Chinese Approaches to Overseas Responsible Business

Insights from the DRC Cobalt Industry

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Executive Summary

This research report aims to increase the knowledge of European business and policy makers regarding Chinese approaches to practicing business operations in overseas contexts responsibly. This is important, as China represents 52 percent of the total value of imports of products on which the EU is strategically dependent, and because the sourcing of some of these products, such as cobalt, is associated with serious problems related to responsible business. Increased knowledge is essential for drafting European strategies to improve responsible business practices in Chinese overseas supply chains, for which this report provides recommendations.

Part I of the report discusses the features of Chinese approaches to responsible business, predominantly defined in China as ‘corporate social responsibility’. In general, responsible business is a popular topic among Chinese actors. The Chinese government and many Chinese companies operating overseas attach importance to communicating about responsible business. However, compared to Europe, Chinese approaches focus relatively more on charitable activities and on topics that are less sensitive to China's political system.

Chinese responsible business approaches are shaped by two main factors: international interactions and the Chinese state. In Europe, concerns regarding Chinese responsible business issues are growing, resulting in increased interactions on company and state levels. These and other global market pressures have required Chinese companies to live up to responsible business standards at home and overseas. Global standards on responsible business are adopted, adapted, and shaped by Chinese actors. For example, international certificates are commonly used among Chinese companies, though they are often localised versions of the original, where the certification and auditing process is overseen by state-backed institutions. Actors in countries hosting Chinese investments also drive responsible business. Risks of litigation, social conflicts, and environmental degradation compel Chinese companies to operate more responsibly. While Chinese actors stress respecting local regulations, enforcement in host countries and engagement with local communities can be inadequate.

The Chinese state plays a relatively large role in shaping Chinese responsible business through the leading role of state-owned enterprises and the state’s control over civil society. Furthermore, state institutions have introduced many responsible business regulations and guidelines, including for overseas operations. In practice, Chinese companies can be unaware of these instructions, and their emphasis on respecting local laws can be problematic considering the weak legal systems in some host countries. China’s government furthermore coordinates overseas behaviour of Chinese enterprises through state-sponsored company alliances. The Chinese state promotes overseas responsible business out of concern for its international image and the competitiveness of Chinese companies.

Part II of the report investigates how the findings of Part I unfold in practice by analysing Chinese responsible business approaches in the cobalt mining sector of the Democratic Republic of Congo (DRC). This industry is dominated by Chinese companies and is crucial for the development of many green technologies. However, responsible business problems abound in the sector. As interviews and primary sources indicate, the Chinese

state, through its embassy in the DRC and high-level interactions, plays an important role in shaping responsible business policies of Chinese companies on the ground. These policies reflect Chinese priorities, such as community development and upholding China's national image, and adhere mainly to directives from Chinese state institutions.

At the same time, Chinese companies in the sector demonstrate awareness of international priorities regarding responsible business by increasingly addressing issues such as human rights and responsible sourcing, instead of solely focusing on community development. They are also keen to emphasise their adherence to international standards and cooperation with foreign auditors. Recent publications by Chinese state institutions indicate that this movement towards increased alignment with international practices is also increasingly supported by China's government. Nonetheless, problems in the cobalt supply chain continue. These are not only China-specific, however, and are often rooted in the fragile political, social, and economic environment of the DRC. Solutions are to be found in increasing collaboration with industry-wide platforms on responsible business, and in further supporting the DRC to strengthen accountability and enforcement mechanisms.

Recommendations

Some of these recommendations are applicable to responsible business interactions with Chinese partners in general, while others are geared specifically towards European engagement with the Chinese cobalt supply chain. Certain recommendations should be considered country-neutral since they also apply generally.

Recommendations for European companies:

1. Be aware of the discrepancy between European and Chinese understandings of what constitutes responsible business. Good responsible business performance according to Chinese standards does not necessarily correspond to European expectations.

2. When engaging Chinese suppliers about responsible business, present this in the form of a business case. This can prove to be more effective than an exclusively normative approach.

3. Improved knowledge of China's institutional system regarding responsible business can provide tools to European parties seeking to move Chinese suppliers to conduct their business more responsibly.

