's Republic of Bangladesh
   http://bd.mofcom.gov.cn/
8. Board of Investment, Bangladesh
   www.boi.gov.bd
9. Emergency telephone numbers in Bangladesh:
   Police: 999
   Fire: 199
   Gulshan police: 02-9880256, 98895119
10. Consular protection hotline of the Embassy of the People's Republic of China in the People's Republic of Bangladesh: 01713090563

Pakistan

The security situation is rather severe. Other than Tehrik-i-Taliban Pakistan (TTP), many Islamic extremist organizations are also widely distributed in Pakistan. Some Taliban organizations run independently, while other military organizations work closely with each other. Due to the lack of coordination in policies, inter-agency communication and training, the combat against terrorist organizations are not likely to achieve a complete success in the near future.

The country is politically unstable. The opposition parties headed by Pakistan Tehreek-e-Insaf (PTI) have been striving to extend their power and undermine the credibility of the current government. They are also likely to continue to organize and lead protests against the government. The inter-provincial development differences and competition also bury hidden dangers for turmoil. Punjab Province has all along been vigorously supporting the PML-N Government. But leaders of the opposition party accuse the government of siding with Punjab Province, and stir up discontent for the government among the voters in Baluchistan Province, Sindh Province and some other provinces.

Pakistan has long been in short of power supply. By 2017, Pakistan's power supply totaled about 14,700 megawatts, but the total power generation was only about 9,400 megawatts. Even in the capital Islamabad, power rationing takes place every day. A company may encounter up to 75 power cuts a month.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Pakistan (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/bajisitan.pdf
2. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Islamic Republic of Pakistan
   http://pk.mofcom.gov.cn/
3. World Bank Group, Doing Business 2019: Pakistan

http://chinese.doingbusiness.org/data/exploreeconomies/pakistan

4. ILO knowledge portal: Pakistan
   https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=PAK&_adf.ctrl-state=1blj39d5r5_252
5. Export Processing Zones Authority, Pakistan
   http://www.epza.gov.pk/incentives.html
6. Securities and Exchange Commission of Pakistan (the competent authority for company registration and regulation) http://www.secp.gov.pk
7. Federal Board of Revenue, Pakistan
   www.fbr.gov.pk
8. Foreigner rescue hotline, Ministry of Interior, Pakistan: 0092-51-9211223
9. Pakistan police emergency telephone numbers:
   Islamabad IG: 15
   Sindh Province IG: 0092-21-9203438, 9203439
   Punjab Province IG: 0092-42-99210062-63
   Khyber Pakhtunkhwa Province IG: 0092-91-9210331
   Baluchistan Province IG: 0092-81-9201366, 9201534
   Gilgit-Baltistan IG: 058-11-930230, 058-11-930231

Indonesia

The infrastructure is outdated. As result, logistic costs are high; communications conditions are generally poor; and power supply can hardly meet the basic needs. In addition, the upstream and downstream of the industrial chain are not well developed; and the currency depreciates very quickly.

The government is inefficient. The tax regimes are complicated, and tax burdens are heavy. Even the company registration formalities are very cumbersome. The reform is not satisfactory.

Trade union organizations are well developed. All Indonesia Workers Union (SPSI) and Indonesian Workers Welfare Union (SBSI) are two national trade union organizations. Sporadic strikes have broken out at a few Chinese enterprises with a large number of employees.

Labor protection policies are very stringent. Indonesia strictly restricts and even prohibits the employment of foreign workers without management or technological expertise. Besides, the Labor Law Act is rather demanding to enterprises, but provides a robust preferential protection policy for workers. As some provisions favor workers too much and dramatically increase enterprises' costs, a motion was once adopted to amend the Law, but end up in vain due to workers' strong opposition.

