



Business & Human Rights
Resource Centre



“Going out” responsibly

THE HUMAN RIGHTS IMPACT OF
CHINA’S GLOBAL INVESTMENTS

AUGUST 2021

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Executive summary

Since the “Going Out Policy” was initiated in 1999 by the Chinese Government to promote Chinese investments abroad, the footprint of Chinese enterprises has expanded considerably. This has been further accelerated by President Xi Jinping’s launch of China’s Belt and Road Initiative (BRI)¹ in 2013, after which China committed to work “together with other countries to foster the environmentally-friendly and sound development of the Belt and Road, featuring peace and the exchange of wisdom, and to build a global economy more vibrant, open, inclusive, stable and sustainable.”² These efforts have facilitated a massive expansion of Chinese foreign direct investment (FDI), which is valuable as developing countries need FDI to boost their development. To support these overseas development goals, the Chinese Government, state agencies and business associations continue to issue a growing matrix of policies, regulations and guidelines to establish social and environmental safeguards for its FDI. In regulating the diverse economic activities of private and state-owned enterprises overseas, these documents seek to reinforce social integrity, environmental protection, workplace and personnel safety, among many other goals.

As Chinese businesses – particularly energy, construction, and mining and metals companies – continue to venture abroad³, civil society and the media have reported an unfortunate increase in social, environmental and human rights violations – particularly in Asia, Africa and Latin America (See [Section 3.1](#)). All FDI from any country must now be informed by and directed to meet the twin challenge of addressing worsening inequality of power and wealth, while also tackling the challenges associated with climate change. It is therefore important for Chinese companies to ensure they address these issues.

Between 2013 and 2020, the Business & Human Rights Resource Centre (Resource Centre) recorded 679 human rights abuse allegations linked to Chinese business conduct abroad, and 102 company responses to these allegations. In analysing the data further, this report intends to support civil society organisations in host countries of Chinese investments to make informed decisions about their advocacy for responsible business conduct of Chinese companies. This report also presents data and analysis to assist businesses, investors, the Chinese Government and governments of states hosting Chinese investments to take further action to fulfil the development commitments related to China’s international economic cooperation⁴ and the responsible business conduct guidelines established through the years.

Key findings

While there are many emergent positive developments from China's businesses overseas, China's aspiration to be a responsible great power could be undermined by the following:

Higher rates of alleged abuse in countries with weaker governance and where Chinese investments are dominant:

- ➔ Myanmar had the highest number of recorded allegations (97), followed by Peru (60), Ecuador (39), Laos (39), Cambodia (34) and Indonesia (25). China is a major investor or trading partner in all these countries.
- ➔ Many human rights concerns related to projects in Myanmar pre-dated the military coup, which is concerning. With ongoing escalating challenges in the country, and the possibility for more Chinese investments being approved in this conflict-affected area, it is imperative for companies to implement robust human rights due diligence to ensure commitment to international standards on human rights and responsible business conduct.

Higher rates of alleged abuse in extractive and construction sectors:

- ➔ Our data showed human rights risks are particularly high in metals and mining (35% or 236 allegations), construction (22% or 152 allegations) and fossil fuel energy (17% or 118 allegations). Chinese renewable energy investments overseas have gained momentum because of China's pledge to meet targets under the Paris Agreement and to build a green BRI. However, human rights risks in the sector are also prominent, with 87 allegations (13%) recorded.ⁱ

679 allegations

of human rights abuse recorded linked to Chinese business conduct abroad

RESPONSE RATE AMONG CHINESE COMPANIES



HIGHER RATES OF ALLEGED ABUSE IN COUNTRIES WITH WEAKER GOVERNANCE



ⁱ The Resource Centre recorded 679 allegations involving 1,690 identified issues linked to Chinese investment overseas. Each allegation may be linked to more than one issue or more than one sector.

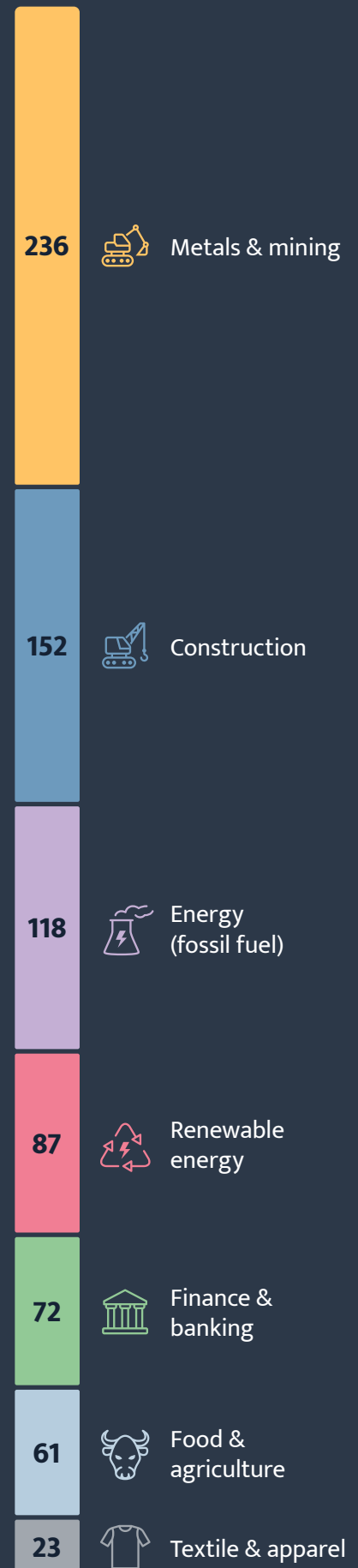
Lack of corporate transparency and accountability:

- ➔ Despite commitments to openness and transparency,⁵ Chinese companies had a very low response rate (24%) when invited by the Resource Centre to address human rights allegations made against their overseas operations. This is lower than the Resource Centre's overall response rate from Asian companies (53%), particularly companies from major economies such as Japan (68%), India (47%) and Indonesia (41%).
- ➔ Chinese banks had a dismal 5% response rate. Only one response was received from 20 invitations, indicating a general reluctance by Chinese banks to engage with allegations from civil society actors or to learn more about their impact and improve their social and environmental performance.
- ➔ Business associations and government ministries have developed guidelines and rules to promote responsible business conduct. These inform business practice overseas. Unfortunately, our data showed this guidance and its enforcement is not sufficiently effective. Chinese businesses continue to sideline rights of communities and workers. Our data indicated a prevalence of inadequate disclosure or environmental impact assessment (EIA) (31% of allegations recorded), followed by violations of land rights (29%), loss of livelihoods (28%), labour rights (19%), and pollution and health threat (18%).

Positive developments include:

- ➔ Renewable energy companies had the highest response rate (36%), although all responses came from hydropower companies and none from solar or wind energy companies. This is still low compared to the Asian company average, but higher than the Chinese company average. Chinese companies can build on this enhanced performance to strengthen their contribution to a 'just transition' towards clean energy.
- ➔ Companies listed on various stock exchanges are more likely to respond (with response rate of 27%), when compared with companies not publicly listed (18%). Various requirements by stock exchanges (including those on information disclosure and governance), influence by investors, as well as a higher level of scrutiny of listed companies might play a part in persuading these companies to engage with civil society more often.
- ➔ State-owned companies (among which many are also listed companies) are more likely to respond to allegations, with an overall response rate of 27%, compared with privately-owned companies (16%).

HUMAN RIGHTS ABUSE ALLEGATIONS BY INDUSTRY



Key recommendations

Given the challenges illustrated in this report, there are great opportunities for companies, business associations, the governments of China and countries hosting investments to further strengthen the regulatory environment and its implementation by Chinese companies operating overseas. Supported by legislation, comprehensive guidance and effective implementation mechanisms, actions should prioritise addressing heightened risks across countries and sectors through three key approaches:

Transparency

Chinese companies should:

- ➔ Develop and implement strong institutional policies on transparency and disclosure, including the obligation to publish relevant information about projects and investments in their exploratory, implementation and closure/end stages;
- ➔ Report publicly and transparently on due diligence processes and disclose the results of impact and risk assessments using appropriate and accessible formats;
- ➔ Actively engage with affected communities and civil society, communicate information publicly and transparently, such as mitigation plans and corrective measures. **Chinese banks and financial institutions** (including policy banks and commercial banks) should create searchable, comprehensive and up-to-date databases on their proposed and current investments and projects, similar to those of the Asian Infrastructure Investment Bank and the World Bank, which include project-level information, the final reports from environmental, social and human rights impact assessments and contact information. **Stock exchanges** should also require the same level of disclosure from listed companies. The **Chinese Government** should develop a National Action Plan on business and human rights (NAP), including section(s) to guide lawmakers at different levels on how to integrate human rights into policies and regulations on economic development overseas.