4. When engaging with complex Chinese supply chains, such as that of cobalt, it can be beneficial to join multi-stakeholder platforms in order to pursue responsible business, especially for smaller European companies who often lack the necessary leverage and capacity. These platforms offer expertise and generally have extensive networks that may be used to apply pressure on suppliers.

5. When aiming for long-term improvements in the Chinese cobalt supply chain, view relations as partnerships for joint improvement as opposed to a demand-driven, competitive and hierarchical engagement. Given the reality of a strong 'supplier's market', the latter will not be effective and may create unnecessary stonewalling on either side. Instead, work collaboratively to solve issues, given that these are industry-wide challenges that require the input and cooperation of all players.

Recommendations for European policy makers and NGOs:

6. Continue and increase the support for developing countries that host extensive Chinese investments in strengthening their institutional and legislative systems. Given the emphasis that Chinese actors place on respecting the laws and institutions of host countries, this can be an effective way of improving overseas responsible business standards of Chinese companies.

7. Continue to engage with the Chinese government, the main driver of change, on responsible business in bilateral and multilateral settings. Earlier cooperation has demonstrated that China is open for engagement on this topic. One specific area of attention should be the creation of systems for auditing and certification that are trusted by companies from both sides. During such interactions, the European side should stress its perspectives on what it means to conduct business responsibly.

8. Draft mandatory due diligence legislation in ways that strengthen the position of European companies when demanding due diligence abroad. Concrete support mechanisms, such as recognising the status of reliable industry associations, will empower instead of burden European companies.

Contents

Introduction

Responsible business is a popular topic in Chinese society today. Foreign and Chinese companies operating in China are expected to address growing domestic demands to produce in environmentally and socially sustainable ways. As Chinese companies are increasingly operating abroad, including in countries with weak institutional systems and fragile ecologies, they have also attracted increased scrutiny over the social and environmental impact of their activities overseas. For example, international concerns exist regarding the consequences of trade in conflict minerals and the construction of coal plants by Chinese companies. Recently, Chinese president Xi Jinping has responded to these latter concerns by pledging to stop building new coal plants abroad.[1]

Despite these developments, the way in which Chinese actors understand and practice responsible business in overseas supply chains has not yet been adequately analysed in Europe. The same applies to the ways in which European actors could help improve the responsible business standards of their Chinese partners operating overseas, so as to collaboratively contribute to positive change where necessary. This gap in knowledge is significant considering the extensive imports from China into Europe. Furthermore, European concerns regarding Chinese responsible business have grown significantly in recent years, and companies are expected to tackle risks of human rights violations in their supply chains. Working to understand and close the gaps in knowledge regarding these challenges is also increasingly pressing from a business and sustainability perspective. This research report therefore aims to improve knowledge of European stakeholders on this issue, and thereby support companies and policy makers in Europe in their efforts to make international business practices more sustainable.

This report does so, in part, by investigating Chinese responsible business approaches within the cobalt supply chain. This supply chain is of specific societal relevance and interest for several reasons. First of all, batteries are at the centre of current economic, environmental and technological developments, and the importance of this industry will only grow. It is therefore necessary to increase the understanding of how cobalt, a crucial mineral for the production of popular types of batteries, can be mined and processed more sustainably. Secondly, there are serious and well-documented responsible business-related problems in the cobalt mining industry of the Democratic Republic of Congo (DRC), which is dominated by Chinese companies that provide the majority of the global cobalt supply. Thirdly, European businesses have indicated that they lack the capacity and funds to live up to future and current requirements for supply chain responsibility with regard to cobalt-based batteries, mainly due to the complexities of the cobalt mining industry within the DRC itself.[2] Finally, European companies face increasing demands from regulators and their own customers to address these problems in the supply chain of their batteries. This results in a complex and understudied mix of responsible business demands, including from

[1] Azi Paybarah, "China Says It Won't Build New Coal Plants Abroad. What Does That Mean?," *The New York Times*, 22-09-2021, https://www.nytimes.com/2021/09/22/world/asia/china-coal.html.
[2] During a consultation with stakeholders in the run-up to this project on 17-02-2021.

local African communities, China's government, international and local NGOs, Chinese stock markets, and African governmental organisations.

