

# Making Business in China more Responsible

China has frequently received international criticism for repressing the rights of workers and people living near industrial plants. Now, DIHR has developed a new tool specifically designed to help companies operating in China detect potential violations of the rights of employees and local residents.

*By Brendan Sweeney*

With the aim of increasing Corporate Social Responsibility (CSR) standards in China, the Human Rights and Business Project at DIHR has launched the China Business and Social Sustainability Check (CBSS Check), a self-assessment tool designed to help companies identify and comply with the most essential human rights standards in relation to their activities in China.

Consisting of 28 questions and a total of 245 corresponding indicators, the CBSS Check will help companies evaluate their human rights performance in the following three spheres: employment practices, community impact and supplier, customer and government relations.

By raising awareness and building capacity, the CBSS Check aims to contribute to the development of a common language for promoting human rights and business in China. Business and local ownership has been prioritised throughout the process and drafts of the tool have been through consultations with by several Chinese civil society organisations, representatives from Chinese companies of various sizes, and a number of Chinese CSR experts.

The CBSS Check builds on previous human rights and business tools developed by the Danish Institute for Human Rights including the Human Rights Compliance Assessment (HRCA), a Quick Check version of the HRCA (HRCA QC), and the China Country Risk Assessment (China CRA). The development of the CBSS Check was headed by Mads Holst Jensen, Adviser, Ph.D. at the Human Rights and Business Project. Based on a long and multi-faceted working experience with China, Mads Holst Jensen is developing, researching, facilitating and advising on dialogues, initiatives and activities concerning human rights and business in China.

In the following interview, Mads Holst Jensen speaks about the genesis and importance of this new tool in establishing human rights standards as a core essence in the field of Corporate Social Responsibility in China.

## **How long has this project been underway? How long did it take to prepare?**

It's been a long process, but the net time spent on this was about one year. We have been working very intensively on this though for the last four months. Throughout the development of the CBSS Check has been generously supported by the Swiss Government [Swiss Federal Department of Foreign Affairs, Political Affairs Division IV].

### **How did you organise the CBSS Check?**

It was based on a number of sources. We received input from a variety of Chinese stakeholders. We also updated our China country assessment last year which provided further inputs, and then my work in China over the last 20 years provided a further source of information. The CBSS Check is China-specific in three respects. The first is that we have identified 28 key issue areas. Although these are not issues that exist only in China, their composition makes them particularly pertinent to Chinese conditions. The second is that we have carried out a full-scale mapping of all Chinese legislation to see what parts are relevant under these 28 headings and all this is summarised with reference to the laws. The third China-specific feature derives from the narrative descriptions which appear under each question. The first paragraph summarises the general international standards and then there is information specific to China and we discuss what Chinese law says about working conditions. In addition, the suggested indicators under each question are designed specifically to ensure full relevance in the Chinese business context.

### **What is the main target group? Is it foreign companies operating in China, or is it also aimed at Chinese companies?**

By nature it's a self-assessment tool for companies and as such it is equally apt for foreign as well as Chinese companies. Moreover, it can be used by anyone wishing to assess how businesses operate. As one step in terms of rolling out the tool, we aim to introduce it as a common frame of reference for dialogues and partnerships between all stakeholders concerned in the field of CSR in China.

### **When people work in China, the state is always very important. Do you feel there is a willingness from the Chinese state to improve workers' conditions and the human rights profile of Chinese companies?**

Yes, that's the overall signal you get from the central government. All human rights work in China is conditioned by sudden and frequent changes in the political climate and work with human rights and business is no exception. Yet, this particular field is characterised by the significant role of businesses, foreign and Chinese, that are in effect influential non-state actors responding to the fact that sustainable social and environmental business performance has emerged as a key parameter in China's continued integration into the global value chains. Given this, I would say that the whole business field is a sort of back-door to human rights promotion in China in the sense that non-state actors are the key drivers.

### **How do you see the CBSS Check affecting ordinary Chinese employees in the future? What difference will it make on the ground?**

First of all I see the CBSS Check as creating a common frame of reference so everyone knows what they are talking about in terms of the baseline standards for sustainable business: NGOs, international labour rights activists, Chinese government officials, and companies,. That is one aspect. It is also important with regard to the key problematic issues with regard to China. For instance, the fact that the right to freedom of association and free trade unions are politically sensitive issues in China results in a dilemma for all stakeholders who are committed to the international standards and principles in this

area. There is an ongoing discussion in the human rights and business field because most companies' code of conduct requires that there should be respect for freedom of association and free trade unions in all their operations. So what do companies do when they invest and operate in China? Should you have parallel means of worker representation? Instead of using the trade unions which are not independent the company may try to set up parallel representation at factory level. However, that idea has received heavy criticism by the International Labour Organization and labour activists because it breaks with the solidarity principle of the international trade union system. If we look at Chinese law and legislation on Chinese trade unions however we find that there are alternative possibilities...when a trade union is established at factory level, the workers take the initiative of their own free will. According to law they have the right to democratically elect their representatives and that's where you can go in as a foreign company and facilitate that process and ensure that you get the highest possible level of worker participation. This is one of the areas we deal specifically with in the CBSS Check. We can follow up with bespoke advice to companies on what to do and we can carry out pilot studies. That's one very direct way we can contribute towards encouraging the participation of Chinese workers.

### **Could this Check also push forward other reforms in China?**

Yes, and part of the reason for this is that it is not considered to be a top-level document and in fact I hope it will never be considered as such by any of the partners because it will end up getting caught up in political intrigue. So you could describe it as bottom-up development, a way of planting seeds, and a way of creating a common frame of reference.

### **How will the Check be distributed? How will companies access it?**

The roll out process is based on several components. To ensure that the CBSS Check is available to all interested we will upload it to our website and we have posted announcements to that effect at various relevant internet forums. We are also doing targeted distribution. For instance, we are cooperating with The Danish-Chinese Business Forum and IFU [the Danish Industrialisation Fund for Developing Countries] on doing launches in their networks of companies operating in China. In October I will present the CBSS Check at events that we have organised in Norway. I will also do presentations at a series of human rights and business conventions in Geneva and we have plans on additional presentations in other countries. Targeting the Chinese audience I will present the tool and the handbook at a series of workshops in China that are organised by a Chinese enterprise confederation. We are also in the process of designing a Chinese homepage for the tool and the handbook with a Chinese internet host. The roll out process also includes a set of components aimed at the practical hands-on operationalisation of the tool. For instance, a number of companies that we are cooperating with have plans on testing the tool in their operations in China and encourage their Chinese suppliers and other associates to join in. Moreover, the full roll out of the CBSS Check includes the design and implementation of a number of pilots with reference to the analysis and indicators under each of the 28 issue areas. We have initiated dialogues on that with some of the companies we are cooperating with and it is our aim that the pilots will be based on partnerships including concerned in the field of CSR in China. Thus, the companies are encouraged to include their Chinese suppliers and other associates in the pilots and we are in contact with a major Chinese trade association interested in facilitating the participation of their members.

**Just one last point; you have also produced a handbook. What is its purpose?**

The key target audience for the handbook entitled *TOWARDS GLOBAL CITIZENSHIP - A Handbook for Chinese Companies Promoting Global Standards and Rights* are Chinese business people and managers. Basically it introduces the concept of human rights and business so they know what we are talking about. To some extent you could say it complements the CBSS Check and offers further elaborations on an adequate integration of the international human rights and business agenda into the realities of Chinese business. It can be difficult in China – due to many factors – to introduce innovative things like this. It took Western companies many years to create fully integrated Corporate Social Responsibility strategies for instance so we have to realise that this will be a long process in China too.