Human rights due diligence

Chinese companies should:

- ➔ Continuously identify and assess actual and potential human rights and environmental risks prior to beginning, investing or sourcing a project, and at regular intervals throughout, covering the entire value chain, both upstream and downstream;
- ➔ Take measures to prevent and mitigate adverse impacts, including through reforms to business and purchasing practices, proactive meaningful engagement with business partners and suppliers, and concrete efforts to increase leverage if necessary;
- ➔ Actively engage, consult and involve stake- and rightsholders at all stages in the due diligence process and remediation, and address possible risks and reprisals arising from their participation;

- ➔ Conduct enhanced human rights due diligence when operating or having business relationships in conflict-affected areas and take additional steps proportionate to those risks. **Business associations, especially those in energy (fossil fuel) and renewable energy sectors**, should develop guidelines on transparency and human rights due diligence, as well as provide capacity-building training for companies to strengthen the implementation of these guidelines on the ground. The **Chinese Government** should consider introducing legislation with the requirements above for Chinese companies to undertake mandatory human rights due diligence. **Governments of host countries** should also legislate, improve and enforce requirements towards mandatory human rights due diligence and comprehensive impact assessments.

Grievance mechanisms and access to remedy

Chinese companies and financial institutions should:

- ➔ Establish effective operational-level, non-judicial grievance mechanisms, including robust safeguards for human rights and environmental defenders and whistle-blowers who speak out against abuse;
- ➔ Provide and cooperate in remediation for any proven cases of adverse human rights impacts, at a minimum those which they caused or contributed to. **Industry associations and government bodies overseeing Chinese businesses** are also well positioned to establish sector-wide independent grievance mechanisms. The **Chinese Government** should strengthen judicial and non-judicial mechanisms to provide effective remedy against business-linked abuses. **Chinese embassies** in host countries should also consider developing capacity and establish units and mechanisms to receive and process such grievances. **Host countries** could also consider requiring companies to establish accessible and independent grievance mechanisms for affected individuals and civil society organisations.





Part 1 Background

Chinese overseas business operations

Since the “Going Out Policy” was initiated in 1999 by the Chinese Government to promote Chinese investments abroad, the footprint of Chinese enterprises has expanded considerably. This has been further accelerated by President Xi Jinping’s launch of China’s Belt and Road Initiative (BRI)⁶ in 2013 as an effort to create new opportunities for international development cooperation by building and facilitating trade and infrastructure connections between Asia and other continents. As of January 2021, 140 countries have signed agreements with China to cooperate under the BRI.⁷ In line with the United Nations (UN) 2030 Agenda for Sustainable Development, the BRI aims to promote “peace, prosperity, opening up, innovation, green development, cultural exchanges and clean government” with other developing countries.⁸ Since its launch, Chinese investment abroad has grown significantly.

Official data showed total FDI from China to the countries along Belt and Road surpassed US\$90 billion between 2013 and 2018.⁹ Construction, energy and mining have driven a considerable portion of the growth of Chinese investments. Renewable energy contributions to China’s total energy investments have grown from 38% in 2019 to 57% in 2020. In 2020, around 80% of newly signed foreign construction contracts were infrastructure-related. Chinese companies undertook more than 5,500 infrastructure projects abroad in this year, with newly signed construction contracts along Belt and Road in 2020 amounting to US\$140 billion. Notwithstanding the COVID-19 pandemic, Chinese banks advanced US\$3.3 billion of lending in 2020 into energy, mining and infrastructure projects in Sub-Saharan Africa, representing an increase from 2019’s US\$2.2 billion.¹⁰ Countries such as Indonesia, Vietnam, Zimbabwe and Zambia received an increase in Chinese investment in 2020,¹¹ despite decreases in many other countries.¹²

With China’s expanding footprint across continents and sectors, allegations of human rights violations related to Chinese investments in host countries have also surged in number. This poses a significant risk to the sustainability and effectiveness of Chinese investments as drivers of a sustainable global economy characterised as open, inclusive and environmentally sound.¹³

Purpose of this report

This report analyses allegations of adverse social and environmental impacts linked to Chinese companies operating around the world. These allegations relate to land rights, pollution and health, labour rights and other human rights violations. Data gathered by the Resource Centre between 2013 and 2020 illustrated the gap between policy commitments and practices of Chinese companies around the world, and our analysis aims to assist civil society organisations to make informed decisions on their advocacy linked to responsible business conduct overseas. Companies and government bodies can also use this data to take appropriate measures to fulfil the development commitment related to China's international economic cooperation¹⁴ and the various responsible business conduct guidelines established over the years.

Methodology/notes on data

In Sections [3.1](#) and [3.2](#) of this report, we analysed 679 allegations of human rights abuses related to Chinese investments overseas. These allegations were compiled by the Resource Centre and are hosted on our website, covering the period between 1 January 2013 and 31 December 2020. The sources of the allegations include local and international NGOs and media reports which cited concerns raised by workers, trade unions, communities, etc. The trends identified below provide an indication of the extent and range of human rights allegations related to Chinese investment overseas during this period, but also, to some extent, the level of activity by civil society in monitoring and reporting on those abuses (and their ability to do so).

In [Section 3.4](#) of the report, we analysed the Resource Centre's efforts to seek responses from Chinese companies in relation to the human rights impact of their investment overseas. Between 2013 and 2020, the Resource Centre sought 102 such company responses from Chinese companies. This is part of the Resource Centre's Company Response Mechanism, which has been active since 2005 and invites companies to respond to allegations raised by civil society groups before posting those allegations on our website (if the Resource Centre finds no response from the company in the public domain). The Resource Centre takes this approach to ensure its coverage is fair and to encourage companies to publicly address human rights concerns. Although we cannot always verify the information presented in company responses, they often demonstrate companies' willingness to engage openly with stakeholders.



Part 2

Responsible Chinese investment overseas

2.1 Chinese Government's commitments to international standards

China has shown some commitments on international initiatives such as the Sustainable Development Goals (SDGs)¹⁵ and the Paris Agreement¹⁶ in its effort to build an image of a 'responsible great power'. Its pledge to the SDGs and climate change is also reflected in a series of policy documents on the BRI, which map out China's overseas economic cooperation strategy. The Third National Human Rights Action Plan of China (2016-2020) urged "overseas enterprises to abide by the laws of the host countries and fulfill their social responsibilities in the process of conducting foreign economic and trade cooperation, providing assistance and making investment."¹⁷ This shows human rights are embedded in corporate social responsibilities in the Chinese Government's policy.

In the two decades since China announced its "Going Out Policy", the government has issued a growing matrix of laws, regulations and guidelines regarding social and environmental safeguards of its international economic cooperation.ⁱⁱ These cover diverse aspects of China's economic activities abroad, from regulating forestry to reinforcing social integrity, environmental protection, work and personnel safety, and compliance of major private and state-owned enterprises overseas. The Green Credit Guidelines for the financial sector, adopted in 2012, covers environmental and community development issues in a relatively comprehensive manner. In addition, the Administrative Regulation on Contracting Foreign Projects, promulgated by the State Council in 2008 and revised in 2017, provides specific provisions on legal accountability regarding violation of the regulations and other relevant laws.

ii An up-to-date compilation of policies, standards and guidelines issued by Chinese actors can be found [here](#).