This report aims to analyse Chinese approaches to international responsible business in general, and in the Chinese cobalt supply chain in particular, by answering the following research questions:

1. What are the main factors driving and shaping Chinese responsible business practices overseas?
2. How do Chinese actors approach responsible business in the DRC cobalt industry?
3. What are the best ways for European actors to help improve the responsible business standards of their Chinese partners?

To answer these questions, this research report is divided into two main sections. Part I discusses how Chinese actors understand responsible business and what factors drive and shape Chinese approaches to conducting business in more sustainable ways. This is based mainly on a discussion of earlier academic studies, complemented by an analysis of primary source material. Part II translates this discussion to the specific context of the cobalt mining industry of the DRC. This section investigates what Chinese responsible business looks like in practice, the problems and opportunities it presents to stakeholders, and what this means for actors looking to improve the problematic situation on the ground. This part of the research is drawn primarily from an analysis of interviews with stakeholders and from a study of primary sources. Based on the findings of Part I and II, recommendations are presented to European companies and policy makers on ways to improve the responsible business standards of their Chinese partners.

Approach and Methods

Theoretic framework and academic relevance

Responsible business practices of companies operating in China have received considerable scholarly attention. It appears that there is consensus within the academic literature that the nature of responsible business in China is relatively state-led, which challenges the more traditional understanding of responsible business that focuses on bottom-up drivers. While a significant share of the literature focuses on responsible business within China's borders, the practices of Chinese companies operating outside of China have received much less academic attention. Scholars who have studied this topic, however, do share the idea of a state-led approach to CSR as their starting point. Arguably, this state-centric research approach to responsible business practices by Chinese companies operating abroad has its limits in providing a holistic picture of the drivers and mechanisms at play. Other factors, including global market pressures and interactions with governments and communities in countries hosting overseas Chinese investments, are at risk of being understudied. Therefore, this study approaches the question of Chinese overseas responsible business from a more holistic perspective, considering the role of the state as only one factor. It thereby aims to fill a gap in the literature.

Another noteworthy theoretical consideration is drawn from work on supply chain management specifically. Here regional and cultural differences in business practices (context-bound approaches or considerations) are seen to influence business norms related to principles of transparency and work-related cultures. Hofstede's work on business culture is a valuable lens through which Chinese companies operating abroad can be understood. It raises the pertinent question to what extent, if at all, these context-bound factors play a role in the adoption or rejection of CSR demands for Chinese companies abroad? This is a crucial perspective to include given the general idea that Chinese companies operate on different 'principles' that may affect CSR adoption throughout supply chains.

Definitions

Both in scholarship and practice, a range of terms are used to reflect ideas on responsible, ethical, and/or sustainable business practices. The plethora of terms and concepts is one of the foremost challenges in studying the issue of responsibility in international supply chains. This research applies the container term 'responsible business' to refer to practices related to a wide range of interrelated terms/concepts. These concepts include but are not limited to notions of: corporate social responsibility (CSR), responsible business conduct (RBC), sustainable business, environmental social and governance (ESG) frameworks, and business and human rights (BHR). Within these, multiple issues are included such as: human rights, environmental protection, labour rights, women's rights, due diligence, transparency, traceability, responsibility, etc. In using responsible business as a container term this research has decidedly left the conceptual box relatively open-ended, so as to explore potential conceptual contestations, divergences, and synergies between the full range of actors in the cobalt supply chain. As such, a guiding question presented to stakeholders was conceptual, namely: what does responsibility mean to your company, institution, or organisation*?*

The research specifically focuses on the responsible business approaches of Chinese companies operating *overseas*. In the context of this report, this refers to the activities of Chinese companies outside of China in 'upstream' sections of supply chains. 'Upstream' refers to the activities that occur relatively early on in a supply chain, such as the sourcing and processing of raw material, and the manufacturing of unfinished goods. The downstream section of a supply chain, in contrast, includes the manufacturing of finished products and distribution.

Research design and methods

The information presented in this research report has been collected via three methods. First of all, academic literature on responsible business approaches by Chinese actors has been studied. Part I of this report is largely based on a discussion of these studies and could, to a certain extent, be regarded as a literature review. However, this presents an incomplete picture. Most academic publications focus on the development and nature of responsible business within China, and much less on the Chinese approaches towards responsible business in overseas contexts. Therefore, Part I cannot solely rely on a study of academic literature and also makes use of other research methods. Part II aims to expand the existing knowledge through original research in the specific sector of the DCR cobalt supply industry.

