

X. Recommendations

1. Recommendations to the Chinese Government and Relevant Institutions

(1) Strengthening the policy guidance for sustainable overseas development of Chinese companies

The Chinese government should further strengthen the policy guidelines, give adequate guidance around the sustainable overseas development of Chinese companies, encourage companies that excel in overseas sustainability to become role models, and intensify punishments for companies that do not comply with relevant rules and regulations. The government should pay more attention to small and medium enterprises, with a view to improving the overall level of sustainability of Chinese companies overseas. Chinese industry associations should formulate industry regulations and effective CSR guidelines to enhance Chinese companies' knowledge of overseas environmental laws and regulations, raise the awareness for protection of local biodiversity, promote the assessment of environmental impact by third parties.

(2) Providing more guidance for the sustainable overseas development of Chinese companies

Chinese government should establish an information-sharing platform providing information concerning the politics, economy, society, culture, employment laws and environment of the host country; provide companies with more guidance and support in respect of information service; and offer risk warnings through close cooperation and communication with international organizations, relevant state agencies and Chinese diplomatic missions as well as through continuous update, analysis and studies of the relevant information gathered from these sources. The Chinese government should set up exchange platforms overseas to facilitate local Chinese companies in communicating with and learning from each other, and enhancing the synergy between companies.

(3) Further improving the guidance and coordination for security management in China's "going global" process

At present, the state of international security is intricate and complex and terrorist activities are becoming increasingly aggressive across the world. The number of incidents that endanger the personal safety and the safety of employees' property at globalized companies has thus risen sharply. We suggest that the relevant authorities should improve their early-warning and crisis management systems to effectively prevent the occurrence of terrorist activities and personal injury incidents.

(4) Encouraging domestic academic research and the development of think tanks with international influence

Compared to the studies carried out by international academia, think tanks, international organizations and NGOs, there is still plenty of room for improvement for academic research and policy studies in China. Given the advantages of Chinese researchers in both the Chinese language and the availability of information in this field, the government should greatly strengthen policy and academic research in this area, and the establishment of think tanks so as to provide better guidance for the government decision-making and company practices. These efforts will also enhance the international community's understanding of the sustainable overseas development of Chinese companies.

(5) Promoting the sustainable overseas development of companies through financing conditions

Following the issuance of the *Green Credit Policies*, sustainability requirements have been included in the lending terms of the Export-Import Bank of China and China Development Bank and other policy and commercial banks in recent years. Financial institutions should dynamically adjust the financing terms for overseas investment and cooperation project based on requirements of the international community and the host country, thereby promoting the sustainable overseas development of Chinese companies.

(6) Enhancing the cooperation with the United Nations G20, and other international platforms with respect to the sustainable overseas development of companies

Currently, there are very few platforms that can bring global perspectives and experience for the Chinese government to learn from, in order to help China find its voice on the world stage. Although many government organizations, domestic and foreign think tanks and NGOs are committed to the study of sustainable overseas development of Chinese companies, there is not yet an integrated platform for all of these organizations to exchange information, share and protect research findings and keep Chinese companies informed in a timely manner of relevant research being conducted in the field. Therefore, it is recommended that the Chinese government should build such a central platform through joint effort with the United Nations, in order to foster greater international cooperation.

2. Recommendations to Chinese Companies

2.1 Corporate governance aspects

(1) Implementing sustainable development concepts in company production and operation mechanisms

Chinese companies should turn sustainable development from a mere concept into a driving force for improving their soft power. They should view sustainable development as a component of corporate governance and integrate it into their product, marketing and technology strategies. Companies should understand that the sustainable development should not conflict with the operation and profit-making of the company. In fact, if they can combine sustainability with their technological advantages and competitiveness, then the performance of corporate social responsibilities will help them build a positive image, create brand value with increased profit. Ideally Chinese companies should explore and increase awareness to practices that allow for better convergence between core business and sustainable



development like share value and/or inclusive business.

In addition, companies should strengthen their communication and cooperation with international platforms, integrate international standards into their development strategies. Chinese companies should also enhance the contact and cooperation with relevant international organizations, NGOs and other local stakeholders. Due to their third-party status, international organizations and NGOs command credibility across the world and are thus often more readily accepted by stakeholders in host countries. Forming close ties with these organizations can attract public attention to Chinese companies and expand their community influence.

(2) Establishing and improving the communication mechanism with stakeholders and promoting transparent management

Chinese companies should develop a greater awareness of how valuable disclosing their CSR activities and achievements can be, and should establish a sound CSR management system. Chinese companies should protect overseas stakeholders' right to know, supervise and participate in their business operations, and should introduce relevant communication and participation mechanisms so as to exchange ideas with and accept the supervision of stakeholders on a regular basis. In addition, Chinese companies should promote transparent management, engage specialized third-party organizations to assess their sustainability performance and disclose the information via regular reporting.