Most notably, Chinese authorities have issued over a dozen sustainability financial instruments applicable to overseas projects, encouraging companies and financial institutions to integrate environmental and social risk management into the entire financing cycle,¹⁸ particularly in high-risk sectors such as “energy resources, agriculture, forestry, animal husbandry and fishery, major infrastructure, and project contracting”.¹⁹ Several documents highlight the significance of strengthening mandatory environmental information disclosure²⁰ and stakeholders’ communication, including conflict resolution mechanisms,²¹ as well as the need for legislation on due diligence requirements and environmental legal liabilities.²² A 2021 document by the Ministry of Commerce (MOFCOM) encourages Chambers of Commerce (associations) of overseas Chinese-funded enterprises to study and formulate green guidelines for investment cooperation in host countries.²³

There is a gradual shift away from simply adhering to host country laws and regulations, which was found in earlier policies, towards “high-quality development” embodying international conventions and green BRI principles.²⁴ Further, in May 2021, the state-owned Assets Supervision and Administration Commission (SASAC) requested central government-owned enterprises to conduct regular inspections of their overseas compliance risks and take risk control measures.²⁵

Aside from progress on policy and guidelines, the Chinese Government and business associations have been more alert to the risks related to irresponsible business conduct that may jeopardise the reputation and success of its international economic cooperation initiatives, such as the BRI. China has committed to respecting human rights in foreign investment and other businesses by accepting dozens of recommendations in its Third Universal Periodic Review (UPR) before the United Nations Human Rights Council (UN HRC).²⁶







Nonetheless, compared with relevant international standards and guidelines which have human rights as a foundational component, China’s domestic policy documents and regulations rarely refer explicitly to human rights standards, such as the UN Guiding Principles on Business and Human Rights (UNGPs)ⁱⁱⁱ – which China endorsed at the UN HRC – and fall short of providing a systematic and holistic plan to implement measures to protect human rights in relation to business activities overseas.

ⁱⁱⁱ At the 2009 UN Human Rights Council, China supported the “Protect, Respect and Remedy” Framework saying, “...China appreciates the “protect, respect and remedy” framework proposed by the special rapporteur which in our view is of positive significance, and which merits a serious study of all countries concerned. Under the framework, the home and host countries of transnational corporations should have co-operation, which is very important. Only through mutual trust and co-operation is it possible to achieve the goal of mutual benefit and win-win situation, and to realise the common objective of promotion and protection of human rights.” In a statement at the UN Human Rights Council in 2011, China’s representative also endorsed the UNGPs, commenting, “China shows appreciation to the Protect, Respect, Remedy Framework”, and elaborated on some of the efforts that the Chinese Government has made in promoting “Corporate Social Responsibility” in the country.

2.2 The role of Chinese industry associations

Recognising the salient human rights and environmental risks of China's outbound business activities and relationships, leading industry associations have been playing an active role in developing guidance and practical tools to promote responsible business conduct.

INDUSTRY CODES OF CONDUCT AND GUIDELINES

INDUSTRY	TITLE	ORGANISATION	YEAR
 Textile & apparel	Corporate Sustainability Compact 9000 for Textile and Apparel Industry (CSC 9000T)	China National Textile & Apparel Council (CNTAC)	2005; 2018 (revised)
 Metals & mining	Guidelines for Social Responsibility in Outbound Mining Investments	The China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC)	2014; 2017 (revised)
	Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains		2015; 2021 (forthcoming)
 Construction	Guide on Social Responsibility for Chinese International Contractors	China International Contractors Association (CHINCA)	2012
	Guidelines of Sustainable Infrastructure for Chinese International Contractors		2017
	Manual on Community Engagement for Chinese International Contractors	CHINCA, et al.	2018
 Food & agriculture	Guidelines on China's Sustainable Agricultural Overseas Investment	China Association for the Promotion of International Agricultural Cooperation, et al.	2018
	Guidance for Sustainable Natural Rubber	CCCMC	2018
 Finance & banking	Green Credit Guidelines ^{iv}	China Banking Regulatory Commission	2012
 Energy (fossil fuel)	N/A		
 Renewable energy	N/A		

^{iv} The Green Credit Guidelines are departmental regulatory documents issued by China Banking Regulatory Commission, agency authorised by the State Council to regulate the banking sector.

As a snapshot, here are some key points from applicable guidelines in five industries:



Textile & apparel

CNTAC has led responsible business initiatives by promoting CSC 9000T – its Social Responsibility Management System, which encourages companies to conduct risk-based due diligence and provide capacity building trainings for Chinese-funded factories in various Southeast Asian countries on issues related to the improving labour relations and stakeholder communication.²⁷



Metals & mining

The Guidelines for Responsible Mining Investment and Supply Chains developed by CCCMC (see table on [page 12](#)) deals with salient human rights risks, including those affecting Indigenous Peoples' rights, land use, child labour, conflicts and the environment. In recognising the [UNGPs](#) and the [OECD Due Diligence Guidance](#) on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the CCCMC guidelines set out an ongoing, iterative five-step process — which requires companies to review their supply chains for specific risks that might directly or indirectly contribute to human rights abuses, conflict and other serious misconduct — and take action to mitigate those risks. Companies are also encouraged to strengthen transparency efforts through the publication and disclosure of detailed, specific information on the due diligence they have taken and establish a company-level or industry-wide grievance mechanism.²⁸

Responsible Cobalt Initiative (RCI)

In response to the criticism over the use of child labour in Congolese artisanal cobalt mines,²⁹ CCCMC, along with a group of international and Chinese companies and the OECD, established the Responsible Cobalt Initiative (RCI), the first-ever multi-stakeholder responsible mining supply chain initiative launched by Chinese actors. The scheme has made some progress in increasing the means and incentives for implementation of due diligence throughout the cobalt industry.³⁰ A handful of companies who have joined the RCI have shown commitment in responsible business conduct by issuing corporate policy on social responsibility stressing human rights risks, such as child labour in global supply chains, and piloting grievance mechanism and community support projects to tackle broader social challenges faced by affected groups.³¹





Construction

CHINCA published guidelines and a practical handbook promoting sustainable infrastructure, emphasising the importance of engaging and developing effective communication with key stakeholders, particularly affected communities (see table above). The Manual on Community Engagement for Chinese International Contractors illustrates action points and tools to guide contractor companies in building community relationship management systems and addressing potential needs and grievances of key stakeholders. The industry association, in partnership with international development agencies and domestic civil society actors, has also provided capacity trainings for Chinese companies implementing foreign contractor projects.³²

Good practice: Building communication channels with local communities in Nepal

Our [field research in Nepal](#)³³ identified a Chinese hydropower company which established a coordination committee to take charge of its corporate social responsibility (CSR) activities. Although funded by the company, the committee operates independently and facilitates communication between the company and the community, with community leaders serving on the committee. The committee reached out to community members to identify their needs and propose potential CSR projects to the company. The company then decided which requests to prioritise and asked the committee to follow up on implementation. The company has spent US\$800,000 on 156 projects, including: building schools, roads, hospitals, temples and a water supply system; husbandry support; and building eight crematorium sites. According to the company manager, '[the company] did not encounter resistance during the implementation of the projects and the community was satisfied with most of the outcomes ... People also go to the committee when they have complaints about the company.'





Food & agriculture

The industry associations have developed the Guidelines on Sustainable Agricultural Overseas Investment and a specific guidance for natural rubber which aims to address land grabbing and deforestation from company supply chains (see table on [page 12](#)). Multi-stakeholder initiatives in the palm oil sector,³⁴ for example, are emerging to promote responsible sourcing of agricultural materials and supply chain management.



Finance & banking

Industry-level multi-stakeholder initiatives, involving China's key policy and commercial banks, were launched in recent years to support a "green" BRI.³⁵ Some financial institutions, such as Exim Bank of China, Bank of China, and State Development & Investment Corporation, have published corporate policies on environmental protection and social responsibilities.³⁶

Marching towards coal exit and green investment overseas: Withdrawal from Lamu coal plant project

In 2020, the Industrial and Commercial Bank of China (ICBC) withdrew from the Lamu coal plant project in Kenya³⁷ after persistent petitions launched by local communities and a lawsuit against the Kenyan environmental authority over the project's defective environmental and social impact assessment (ESIA) and insufficient public participation.³⁸ Nonetheless, campaigners expressed frustration at the challenge of communication with Chinese companies and investors in the same case.³⁹ A few concerned groups revealed the gradual willingness of the Bank to engage with civil society stakeholders in its overseas coal plant investment practice. ICBC recently announced it was "establishing a road map and timeline for the gradual withdrawal of coal financing", which is a significant move towards green finance. It is expected the Bank will also strengthen communication with stakeholders in the investment cycle for inclusive growth.



Energy (fossil fuel)

Industry-level guidelines on responsible business conduct do not exist yet, however, company level commitments are starting to emerge. Major oil firms China National Petroleum Corporation (CNPC), Sinopec and China National Offshore Oil Corporation (CNOOC) have responded to China's climate change commitment by announcing efforts to create carbon neutrality roadmaps. However, the commitments do not come with a clear timetable and concrete actions.⁴⁰ Several major state-owned Chinese hydropower companies have also issued policy statements on environmental protection, good governance, compliance with laws and international standards and occupational health and safety.⁴¹

These guidelines on responsible business conduct are welcome developments, but deeper engagement with stakeholders is required to ensure implementation of these commitments. We have found limited evidence to demonstrate Chinese companies, including banks and financial institutions, have translated policy commitments into action, for example by implementing a thorough due diligence process, conducting meaningful consultation with stakeholders and providing effective remedy to those affected by their overseas business projects. For China to fully realise its goal of becoming a responsible great power, crucial analysis of on-the-ground data is needed for various stakeholders to understand the gap between the policies and practices (if any) and to help the private sector and the government address those gaps.