A second method applied is the analysis of primary source material, published by a range of stakeholders. This includes publications by the Chinese state, African news outlets, international NGOs, and Chinese companies. The sources range from statements by the Chinese embassy in the DRC, to the websites of Chinese companies that operate overseas, to guidelines on responsible business published by Chinese state institutions. In Part I, the analysis of such primary sources serves primarily to provide examples that illustrate the arguments found in earlier studies. In Part II, primary source material is mainly relied upon to create new insights into how Chinese approaches to responsible business unfold in practice.

A third method used is data-gathering through interviews with relevant stakeholders and subsequent analysis. In total, nineteen in-depth interviews have been conducted with interlocutors who represent organisations from different backgrounds. Four of the respondents represent organisations that are closely involved with the international responsible business strategies of European companies and who are knowledgeable about the goals of these companies, their interaction with Chinese partners, and the problems they face regarding responsible business. Their expertise is not specifically related to industries that work with cobalt. Therefore, the information that was provided during these interviews has mostly been used in Part I of the report, specifically in the section on 'European interactions'.

Fifteen interlocutors represent organisations that are involved in the DRC cobalt industry. They include representatives from multi-stakeholder platforms, auditors and/or certifiers, NGOs, companies (both from China and from Europe), as well as independent experts. Since the information they have provided relates specifically to the responsible business approaches of Chinese actors in the cobalt industry of the DRC, these interviews have primarily informed the discussion in Part II.

The interviews were semi-structured. The researchers used a question list that for every interview generally contained the same questions, although the questions were adapted to correspond to the background of each individual interlocutor. To ensure a certain level of continuity, the questions all followed a similar pattern and addressed the same issues. The themes discussed in the interviews were: (1). How responsible business is defined; (2). Factors found in Chinese society that shape responsible business; (3). International factors that shape responsible business; (4). Factors in countries that host Chinese investments which shape responsible business; (5). Advice on how to realise more responsible business practices.

Unfortunately, due to Covid-19 related travel restrictions, it was not possible for the researchers to travel for this project. As a result, the research team was not able to visit any locations in China or Africa and had to rely upon information provided to them by interlocutors. Thankfully, the willingness to cooperate from many respondents representing different organisations and interests, and the practicality of digital tools to conduct the interviews, has resulted in a reliable pool of first-hand information. The conducting of interviews combined with the analyses of primary source material and the study of secondary literature has made it possible to triangulate much of the information that came up during the research.

1. China's Responsible Business Landscape

The idea that companies have social responsibility has become widely accepted in China. Responsible business has developed in a relatively short period of time from an unknown and foreign notion to an idea that is embraced by consumers, the government, companies, and Chinese society at large. The Chinese context in which ideas regarding responsible business have gained traction is different from the European context. This has resulted in approaches that may diverge from those practiced in Europe. The most widely shared European understanding of responsible business is the one described in the UN Guiding Principles on Business and Human Rights (UNGP), which requires states to protect against human rights abuses by companies and clarifies that businesses should avoid causing or contributing to adverse human rights impacts. Another understanding of responsible business crucial to Europe is the one found in the influential Guidelines for Multinational Enterprises of the OECD.[3] The responsibility of companies to respect human rights is in part exercised through due diligence processes, for which the OECD has developed practical frameworks.[4]

The distinctive features that set Chinese understandings apart from that of the OECD also affect the way in which Chinese actors approach responsible business in supply chains outside of China. Increasing the knowledge of these characteristics, and how they affect the behaviour of Chinese actors overseas, is important when trying to make sense of how Chinese companies approach international responsible business. This chapter therefore discusses how responsible business is defined by Chinese actors, the way in which the concept emerged in China, the main factors driving and shaping relevant ideas and practices, and how responsible business is communicated and verified by Chinese stakeholders. For each of these topics, special attention is devoted to how they translate to the behaviour of Chinese companies in overseas contexts.