2.2 Economic aspects

As globalization spreads, Chinese companies can more easily take part in international economic cooperation. They should integrate into global industries by leveraging their business intelligence, resources and technical strengths and promote international economic cooperation and prosperity.

While "going global" and improving their sustainability, Chinese companies can help optimize the global allocation of resources, promote the sharing of technical innovations and achievements, promote fair operations, local procurement and supply chain management, enhance employment opportunities for local residents, cultivate local talents, and share business values.

(1) Adhering to compliant operations and actively supporting the economic development and prosperity of host countries

Chinese companies should be familiar with and heed the laws and regulations of host countries, enhance their awareness of compliant operations, and act in accordance with the law at all times. They should align their business operations with the economic and social development goals of the host countries as well as any regional economic plans, in order to formulate an economic cooperation strategy that utilizes the unique strengths of all parties and promotes mutual benefits, mutual development and sustainable operations.

(2) Adhering to fair operations and maintaining a sound market order

Globalized Chinese companies should adhere to the principles of openness, fairness and impartiality in business operation, treat all contractors and suppliers on an equal footing, take precautions against





fraud, commercial bribery, and refrain from undercutting prices, collusion or other short-sighted tactics. Chinese companies should maintain a sound market order by way of fair competition and demonstrate their images as law-abiding and honest companies.

(3) Promoting the development of upstream and downstream industries in the host countries by increasing the local procurement ratios and technical transfers

Chinese companies should increase their local procurement ratio so as to help improve host countries' supply chains and industries. Assuming all other qualities are equal, Chinese companies should give priority to local suppliers and contractors, select experienced local employees or local third parties to take charge of business communication, quality control and process supervision of the procurement process. Companies that meet certain conditions are encouraged to build suppliers network in the host countries. In addition, while ramping up purchases from local sources, Chinese companies should purposefully establish the rules and standards for supervising and assessing the fulfillment of social responsibilities of local suppliers and carry out effective supervision over them.

With regard to technical transfer and cooperation, globalized companies are encouraged to change their investment models from contributing technologies for shares and setting up subsidiaries in the host countries to direct transfer of technology to the host countries and co-development of innovative technologies, which will help to improve the economic and technological sophistication as well as the economic gains of the host countries.

2.3 Environmental aspects

(1) Attaching importance to and abiding by local environmental laws and regulations and enhancing environmental assessments for the entire project

Chinese companies should improve their understanding of the environmental laws and regulations of host countries and strengthen information disclosure in respect of compliance with environmental laws and regulations and the impact of their operations on the local environment, and expand the scope of environmental impact assessment to cover all phases of overseas projects.

(2) Focusing on the prevention and control of environmental risks, establishing and improving an environmental safety management system which meets the laws and regulations of the host country and applicable international standards

Chinese companies should attach great importance to the prevention and control of environmental risks, assess the impact on the local environment before starting a project, and implement improvement plans based on assessment results. They should establish and continuously enhance an environmental safety management system which meets the laws and regulations of the local country and applicable international standards, fully respect stakeholders' right to know and factor it into their decision-making, disclose information on their environmental management to the stakeholders of the host country on a regular basis, improve the openness and transparency of their operations, and continuously improve the overall environmental performance of the company.





2.4 Social aspects

Globalized Chinese companies should attach importance to and give adequate consideration of the far-reaching influence of its commercial behaviors on local communities.

(1) Contributing to social development via means that play to the strengths of the company

Globalized Chinese companies have taken a diverse range of measures to contribute to the economic development and social welfare of the host countries. Specifically, companies have taken measures uniquely available to their different industries. For example, companies in the agriculture, forestry, fishing, animal husbandry and manufacturing industries tend to contribute to host countries by organizing cultural exchanges, inviting local government officials for research and studies in China, and providing vocational training to local residents. Meanwhile, companies in mining, exploration, energy and construction industries tend to participate in or support the construction of local infrastructure such as hospitals, schools and government office buildings. This shows that the CSR practices of companies across all industries have steadily matured. We suggest that companies that are unfamiliar with CSR activities should learn from their industry peers and select an appropriate channel based on their strengths and the characteristics of the industry, so that they may contribute to the building of the local communities in a most effective manner.

(2) Focusing on building harmonious labor relations and enhancing cross-cultural communication and management strategies

Chinese companies should steadily improve cross-cultural management capabilities and build a harmonious labor relationship. In particular, Chinese companies should prioritize building and improving the benefits, safety and wage system for local employees.