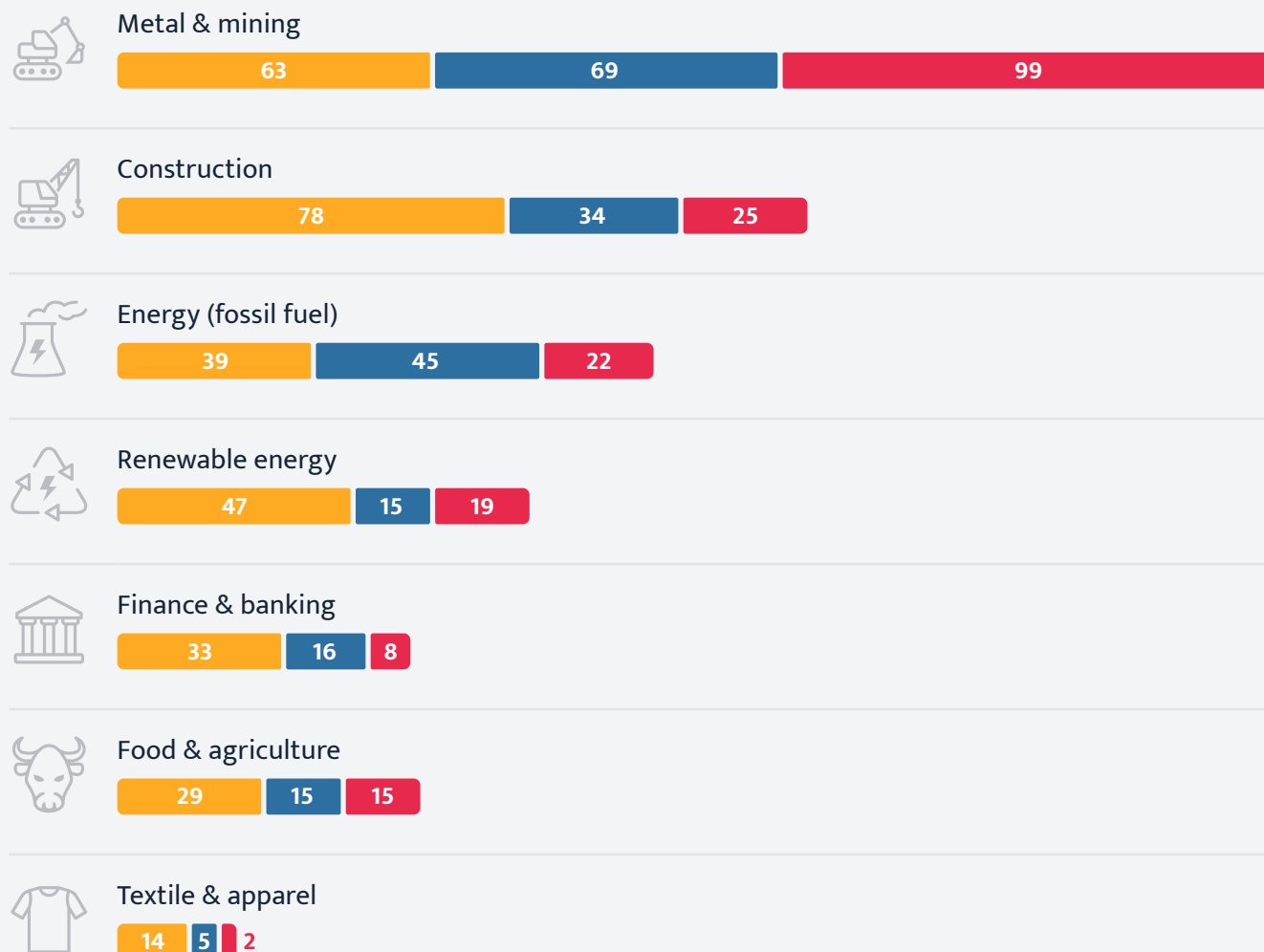
Part 3 Our findings

3.1 High-risk regions

The Resource Centre recorded 679 allegations linked to Chinese investment overseas, involving 1,690 identified human rights issues.^v Of the allegations recorded in Asia Pacific, Latin America and Africa, 76% came from the mining, construction and energy (fossil fuels and renewables) sectors. Among the 1,690 human rights issues identified, half (50%) involved concerns over inadequate disclosure or EIA, violations of land rights, loss of livelihoods, labour rights and pollution and health threat. Nearly one quarter (24%) of the other issues were concerned with protests,^{vi} Indigenous Peoples, beatings and violence, and security issues and conflict zones.

HUMAN RIGHTS ABUSE ALLEGATIONS BY REGION IN THE MAJOR SECTORS

● Asia-Pacific ● Africa ● Latin America



Notes: (1) Europe, North America, MENA and Global allegations are not shown; and (2) allegations re other sectors (e.g., logging and lumber) are not shown; (3) some allegations concern multiple sectors.

^v Each allegation may be linked to more than one issue or more than one sector.

^{vi} A protest is a public expression of objection, disapproval or dissent towards an idea or action. “Protests” in this paper refers to instances when affected communities, workers and other concerned groups express their discontent towards the adverse impacts of a project by approaches such as demonstration, blockage and sit in, etc.

Asia-Pacific

Asia-Pacific recorded the highest number of human rights allegations (269) linked to Chinese investment overseas. These were mainly attributable to the construction, metals and mining, renewable energy, energy (fossil fuels) and food, agriculture and livestock sectors. The most frequent human rights issues identified were inadequate disclosure or environmental impact assessment (EIA), land rights, labour rights, loss of livelihoods and protests. The countries where abuses were most frequently reported were Myanmar (97), Laos (39), Cambodia (34) and Indonesia (25); countries with strong economic relations with China and significant BRI investment.

High risks for responsible business conduct in Myanmar

It is concerning to note many projects in Myanmar had human rights concerns prior to the February 2021 military coup. The military junta reportedly [approved 15 projects](#) in May 2021, including a US\$2.5bn power plant that will run on liquefied natural gas, built and operated by Chinese companies. There is a possibility more projects operated by Chinese companies could be approved by the military junta in the future, among which many may raise further controversies and public concerns. This highlights the imperative for companies to implement robust human rights due diligence in conflict-affected areas.

Africa

Africa recorded the second highest number of human rights allegations (181) linked to Chinese investment overseas. These were mainly related to the metals and mining, energy (fossil fuels), construction, finance and banking, renewable energy and food, agriculture and livestock sectors. The issues most frequently cited in these allegations related to loss of livelihood, inadequate disclosure and EIA and labour issues. Uganda (27 allegations), Kenya (23 allegations), Zimbabwe (23 allegations) and the Democratic Republic of the Congo (16 allegations) were the countries where abuses were most frequently recorded. This was partly owing to public focus on controversial mega infrastructure and energy projects, such as [Lamu coal plant](#) and [port](#) project in Kenya, [East African Crude Oil Pipeline \(EACOP\)](#) across Uganda and Tanzania, and the significant presence of Chinese mining companies in natural resource-rich countries like Zimbabwe and the Democratic Republic of the Congo.

Latin America

Allegations in Latin America (177 allegations) were predominantly linked to companies engaging in the metals and mining, construction, energy (fossil fuels) and renewable energy sectors. In addition to concerns over inadequate disclosure or EIA, which appear predominantly across Chinese overseas businesses, social conflicts linked to Indigenous Peoples and free, prior and informed consent (FPIC), loss of livelihood, security issues and conflict zones, land rights, beatings and violence and protests were the issues most frequently cited in the allegations. Peru (60 allegations) and Ecuador (39 allegations) were the countries with the highest number of allegations recorded, mostly relating to China-funded mining fields.