1.1 Defining Responsible Business in China

The most common Chinese terminology used to describe responsible business is 企业社会责任 (qǐyè shèhuì zérèn), which quite literally translates to corporate social responsibility, or CSR. The term is therefore widely used by Chinese companies in their English communication about their responsible business policies. Globally, the term 'corporate social responsibility' is increasingly being accompanied and replaced by new concepts, such as ESG (environmental, social and corporate governance) and RBC (responsible business conduct), each of which signify different focal points. A widely shared definition of responsible business in China is the following:

[3] United Nations, "Guiding Principles on Business and Human Rights," (2011), accessed 05-10-2021, https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf and Organisation for Economic Co-operation and Development (OECD), "Guidelines for multinational enterprises," (2011), accessed 17-08-2021, https://www.oecd.org/corporate/mne/.
[4] OECD, "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas," (2016), accessed 05-10-2021, https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf and OECD, "OECD Due Diligence Guidance for Responsible Business Conduct," (2018), accessed 05-10-2021, http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf.

"Corporate Social Responsibility means that while an enterprise creates profits and assumes legal responsibilities to shareholders and employees, it also assumes responsibilities to consumers, communities, and the environment. Corporate social responsibility requires companies to go beyond the traditional concept of profit as the only goal. It emphasises the need to pay attention to the value of people in the production process, and emphasises the contribution to the environment, consumers, and society."[5]

Despite this definition being in line with how many in Europe would define responsible business, there are a number of ways in which the Chinese understanding of what constitutes responsible business stands out from the approach set out by the OECD.

First of all, responsible business in China has a relatively strong focus on philanthropy.[6] Several explanations have been suggested for this, with some authors referring to Chinese historical and cultural traditions that stress the importance of charity, and suggesting that philanthropic contributions by companies simply receive more attention from the public than systemic approaches towards their environmental and social impacts.[7] An obvious factor that explains the emphasis on charitable activities is the expectations and directions from the Chinese government. Charitable community work by companies, especially state-owned enterprises (SOEs), is an integral part of the Chinese model of poverty reduction. In fact, the largest online encyclopaedia in China states that one of the four responsibilities of companies is their "philanthropic responsibility", while their "economic responsibility" includes their duty to "greatly enrich the people's material life".[8] In order to realise this, companies sometimes get assigned a specific locality to undertake charitable community work.[9]

One recent example of this policy is the 'Targeted Poverty Alleviation' concept, aimed at alleviating poverty in rural areas by combining efforts of local governments, companies, and the central government.[10] Companies can fund poverty alleviation programs directly, or work under the government's 10,000 Enterprises Help 10,000 Villages scheme, in which companies team up with poor villages to develop new revenue models and make the villages more financially stable.[11] Companies are allowed to use their own branding in the process.[12] The best-

[5] Baidu Baike, "企业社会责任 [Corporate social responsibility]", accessed 17-08-2021, https://baike.baidu.com/item/%E4%BC%81%E4%B8%9A%E7%A4%BE%E4%BC%9A%E8%B4%A3%E4%BB%BB/1275.
[6] May Tan-Mullins and Peter S. Hofman, "The Shaping of Chinese Corporate Social Responsibility," *Journal of Current Chinese Affairs* 43, no. 4 (2014): 8.
[7] Li-Wen Lin, "Corporate Social Responsibility in China: Window Dressing or Structural Change?," *Berkeley Journal of International Law* 28, no.1 (2010) 84-85 and Benoît Vermander, "The Development of CSR in China," in *Corporate Social Responsibility Ten Years Report 2004-2014* (The American Chamber of Commerce in Shanghai, 2014), 7.
[8] Baidu Baike, "企业社会责任" and Baike.com, "企业社会责任 [Corporate social responsibility]", accessed 17-08-2021, https://www.baike.com/wikiid/997559752423612295?prd=result_list&view_id=547wasmut7o000.
[9] Interview A.
[10] Yukun Liu, "More efforts to spur corporate social responsibility," *China Daily*, 09-04-2019, https://govt.chinadaily.com.cn/a/201904/09/WS5cac58d8498e079e6801ceea.html.
[11] Baidu Baike, "万企帮万村 [Ten thousand enterprises help ten thousand villages]," accessed 17-08-2021. https://baike.baidu.com/item/%E4%B8%87%E4%BC%81%E5%B8%AE%E4%B8%87%E6%9D%91/22106437.
[12] Hurun, "胡润研究院《2020 中国企业社会责任白皮书》：揭示中国 CSR 三大趋势 [Hurun Research Institute "2020 China Corporate Social Responsibility White Paper": Revealing the three major trends of China's CSR]," accessed 21-05-2020, https://www.hurun.net/zh-