The country is strongly influenced by religions. Indonesia has over 300 ethnic groups. As most people believe in Islam, Indonesia has the largest Muslim population in the world. Investors need to fully respect local residents' religious beliefs and ethnic customs, and deal with local people by practicing no racial or gender discrimination and observing local etiquettes.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Indonesia (2017)

http://fec.mofcom.gov.cn/article/gbdqzn/upload/yindunixiya.pdf

2. World Bank Group, Doing Business 2019: Indonesia
http://chinese.doingbusiness.org/data/exploreeconomies/indonesia
3. ILO knowledge portal: Indonesia
https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=IDN&_adf.ctrl-state=1blj39d5r5_210
4. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Republic of Indonesia
http://id.mofcom.gov.cn/
5. Research Center for China-Indonesia People-to-People Exchange, Central China Normal University, Monthly Reports on Developments in Indonesia
http://www.cistudy.net/html/3/
6. Indonesian Investment Coordinating Board (BKPM)
www.bkpm.go.id
7. BKPM SPIPISE One-stop Service System
http://online-spipise.bkpm.go.id/to (for the companies that have not acquired the legal person status)
http://nswi.bkpm.go.id (for the companies that have acquired the legal person status)
http://lkpmonline.bkpm.go.id (for submitting reports of investment activities)

Thailand

Trade unions have a robust network and are powerful. Even the Occupation Safety, Health and Environment Act is formulated upon the request of trade unions. Trade unions are governed by the Trade Association Act.

The EIA system is stringent. The Enhancement and Conservation of National Environmental Quality Act has explicit provisions on the responsibility for air, noise, water, soil, wastes and hazardous substances discharge. Meanwhile, stringent EIA system is implemented. The local general public pays close attention to environmental protection, and environmental NGOs are developed. They have much influence over investment projects, and sometimes even play a decisive role.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Thailand (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/taiguo.pdf
2. Thailand Board of Investment
   www.boi.go.th
3. One Start One Stop Investment Center, Thailand
   http://osos.boi.go.th/index.php?page=index&language=en
4. Handbook for Applying for Investment Preferential Rights and Interests, compiled by Thailand Board of Investment
   http://files.chinagoabroad.com/Public/uploads/v2/v1_attachments/2012/05/guide-to-BOI-2011-C.pdf
5. Embassy of the People's Republic of China in the Kingdom of Thailand
   http://www.chinaembassy.or.th/chn/
6. World Bank Group, Doing Business 2019: Thailand
   http://chinese.doingbusiness.org/data/exploreeconomies/thailand
7. ILO knowledge portal: Thailand
   https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=A

US&_adf.ctrl-state=1blj39d5r5_168

8. Labor legislation in Thailand (source: ILO)
https://www.ilo.org/dyn/normlex/en/f?p=1000:11110:0::NO:11110:P11110_COUNTRY_ID:103004

Australia

Trade unions are well developed. Trade unions play a pivotal role in Australia, influencing the formulation of labor regulations and policies. They sign collective agreements with employers on behalf of employees, thus enabling employees to have access to good remuneration, working environment and conditions, appropriate working hours, and health and safety guarantees. It is because trade unions are well developed that strikes occur quite frequently in Australia.

The environmental protection legislation is robust. Australia is one of the first countries in the world to promulgate environmental protection laws. To date, over 50 laws and 20 administrative regulations on environmental protection have been promulgated in the country, such as, the Environment Protection and Biodiversity Conservation Act, the Great Barrier Reef Marine Park Act, and the Radiation Control Regulations. Any company or individual that destroys the environment in violation of these laws or regulations will be subject to severe penalty. Besides, the EIAs in Australia fall into 2 categories: independent ones and those included in planning, and the latter should require the approval from local parliaments, but not simple government approval.

Chinese investors' purchase of farms and real estate has been increasing too rapidly. As a result, Australians are alert to Chinese investors, worrying that local residents will be tenant farmers and the housing price will be pushed up disproportionately.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Australia (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/aodaliya.pdf
2. World Bank Group, Doing Business 2019: Australia http://chinese.doingbusiness.org/data/exploreeconomies/australia
3. Embassy of the People's Republic of China in the Commonwealth of Australia http://au.china-embassy.org/chn/

4. ILO knowledge portal: Australia
https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=AUS&_adf.ctrl-state=1blj39d5r5_168
5. Australian Department of Immigration and Border Protection
https://www.homeaffairs.gov.au/
6. Australian Foreign Investment Review Board
http://firb.gov.au/
7. Australian Department of the Environment and Energy
http://environment.gov.au/

Ethiopia

Ethiopia is short of foreign exchange. Chinese investors shall utilize local raw materials to the extent possible, and choose to invest in the industries that depend little on raw materials import. It will be ideal if the industries to be invested in can realize import and export foreign exchange balance.