3.2 High-risk sectors

INDUSTRY	NUMBER OF ALLEGATIONS	HOTSPOTS	DOMINANT HUMAN RIGHTS RISKS	OTHER COMMON HUMAN RIGHTS RISKS
 Metals & mining	236 (35%)	Peru Myanmar Ecuador	Inadequate disclosure or EIA Land rights Protests	Security issues and conflict zones Beatings and violence Pollution and health Indigenous Peoples Arbitrary detention
 Construction	152 (22%)	Myanmar Laos Indonesia	Inadequate disclosure or EIA Land rights Livelihood	Indigenous Peoples Labour rights Protests Ecosystem and wildlife
 Energy (fossil fuel)	118 (17%)	Uganda Myanmar Pakistan	Inadequate disclosure or EIA Pollution and health Livelihood	Climate change Labour rights Indigenous Peoples Security issues and conflict zones
 Renewable energy	87 (13%)	Myanmar Argentina Cambodia	Inadequate disclosure or EIA Land rights Livelihood	Environment-related issues Indigenous Peoples
 Finance & banking	72 (11%)	Indonesia Brazil Pakistan	Inadequate disclosure or EIA Livelihood Land rights	Indigenous Peoples Climate change Environment-related issues
 Food & agriculture	61 (9%)	Laos Cambodia Myanmar	Labour rights Protests Workplace health and safety	Beatings and violence Environmental-related issues
 Textile & apparel	23 (4%)	Cambodia South Africa Myanmar	Inadequate disclosure or EIA Livelihood Land rights	

Across all sectors, the most frequently identified issues were inadequate disclosure or EIA (cited in 31% or 211 allegations), followed by violations of land rights (29% or 195 allegations), loss of livelihoods (28% or 190 allegations), labour issues (19% or 126 allegations) and pollution and health threat (18% or 125 allegations). Other issues which featured frequently included protests, Indigenous Peoples' rights, beatings and violence, security issues and conflict zones, and workplace health and safety. Environment-related issues such as access to water, ecosystem and wildlife, climate change and deforestation were also common, highlighting environmental sustainability as a cross-cutting issue, which is relevant to all aspects of development and intertwined with the fulfilment of human rights.

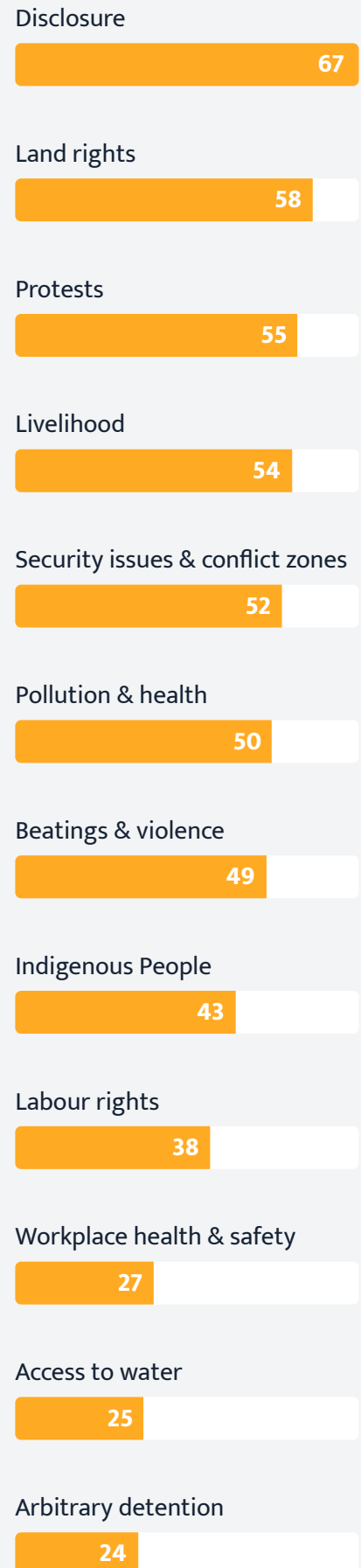
3.2.1 Metals & mining

The highest number of allegations of abuse was found in the metals and mining sector (35% or 236 allegations). This suggests it is a high-risk sector for Chinese companies operating abroad. Over one third of the allegations against Chinese mining businesses overseas were related to prolonged conflicts between large China-backed multinational mining companies and local communities in [Latin America](#) and [Papua New Guinea \(PNG\)](#), as well as the alleged devastation of livelihoods and the environment by the individual illegal miners in [Ghana](#) and [Myanmar](#). Apart from disclosure, land and loss of livelihood concerns, the metals and mining sector was also associated with a high number of issues linked to violence, protests, arbitrary detention, rights of Indigenous Peoples and mining-induced risks for communities in conflict-affected and high-risk areas.

According to the [Responsible Mining Index 2020](#) report, a biennial assessment of most prominent mining companies' policies and practices on economic, environmental, social and governance (EESG) issues, two of the largest Chinese companies, [Zijin](#)⁴² and [China Shenhua](#),⁴³ scored the lowest. This was largely due to challenges in collecting meaningful information about the companies, which corresponded to the top concern revealed through our data: inadequate disclosure or lack of EIA. The response rate of Chinese mining companies (24%) is also far from satisfactory. In addition, among the allegations that triggered legal proceedings and other grievance mechanisms, nearly two-fifths were against mining companies ([Section 3.3](#)). This showed higher legal risks associated with environmental, social and human rights issues in the sector, and the need for companies to address complaints and mitigate risks at an earlier stage through effective operational-level grievance mechanisms.

Despite the proactive efforts made by the Chinese mining industry association (CCCMC), challenges remained in mainstreaming mineral supply chain due diligence in China. This included limited awareness of the guidelines amongst member companies and lack of incentives for implementation due to the guidelines being voluntary.

ISSUES IDENTIFIED IN METALS & MINING SECTOR



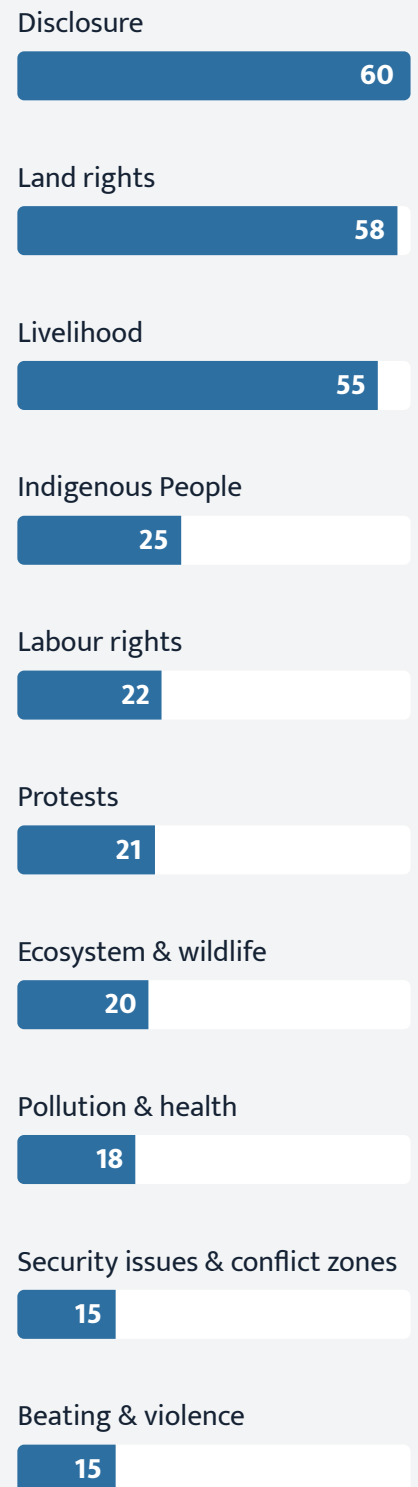
3.2.2 Construction

In the construction sector, our data showed Chinese companies are most frequently linked to issues around inadequate disclosure or EIA, land rights and loss of livelihood. Among these are major projects such as Indonesia's [Jakarta-Bandung high-speed rail project](#), which faced delay due to financial and environmental concerns, and the [China-Laos railway](#), which was linked to allegations of unsettled compensation for relocation and lost livelihoods for farmers. The response rate of construction companies (33%, four responded from 12 approaches) is slightly higher than the average across all sectors.

One-fifth of alleged abuses that sought recourse via remedial and grievance mechanisms ([Section 3.3](#)) were related to construction (including hospitality) projects. This was second to the metals and mining sector, revealing a high level of legal and compliance risks in construction. Disputes in the construction sector were linked to issues of land acquisition and lack of FPIC in mega-infrastructure projects, such as with the [standard gauge railway in Kenya](#) and [Amazon waterway project](#) across Brazil and Peru, as well as the deadly [building collapse](#) in port city Sihanoukville in Cambodia, and the unauthorised development of a holiday resort which caused environmental destruction in [Fiji](#).