known examples of this approach are the so-called Taobao Villages, named after the e-commerce website, where villages were helped to set up online shops on Taobao to sell their local goods online.[13] In 2021, President Xi Jinping further emphasised the role of companies in improving the economic conditions of the less well-off when he promoted the concept of 'common prosperity', in part through philanthropy. In response, several of the largest Chinese companies announced that they would allocate billions of dollars to fund initiatives for the poor.[14]

The focus on philanthropic activities is also evident outside of China. Sponsoring the building of schools and hospitals, donating money to foundations, sending material for disaster relief and drilling wells for local communities are part of what Chinese companies consider 'community work' and part of their social performance.[15] This approach is considerably different from European models. For example, the Dutch government writes in its *Corporate Social Responsibility Guide* that "CSR is not about how companies spend their money (on donations or contributions to charities), but about how they make their money (i.e. in a responsible and sustainable way)."[16]

Secondly, certain aspects of what the OECD considers to be an integral part of responsible businesses are discussed less prominently or simply ignored in Chinese approaches. This specifically applies to topics that are sensitive to the Chinese Party-state. Labour relations, for example, is an area that is more directly controlled by the state itself and therefore features less outspokenly in the responsible business debate.[17] Another such area is human rights. The OECD Guidelines includes a chapter on human rights, which is aligned with the UN Guiding Principles on Business and Human Rights (UNGP).[18] An important set of guidelines developed for Chinese SOEs by a Chinese state institution, on the other hand, never mentions human rights, and tends to emphasise economic and social rights over civil and political rights.[19]

Responsible business reports of Chinese SOEs tend to be consistent with this approach, as they exhibit a low concern with human rights in general, and when they do, focus on economic, social and cultural rights.[20] Relatively non-sensitive issues, such as their environmental footprint, are topics that Chinese companies tend to emphasise in their responsible business reporting. These are also the topics which they are relatively open to discuss with

CN/Info/Detail?num=2B1EEDE04F4E and China Business Council for Sustainable Development, "2019 企业社会责任与可持续发展高峰论坛举行 [2019 Corporate Social Responsibility and Sustainable Development Summit Forum Held]," accessed 17-08-2021, http://www.cbcsd.org.cn/xws/xw/20190701/98670.shtml.

13 Alizila Staff, "An introduction to Taobao Villages", *Alizila*, 18-01-2016, https://www.alizila.com/an-introduction-to-taobao-villages/.

14 Josh Ye and Iris Deng, "Tencent earmarks US$7.7 billion for 'common prosperity' to answer Xi Jinping's call for equality," 19-08-2021, https://www.scmp.com/tech/big-tech/article/3145567/tencent-earmarks-us77-billion-common-prosperity-answer-xi-jinpings.

15 Xiaoxue Weng and Lila Buckley, ed., "Chinese businesses in Africa Perspectives on corporate social responsibility and the role of Chinese government policies", IIED Discussion Paper (IIED London 2016), 26.

16 Embassy of the Kingdom of the Netherlands, "Corporate Social Responsibility Guide Facilitating Responsible and Sustainable Business in China", 06-12-2016, 7-8, accessible via: https://www.netherlandsworldwide.nl/binaries/en-nederlandwereldwijd/documents/publications/2016/01/13/csr-guide/csr-guide-en.pdf.

17 Interview A.

18 OECD, "OECD Due Diligence Guidance for Responsible Business Conduct".

19 OECD, "Guidelines for multinational enterprises" and State-owned Assets Supervision and Administration Commission of the State Council, "Guidelines to the State-owned Enterprises Directly under the Central Government", accessed 17-07-2021, http://en.sasac.gov.cn/2011/12/06/c_313.htm.