Trade unions have substantial influence. Trade unions frequently negotiate with employers request them to increase welfare and benefits. Meanwhile, local governments, for the purpose of protecting local labor markets, also require foreign enterprises not to employ non-technical foreign workers in principle.

Western and local religions are prevalent in Ethiopia. The country relies on import to improve the quality of its people, cure and eradicate diseases (such as acute respiratory infection, malaria, malnutrition, dysentery, and AIDS).

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Ethiopia (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/aisaiebiya.pdf
2. World Bank Group, Doing Business 2019: Ethiopia http://chinese.doingbusiness.org/data/exploreeconomies/ethiopia
3. Embassy of the People's Republic of China in the Federal Democratic Republic of Ethiopia
   http://et.china-embassy.org/chn/
4. ILO knowledge portal: Ethiopia

https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=ETH&_adf.ctrl-state=1blj39d5r5_131

5. Ethiopian Investment Commission (EIC)
   http://www.ethioinvestment.org/
6. EIC Investor Guide
   http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/PI

GA/EIC%20Investor%20Guide-May%204th_ZH_web.pdf

7. Quality & Standards Authority of Ethiopia http://www.ethiomarket.com/qsae/
8. Tax Guide for Chinese Investment in Ethiopia
http://www.chinatax.gov.cn/n810219/n810744/n1671176/n1671206/c2269653/part/3419352.pdf

Kenya

EIA is stringent. Kenya's Environmental Management and Coordination Bill has detailed provisions on atmosphere, water body and forest. The Bill also prescribes the handling of industrial and agricultural pollution accidents and compensation standards. Meanwhile, pursuant to the EIA Regulations in Kenya, enterprises shall receive EIA reports and the development approval prior to development. Violators shall be imposed a fine, and in serious cases, even investigated for criminal liability. The penalties are extremely severe, and EIA is worth investors' high attention.

Labor protection is robust. The Employment Act, the Wage Provisions and Employment Conditions Act, the Industrial Training Act, the Industry Trade Union Act, the Workmen's Compensation Act, the Trade Disputes Act, and other relevant laws in Kenya have provided detailed provisions on employees' working hour and remuneration payment, employee wage deductions, the longest working hour, medical and maternity leave, employers' provision of housing or subsidies to employees, preconditions for laying off workers, severance pay standards and the related procedures.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: Kenya (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/kenniya.pdf
2. World Bank Group, Doing Business 2019: Kenya http://chinese.doingbusiness.org/data/exploreeconomies/kenya
3. Embassy of the People's Republic of China in the Republic of Kenya http://ke.china-embassy.org/chn/
4. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Republic of Kenya http://ke.mofcom.gov.cn/
5. Guidance of China Council for the Promotion of International Trade (CCPIT) for the Laws of Investment in Kenya

http://www.ccpit.org/Contents/Channel_4128/2016/0614/657662/content_657662.htm

6. Ministry of Labour and Social Protection, State Department of Labour, the Republic of Kenya
   http://www.labour.go.ke/
7. ILO knowledge portal: Kenya
   https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=KEN&_adf.ctrl-state=1blj39d5r5_94
8. Kenya National Environment Management Authority
   www.nema.go.ke
9. Kenya Export Processing Zone Authority
   www.epzakenya.com

South Africa

There exit many security issues. South Africa faces a big gap between rich and poor, sharp racial contradictions, high unemployment and crime rates, a considerable number of illegal immigrants, and the contradictions with other African countries. Riots and xenophobia incidents break out occasionally.