Policy documents and industrial guidelines explicitly require companies to strictly abide by applicable laws and regulations of China and the host countries, and relevant international rules and standards, particularly with regard to project bidding, contract performance, labour rights protection, environmental protection, etc.⁴⁴ However, it is unclear to what extent the provisions are enforced by Chinese authorities. For instance, several construction contractor companies (mostly state-owned or public-listed) which built a casino project on Saipan Island were fined by the U.S. Government for egregious safety violations⁴⁵ linked to migrant workers from China.⁴⁶ However, there was no public record showing those Chinese companies were reprimanded in China, despite their conspicuous misconduct.

ISSUES IDENTIFIED IN CONSTRUCTION SECTOR

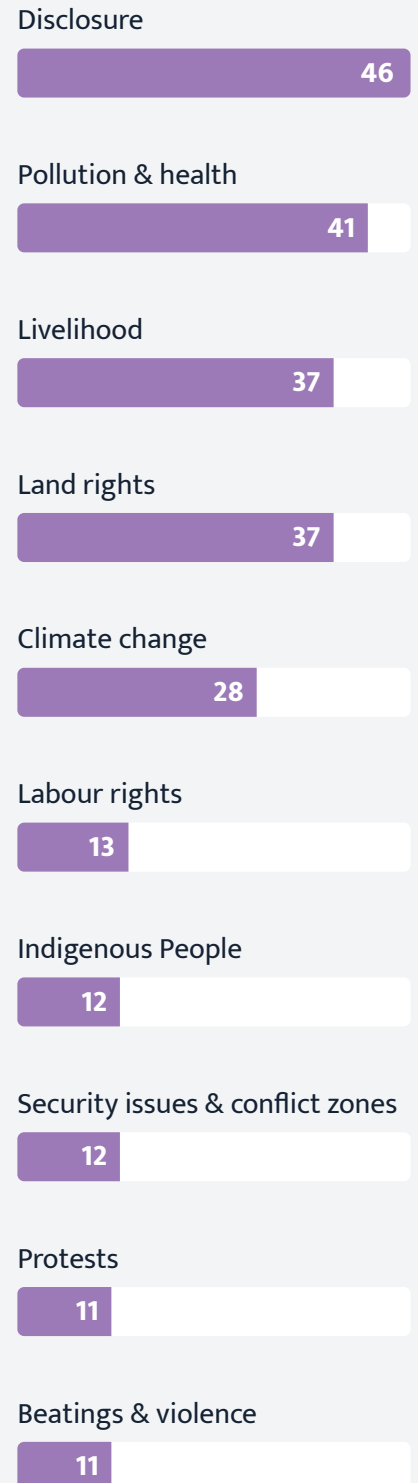


3.2.3 Energy (fossil fuel)

Across the 118 allegations in the energy (fossil fuels) sector, the most prevalent underlying issue was inadequate disclosure or EIA (occurring in 39% of allegations), followed by issues related to pollution and health (35%), loss of livelihood (31%) and land rights (31%). A total of 28 allegations (24%) were linked to climate change, which was markedly higher than the average of 7% across all sectors.

While the response rate of oil companies (29%, four responded over 14 approaches) was slightly higher than the average across all sectors, allegations related to the energy (fossil fuels) sector tended to be longer term, demonstrating the importance of continuous stakeholder engagement and improvement. The [China National Petroleum Corporation \(CNPC\)](#) responded to two requests, including concerns related to the Myanmar-China oil and gas pipelines in 2013. However, this was after the Resource Centre had approached the company 11 times concerning its global projects. In its response, CNPC [committed](#) to “implementing the project in accordance with international standards and norms” and welcomed public supervision on corporate environmental and social performance. However, a 2017 report from the Myanmar-China Pipeline Watch Committee (MCPWC)⁴⁷ indicated gaps remain in terms of building a clear communication and accountability mechanism to better facilitate dialogue with affected communities and address public concerns effectively.

ISSUES IDENTIFIED IN ENERGY (FOSSIL FUEL) SECTOR



3.2.4 Renewable energy

Across the 87 allegations of abuse recorded in the renewable energy sector, the most prevalent issue was inadequate disclosure or EIA (occurring in 39% of allegations), followed by issues related to land rights (38%) and loss of livelihood (33%). Notably, environmental concerns over ecosystems, water management, disasters, etc., were markedly high (accounting for one quarter of allegations), despite the expectation on the renewable energy sector to be environmentally-friendly and less polluting. In the renewable energy sector, allegations relating to Indigenous Peoples (24% with 21 allegations) were also higher than the average of 15% across all sectors.

The vast majority of allegations in this sector were linked to hydropower projects. Besides the social dimension risks, such as displacement and community livelihood embedded in large-scale hydropower projects, other environmental risks were also highlighted: the impact on ecosystem and wildlife (26% with 23 allegations) and water management and risks of disasters (24% with 21 allegations).

Additionally, there were a handful of allegations concerning other renewable energy projects, such as solar and wind farms. [JA Solar](#), along with other multinational companies operating in Israel, was reportedly contributing to Palestinian displacement through their involvement in Israel's energy-related discriminatory practices and violations of international law. In another case, [JinkoSolar Investment Pte. Ltd.](#), the Chinese company managing the Yucatán Solar Park project in Mexico, lost a lawsuit over the lack of FPIC with affected Indigenous communities. In [Argentina](#), Envision Energy, a Chinese wind farm company, encountered conflicts with the local community.

Our 2020 [Renewable Energy & Human Rights Benchmark](#) ranked the world's 16 largest renewable energy companies on their human rights policies and practices, and revealed most renewable energy companies lack policies which are essential to avoid harming the communities and workers upon which a just transition depends. All three of the Chinese companies included in the benchmark (JinkoSolar, China General Nuclear Power Corp, and PowerChina) fell below the already low average score of 22%. This showed Chinese renewable companies have much room for improvement if they are to demonstrate respect for the human rights of communities and workers in their operations and supply chains.

ISSUES IDENTIFIED IN RENEWABLE ENERGY SECTOR



The company response rate for China's renewable energy sector is approximately a third, 32% (6 out of 19 approaches). While this is higher than the response rate of other sectors, it is still far below the sector's global response rate of 60%. All six responses came from hydropower companies, although solar and wind power companies were also approached. A [report](#) by International Rivers in 2019 indicated some positive engagement between Chinese hydropower companies and an international civil society organisation, despite the gaps in the companies' social and environmental practices. These included the lack of adequate due diligence processes, insufficient disclosure of documents and information crucial to the public, as well as weak implementation of their own sustainability commitment.⁴⁸

3.2.5 Finance & banking

Across the 72 allegations in the finance and banking sector, a markedly higher number of allegations concerned inadequate disclosure or EIA (53%, compared to the average of 31% across all sectors) and livelihoods (43%, compared to the average of 28% across all sectors). Allegations relating to Indigenous Peoples (26%) were also higher than the average of 15% across all sectors. These allegations spans a wide range of high-risk sectors, such as fossil fuels, pulp and paper, mega hydropower dams and mining projects, etc. and shows the trend that investors are now increasingly expected to be accountable to the social, environmental and human rights impacts of the projects they invest in.

The finance and banking sector in China recorded an exceedingly low response rate to relevant allegations of just 5%, compared with the sector's global response rate of 63%. This partly corroborated the general reluctance of Chinese companies to engage with civil society actors openly and transparently. Many of the allegations for the finance and banking sector related to human rights risk loans given out by Chinese financiers, which in turn related to all sectors. This interlinkage with other sectors presents an urgent need for Chinese financiers and their regulators to establish more effective and robust mechanisms to address the potential and actual human rights impact of projects made possible by their loans.