We recommend Chinese companies to take note of the following points:

First, enhancing the awareness of lawful employment and protection of rights, acquiring an in-depth understanding of the local employment laws and the trade union management system, building and improving a human resource management system consistent with local employment procedures and requirements.

Second, providing more employment and training opportunities for local employees, helping them understand the corporate culture, and promoting mutual respect and trust between Chinese and foreign employees; establishing an overseas equal employment opportunity system with due consideration given to the employment of disadvantaged groups such as women and the disabled.

Third, fully recognizing the advantages of hiring local employees, providing career promotion opportunities for local employees through a fair and open selection system and continuously increasing the percentage of local employees in management positions. Enhancing awareness and capacity for cross-cultural management, making an effort to reduce communication and operating costs resulting from differences in language, culture, religious belief and customs, unleashing the enthusiasm and the creativity of local employees by capitalizing favorable circumstances and trends and enhancing their sense of belonging and corporate cohesion.



Fourth, building and improving overseas safe-production management system and occupational health management system. Private companies should recognize the benefits that rational institutional management will bring to sustainability and to the reduction of operating risks and costs.

(3) Promoting local employment and talent training in host countries and fostering the country economic sustainability

Chinese companies that have “gone global” should promote local employment and talent training in the host countries through responsible business cooperation, which will not only benefit the host countries in the form of tax revenue but also raise their capacities in process management, rulemaking and skill training, thus enhancing their capacity for sustainable development.

(4) Improving local social sustainability through responsible investment

Globalized Chinese companies should establish the concept of “responsible investment” and promote the mutual development of their business operations and the local economy and community. Chinese companies are encouraged to participate in local community development projects and public welfare activities. For supporting the sustainability of local communities, we suggest companies establish a cooperation program participated by local stakeholders such as the local government, community representatives, local employees, specialized non-profit organizations and the media. The program should plan and select public welfare projects in a scientific manner based on actual and urgent needs, and propose corresponding budget management mechanisms. Capable companies may consider establishing an overseas public welfare fund. These public welfare projects should not be limited to infrastructure such as hospitals, schools and government office buildings, but rather respect and reflect the living conditions and wishes of the local residents. Chinese companies should organically combine their long-term commercial partnerships in the region with the capacity building of the local community to plant the seed today for accelerated growth tomorrow. We also suggest that companies should enhance the participation of stakeholders and supervision from third parties in public welfare projects, prioritize the transparency of project implementation and the protection of rights and interests of the beneficiaries, improve their abilities to work with the media, and ultimately use these projects to ferment friendship and trust with the local government and residents and build a positive corporate image in the local community.

3. Recommendations to Host Countries

The United Nations Development Programme makes the following recommendations to host countries regarding the sustainable overseas development of Chinese companies based on its experiences in more than 170 countries and regions across the world:

(1) Improving legislation and strengthening law enforcement

While running overseas businesses, Chinese companies need to comply with the laws and regulations of China and the host countries and observe any governing international practices and codes of conduct. The host countries are advised to enhance their system of laws and regulations pertaining to economic,

environmental and social sustainability. For instance, the host countries could give specific environmental standards for certain industries, and encourage foreign enterprises to establish effective communication system with host communities, etc. The host countries should also improve the enforcement of these laws so as to regulate the behaviors of foreign investors and enable both the investing companies and the local stakeholders to benefit. The host countries should also emphasize on business aligning their core strategies and operations with sustainability and inclusive growth. Utilizing their global perspective and vast local experiences, organizations under the United Nations can play an active role in assisting the host countries to improve their system of laws and regulations and the management capacities of their government officials.

(2) Strengthening the mechanism for communication between stakeholders within host countries and Chinese companies

Survey results show that while many Chinese companies are willing to contribute to the development of the host country, they need to learn how to cooperate and communicate with the local communities and how to design a community development program matching local conditions and the actual needs of local residents. Stakeholders of the host countries should join hands with Chinese companies in establishing an innovative communication and feedback mechanism. For instance, some Kenyan county governments appoint two liaison officers to the social responsibility department of Chinese companies. These liaison officers are selected from the local community and have extensive experience in working at the grassroot level. They bridge the Chinese companies and the local communities by helping local residents understand the projects planned by Chinese companies, communicating the needs of the local residents to the companies, facilitating the companies to better design and implement CSR projects, and acting as a mediator between the Chinese companies and the local community if dispute occurs.

(3) Enhancing the communication and information sharing between China and the embassies and consulates of host countries in Beijing

The embassies and consulates of the host countries in China may facilitate the communication and information sharing between the host countries, relevant Chinese government agencies, and headquarters of Chinese companies. They can also provide information to Chinese investors regarding investment, cooperation and project opportunities in the host countries, as well as support in the forms of improved review and issuance mechanisms for work visas and informative investment brochures.