Labor force is unstable. South Africa advocates the use of local labor force, because the country has a large number of low-skilled workers and is a manufacturing and service outsourcing base in Africa. Meanwhile, South Africa offers cash subsidies to encourage skill training for local employees. To this end, the country has promulgated the Skills Development Act, which requires enterprises to withhold a certain proportion of wages for the National Skills Fund. As trade unions are well developed, strikes with the request to increase wages occur frequently.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: South Africa (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/nanfei.pdf
2. World Bank Group, Doing Business 2019: South Africa http://chinese.doingbusiness.org/zh/data/exploreeconomies/south-africa
3. ILO knowledge portal: South Africa https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=ZAF&_adf.ctrl-state=je9rpzbav_46
4. Department of Labour, South Africa http://www.labour.gov.za
5. Environmental Affairs Department, South Africa http://www.environment.gov.za/
6. Department of Trade and Industry, South Africa http://www.dti.gov.za/
7. South Africa news gateway https://www.iafrica.com/

8. Embassy of the People's Republic of China in the Republic of South Africa
https://www.fmprc.gov.cn/ce/ceza/chn/

US

U.S. often deals with international trade disputes in accordance with its domestic laws. For instance, Section 301 of the Trade Act of 1974 allows the U.S. government to take punitive actions, including increasing tariffs, against foreign countries for their acts, policies or practices “that are unreasonable or discriminatory and that burden or restrict U.S. commerce”, even if they do not violate any international agreement or convention. But Section 301 apparently violates WTO rules.

In December 2017, the Trump Administration released its National Security Strategy Report, taking China as the No. 1 competitor. With this backdrop, China’s capital-based overseas M & A strategy is bound to encounter impediments, and will be increasingly expensive.

In addition to legislation and compliance, U.S. also leverages public policies to encourage the fulfillment of social responsibility. For instance, the government requires electronic products manufacturers to announce to consumers the energy efficiency index; the Department of Labor does not allow the import of products from the countries or enterprises that use child labor; the Environmental Protection Agency requires companies to disclose their environmental impacts and responsibilities; the Securities and Exchange Commission urges public companies to disclose more information; the government has established the CSR accounting system; the Occupation Safety and Health Administration requires companies to undertake more social responsibilities for occupational health and safety, and the comfort of the working environment; and the Federal Trade Commission makes efforts to eradicate world poverty and provide equal employment opportunities.

It’s very difficult for Chinese enterprises to access to direct financing in U.S. The Chinese banks with high credit ratings generally provide credit guarantee to the bonds issued. Therefore, it is particularly important for Chinese enterprises to pursue integrity in their operations, keep enhancing their brand reputations in U.S., and obtain a more relaxing business environment.

Trade unions are very powerful. According to the Wagner Act, U.S. allows the establishment of trade unions and collective bargaining, and opposes to the use of various improper labor practices and corporate means to intervene in or restrain workers' access to rights. Trade unions play a role mainly in issues related to wages and benefits, employment guarantee, diverse needs, and functions. The largest trade union organization is the American Federation of Labor and Congress of Industrial Organizations. The trade union organizations in California, New York State, Illinois, Pennsylvania, Michigan, New Jersey, and Ohio are very active. In addition, NGOs, such as United Steelworkers, National Textile Association, and National Association for the Advancement of Colored People (NAACP) are also very influential.

Useful information and links:

1. Chinese MOFCOM Outward Investment and Economic Cooperation Guidelines: U.S. (2017) http://fec.mofcom.gov.cn/article/gbdqzn/upload/meiguo.pdf
2. World Bank Group, Doing Business 2019: U.S. http://chinese.doingbusiness.org/data/exploreeconomies/america
3. ILO knowledge portal: U.S. https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=ARM&_adf.ctrl-state=1blj39d5r5_57
4. U.S. Federal Trade Commission www.ftc.gov
5. U.S. Department of Justice https://www.justice.gov/
6. U.S. Securities and Exchange Commission https://www.sec.gov/
7. White House https://www.whitehouse.gov/
8. The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

https://www.aflcio.org/

9. Embassy of the People's Republic of China in the United States of America

http://www.china-embassy.org/chn/

Office for Social Responsibility
China National Textile and Apparel Council

Tel: +86 10 8522 9681
Email: info@csc9000.org.cn
http://www.csc9000.org.cn