ISSUES IDENTIFIED IN FINANCE & BANKING SECTOR

Disclosure



Livelihood



Land rights



Indigenous People



Climate change



Pollution & health



Other environmental issues



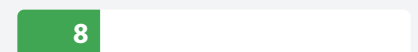
Ecosystem & wildlife



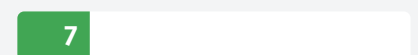
Access to water



Protests



Labour rights



3.2.6 Food & agriculture

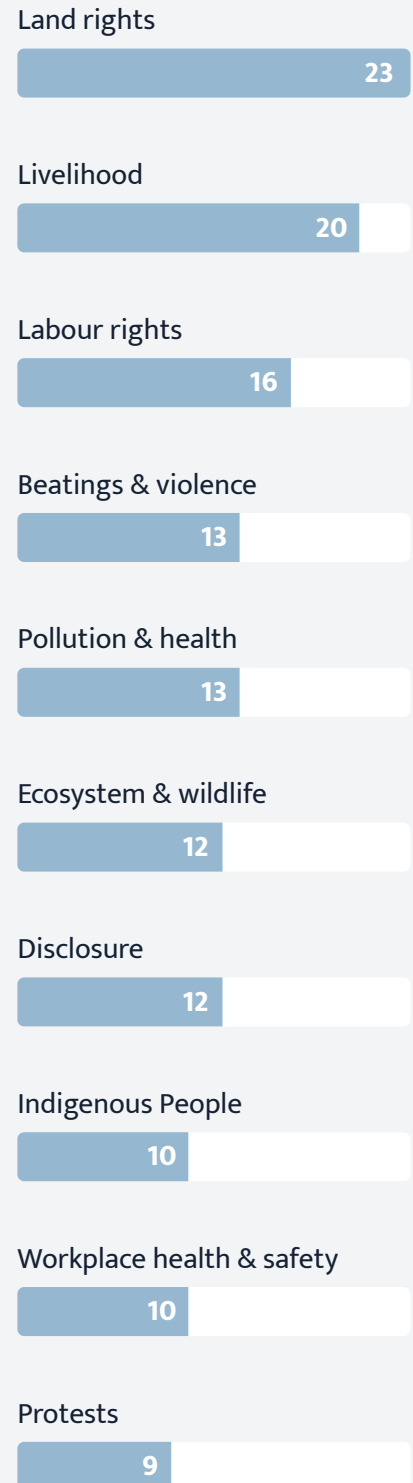
China has been a major importer of palm oil, sugar and soybeans.⁴⁹ The growing appetite for meat, seafood, and other agricultural produce has seen Chinese businesses spread worldwide. However, from [pig farms in Argentina](#), fishing [fleets on the shores of the Galápagos Islands](#) and [banana plantations in northern Myanmar](#), Chinese business operations have been accused of creating land disputes, committing labour rights abuse and causing environmental damage.

Across the 61 allegations in the food, agriculture and livestock sector, the most frequently identified issues were related to land rights (38%) and loss of livelihood (33%). Labour issues (26%) and beatings and violence (21%) were also prevalent. These issues were recorded not only in Chinese fishing vessels, which have received global attention, but also in [sugarcane](#) and [banana plantations](#) in countries across Asia and Africa. Occasional allegations concerning workplace health and safety were reported in a [livestock farm](#) in Argentina and a [slaughterhouse](#) in Kenya. Pollution and health issues (21%) and ecosystem and wildlife issues (20%) had a higher ratio than the average across all sectors (18% and 8% respectively).

Human rights abuses on Chinese-owned trawlers

An increasing number of human rights allegations have shone a light on the mistreatment of Southeast Asian seafaring workers, particularly aboard Chinese-owned vessels. This included a case where a number of [Indonesian crew deaths](#) reportedly occurred aboard the Chinese-owned fishing vessel, Long Xing 629, owned by Dalian Ocean Fishing (DOF), a major Chinese tuna fishing fleet-owner. Surviving crew members spoke of brutal conditions, including being physically assaulted by some of the Chinese crew. According to the Indonesian Foreign Ministry documents, the most recent deaths were attributed to an unknown “sickness”. Allegations of shocking conditions, illegal fishing, forced labour, and other abuses aboard DOF fleet vessels were reportedly widespread. Exploitative and abusive practices on Chinese-owned trawler vessels have also been reported in other countries, including [Ghana](#), [Uruguay](#) and [Fiji](#). Local fishermen and, in some cases, governments in [Pakistan](#), [Iran](#), [Papua New Guinea](#), [Liberia](#), [Somalia](#), [Ecuador](#), [Peru](#), [Chile](#), [Colombia](#) and [Uruguay](#) also raised concerns regarding overfishing by Chinese-owned distant-water fishing fleet, which threaten the livelihood of local communities. Some of these trawlers reportedly use fishing methods which are particularly destructive to seafloor and marine life, and further deplete fishing stocks.

ISSUES IDENTIFIED IN FOOD & AGRICULTURE SECTOR



3.2.7 Textile & apparel

Among the 23 allegations of abuse recorded in the clothing and textile sector, most involved labour issues (96%, compared to average of 29% across all sectors) and protests (43%, compared to average of 16% across all sectors). Other allegations mainly involved workplace health and safety (26%).

Although there have been some progressive developments in the industry globally, the Resource Centre noted fewer publicly available allegations of human rights abuses in the clothing and textile sector when compared with other sectors. This could be due to the challenge of identifying Chinese companies (factories) and investors involved in many cases. Allegations associated with Chinese textile and apparel companies centre around labour issues and fundamental rights, such as freedom of association, echoing persistent human rights violations within the industry.

ISSUES IDENTIFIED IN TEXTILE & APPAREL SECTOR

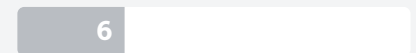
Labour rights



Protests



Workplace health & safety



3.3 Remedial and grievance mechanisms: accessibility and effectiveness

Those affected by human rights abuse in 134 allegations documented by the Resource Centre resorted to some form of complaint mechanism. In 97 allegations (72%) affected groups used domestic mechanisms (judicial and non-judicial) in the host countries. The remainder resorted to regional or international human rights mechanisms (13% or 17 allegations), such as the Inter-American Commission on Human Rights (IACHR), or special procedures of the UN HRC, such as the UN Working Group on Business and Human Rights. Other avenues included petitions to the Chinese authorities or investors (5% or 7 allegations), international financial institutions (IFI) and OECD grievance mechanisms (4% or 5 allegations).

While a portion of legal disputes involving human rights abuses were addressed through domestic procedures, allegations which concerned gross violations of human rights faced persistent barriers to justice. This was due to a variety of factors, including ineffective judicial systems in host countries, as well as harassment and threats against affected groups and human rights defenders by companies and local governments, among others.

A long road to justice for Indigenous communities in Cambodia

In the case of [Cambodian Preah Vihear communities](#) against Chinese sugar company Hengfu and its subsidiaries, over 900 local families, including Indigenous groups who lost their land and livelihood due to business operations, showed pertinacious resistance during the past decade by exhausting all remedial measures from domestic courts to UN human rights mechanisms. It is not yet clear whether the case will be settled with the help of intervention from the UN Special Procedures and UN officials, who wrote a letter to the Chinese Government emphasising China's extraterritorial obligations to take measures to address human rights violations of its enterprises overseas in accordance with the UNGPs and other international human rights laws.⁵⁰



Attempts to seek grievances from Chinese authorities and regulators have increased in recent years. While the Chinese Government and embassies may be inactive and [unresponsive](#) to some concerns and allegations raised by the public in host countries, the Chinese Ambassador in Kenya set an example of being open and engaging with concerned groups in the Lamu coal plant case.⁵¹

3.4 Transparency and responsiveness to allegations of abuse

3.4.1 Quantitative analysis of company responses

Despite commitments to openness and transparency, Chinese companies had a very low response rate of 24% when invited to address human rights allegations about their overseas operations. This is lower than the overall response rate from companies in Asia and the Pacific (53%), particularly companies from major economies such as Japan (68%), India (47%), and Indonesia (41%) in the same period of 2013-2020.

Chinese banks have a dismal 5% response rate. Only one response was received out of 20 invitations, indicating a general reluctance by Chinese banks to engage with civil society actors. The poor response rate of the finance and banking sector raises the critical need for stronger frameworks on transparency and accountability, especially because 90% of BRI investments come from the sector. Governments, businesses and investors must establish more effective and robust mechanisms to address potential and actual human rights impacts of projects made possible by their loans, investments and other support from this sector.

More positively, renewable energy companies had the highest response rate at 36%, although all responses came from hydropower companies and none from solar or wind energy companies.

Companies listed on various stock exchanges are more likely to respond (with response rate at 27%), when compared with companies not publicly listed (response rate at 18%). Various requirements by stock exchanges (including those on information disclosure and governance), influence by investors from broader backgrounds, as well as a higher level of scrutiny of listed companies may play a part in urging these companies to engage more effectively with rightsholders.

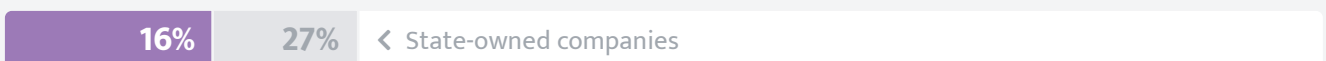
State-owned companies (among which many are also listed companies) are more likely to respond to allegations, with an overall response rate of 27% (compared with privately-owned companies at 16%).

RESPONSE RATE AMONG CHINESE COMPANIES

All Chinese companies



Privately-owned companies



3.4.2 Qualitative analysis of company responses

More than half of the responses (54%) received were provided in Chinese, while the rest were provided in English, bilingual or local language. This could indicate a considerable proportion of Chinese companies – particularly personnel responsible for addressing the human rights issues raised – consider Chinese their preferred language of communication. It is worth noting the language barrier this could cause for affected communities and civil society in host countries who wish to engage with Chinese companies. There is a need for Chinese companies to build capacity to engage in local languages or English, as well as for CSOs to build capacity to engage with companies in Chinese or to collaborate with Chinese CSOs who can help fill this gap.

When responding to allegations of abuse, half were general statements (50%) and half were point-by-point responses. A “point-by-point” response is one where the company addresses most or all the concerns raised by civil society in sufficient detail. This usually requires a company investigation into the matter raised, as well as internal communication with project-level personnel. Such responses demonstrate companies’ greater openness to dialogue and provide more information to stakeholders, even if the information provided in the response may not always be entirely accurate.

Commitment to international standards is very low, with companies often merely referring to local law compliance instead. Only five (21%) responses referred to international standards or multistakeholder initiatives, while a majority of three quarters (75%) mentioned commitment to obeying local laws (including Imperial Pacific International, before it was convicted by the local court for using forced labour on Saipan Island). This is potentially problematic, especially when the companies are operating in countries where local laws are weakly written or enforced. In such host countries, people tend to be more vulnerable to human rights abuses. It is preferable for companies to commit to respecting international standards or norms related to human rights, which are usually more robust than local laws. Disappointingly, none of the responses we received from Chinese companies referred to the UNGPs, which were endorsed in 2011. This suggested a very low awareness of the UNGPs among Chinese companies.





Part 4 Recommendations

Our analysis of human rights allegations against Chinese companies overseas revealed the immediate need for companies, as well as the governments of China and countries hosting investments, to take significant action to address human rights issues linked to Chinese overseas investments. Supported by legislation, comprehensive guidance and effective implementation mechanisms (for instance, Chinese embassies in host countries should be further empowered and assign units to monitor and train Chinese companies on responsible business actions and facilitate their communications with civil society), actions should prioritise addressing heightened risks across countries and sectors through three key approaches: transparency, human rights due diligence, and grievance mechanisms and access to remedy.

Transparency

UN Guiding Principle 21 provides: “In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them.”

To achieve this, **Chinese companies** should:

- ➔ Develop and implement strong institutional policies on transparency and disclosure, including making it an obligation to publish relevant information about projects and investments in their exploratory, implementation and closure/end stages.
- ➔ Conduct rigorous and transparent environmental, social and human rights impact assessments with meaningful participation from communities and stakeholders, report publicly and transparently on due diligence processes, and disclose the results using appropriate and accessible formats so stakeholders can effectively express their consent to a project.

- ➔ In cases of unavoidable potential or actual social, environmental or human rights impacts, actively engage with affected communities and civil society, communicate publicly and transparently on the mitigation plans and corrective measures (including plans for land acquisition and resettlement, prior to project approval).

Chinese banks and financial institutions (including policy banks and commercial banks) should create searchable, comprehensive and up-to-date databases on their proposed and current investments and projects, similar to those of the [Asian Infrastructure Investment Bank](#) and the [World Bank](#), which include project-level information, the final reports from environmental, social and human rights impact assessments and contact information for stakeholders to use when raising concerns about particular projects. Stock exchanges should also require the same level of disclosure from listed companies.

To ensure Chinese companies respect the obligations listed above, the **Chinese Government** should use mandatory laws and regulations already in place to build on commitments to responsible business conduct. In addition, the Chinese Government should develop a National Action Plan on business & human rights (NAP) to guide lawmakers at different levels on how to integrate human rights into policies and regulations on economic development, including those regarding international economic cooperation, and urge businesses (both state-owned and private) to take action to build leadership in responsible business conducts.

Governments of host countries should consider including clauses on information disclosure and other human rights conditionalities during the procurement process, signing of contracts and issuance of permits and licences, from both domestic and foreign businesses.

Human rights due diligence

Guiding Principle 17 provides: “In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.”

To achieve this, **Chinese companies** should:

- ➔ Continuously identify and assess actual and potential human rights and environmental risks prior to beginning a project, investing or sourcing, and at regular intervals throughout, covering the entire value chain, both upstream and downstream.
- ➔ Focus on salient risks first, take measures to prevent and mitigate adverse impacts, including through reforms to business and purchasing practices, proactive meaningful engagement with business partners and suppliers, and concrete efforts to increase leverage if necessary.
- ➔ Actively engage, consult and involve stake- and rightsholders – including (potentially) affected individuals, communities (particularly defenders, women and Indigenous Peoples) or civil society representing them – at all stages in the due diligence process and remediation, and address possible risks arising from their participation. This can be facilitated by establishing units within the company which would be responsible for such engagements.
- ➔ Conduct enhanced human rights due diligence when operating or having business relationships in conflict-affected areas as this may increase the risk of being complicit in gross human rights abuses committed by other actors (for example, security forces), which necessitates extra care.⁵² Take additional steps proportionate to those risks.

Business associations, especially those in the fossil fuel and renewable energy sectors, should develop guidelines on transparency and human rights due diligence, as well as provide capacity building training for their companies to strengthen the implementation of these guidelines on the ground.

The **Chinese Government** should consider passing legislation with the above requirements for Chinese companies to undertake mandatory human rights due diligence, including their projects abroad. Countries like [the Netherlands, France and Germany](#) already have such legislation in place. Governments of host countries should also legislate, improve and enforce requirements towards mandatory human rights due diligence and comprehensive impact assessments – including undertaking meaningful consultations with potentially affected individuals and communities – for projects in their countries.

Grievance mechanisms and access to remedy

Guiding Principle 29 provides: “To make it possible for grievances to be addressed early and remediated directly, business enterprises should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.” Principle 30 also says “Industry, multi-stakeholder and other collaborative initiatives that are based on respect for human rights-related standards should ensure that effective grievance mechanisms are available.”

To achieve this, **Chinese companies and financial institutions** should:

- ➔ Establish effective operational-level, non-judicial grievance mechanisms which are legitimate, accessible, predictable, equitable, transparent and rights-compatible,^{vii} as well as include robust safeguards for human rights and environmental defenders and whistle-blowers who speak out against abuse. Rightsholders should be able to seek, obtain and enforce a range of remedies depending upon varied circumstances, including the nature of the abuses and the personal preferences of rightsholders.⁵³ CNTAC has also illustrated the applications of these criteria for effective grievance mechanisms in Chinese garment enterprises in its 2013 report.⁵⁴
- ➔ Provide or cooperate in remediation for any adverse human rights impact, at a minimum those they caused or contributed to. Guiding Principle 25 provides that remedy may include apologies, restitution, rehabilitation, financial or non-financial compensation and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

Industry associations and government bodies overseeing Chinese businesses (such as the China Banking and Insurance Regulatory Commission) are also well positioned to establish sector-wide independent grievance mechanisms – such as in the finance sector – which would facilitate dialogues, or to carry out investigations when individuals, communities or other parties raise concerns about adverse impacts by Chinese companies’ operations and investments abroad. The **Chinese Government** should strengthen judicial and non-judicial mechanisms to provide effective remedy against business-linked abuses. **Chinese embassies** in host countries should also consider developing capacity and establishing units and mechanisms to receive and process such grievances. **Host countries** could also consider requiring companies to establish accessible and independent grievance mechanisms for affected individuals and civil society organisations.

vii UN Guiding Principle 31 elaborates these criteria to ensure the effectiveness of non-judicial grievance mechanisms.

Endnotes

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Business & Human Rights Resource Centre

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Business & Human Rights Resource Centre is an international NGO that tracks the human rights impacts of over 10,000 companies in over 180 countries, making information available on its nine-language website.

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