20 Glen Whelan and Judy Muthuri, "Chinese State-Owned Enterprises and Human Rights: The Importance of National and Intra-Organizational Pressures", *Business & Society* 56, no. 5 (2017), 741 and 773.

European clients.[21] According to one study, the exclusion of human rights from the scope of Chinese approaches to responsible business is a "definitional characteristic implied in the state-led Chinese CSR initiatives".[22] Chinese companies have also demonstrated less awareness of human rights aspects in overseas contexts, despite this often being a less sensitive topic outside of China.[23] Furthermore, while OECD Guidelines emphasise transparency and accountability in order to tackle corruption in institutionally weak countries, these are also features of responsible business that often lack in the approaches of Chinese companies overseas.[24]

One particularly interesting recent development has been the publication by China's State Council of the Human Rights Action Plan of China (2021-2025) in September 2021.[25] This document states that China will promote responsible business conduct in global supply chains and "encourage Chinese businesses to abide by the UN Guiding Principles on Business and Human Rights in their foreign trade and investment, to conduct due diligence on human rights, and to fulfil their social responsibility to respect and promote human rights". The publication of this document demonstrates a recent shift in official communication on responsible business by explicitly acknowledging the human rights aspect of responsible business. What stands out is that the statement can be found in a section of the document that specifically talks about China's *international* human rights commitments, and not its domestic situation.

1.2 The Emergence of Responsible Business in China

China's dramatic economic development over the last forty years, which has lifted hundreds of millions of Chinese citizens out of poverty, went hand-in-hand with ecologically and socially harmful practices. Increased industrialisation resulted in pollution of land, water, and air. Migrant workers who had moved from the countryside to the rapidly growing cities in order to find jobs faced especially harsh labour conditions. Corruption, lack of supervision, and a mentality of placing profit above anything else led to serious product safety problems. These negative effects of China's rapid economic development were reported by local media, which attracted the attention of the general public and subsequently the Chinese government.[26]

It was in this context that the idea of responsible business conduct was introduced in China in the 1990s, mostly defined at the time as 'CSR'. This was primarily done through Western multinational companies who, as a result of global market demands, moved to improve labour conditions in the Chinese factories supplying them. The concept of responsible business received a lot of attention from the Chinese public, but initially this interest was mostly sceptical in nature. Since several Chinese companies risked being unable to meet some of the

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[21] Interview J.
[22] Lin, "Corporate Social Responsibility in China," 84.
[23] Diane Tang-Lee, "Corporate social responsibility (CSR) and public engagement for a Chinese state-backed mining project in Myanmar – Challenges and prospects", *Resources Policy* 47 (2016), 29.
[24] May Tan-Mullins, "Smoothing the Silk Road through Successful Chinese Corporate Social Responsibility Practices: Evidence from East Africa," *Journal of Contemporary China* 122, no. 29 (2020), 216; "OECD Due Diligence Guidance for Responsible Business Conduct."
[25] State Council Information Office of the People's Republic of China, "Human Rights Action Plan of China (2021-2025)," accessed 05-10-2021, http://english.www.gov.cn/news/topnews/202109/09/content_WS6139a111c6d0df57f98dfeec.html.
[26] Tan-Mullins and Hofman, "The Shaping of Chinese Corporate Social Responsibility," 4-8.

requirements of Western companies and NGOs, responsible business was sometimes perceived as a Western idea "that could potentially be used for reining in China's path to prosperity".[27]

In the 2000s, responsible business started to become a more widely accepted idea in China. In part this was the result of an increasing number of Chinese companies entering the international market and adopting global practices.[28] Another prominent factor was the incorporation of corporate social responsibility in official ideology and policies. Under the leadership of President Hu Jintao, the Chinese government began to pay more attention to sustainable development, both in social and environmental terms. This was captured in the policy of the Scientific Outlook on Development, introduced in 2003, which aimed to reach the ultimate goal of a 'Harmonious Society'.[29] The Chinese leadership clearly saw a role for business in helping to solve downsides of rapid economic growth, as well as in addressing weaknesses in official policies. It was therefore the state who became an important driver of responsible business development in the country.[30]

This approach was formalised by laws and regulations in the following years. First of all, the 2006 revision of the Chinese Company Law states that corporations should not only abide by laws and regulations, but also by social and business morality, and that businesses must assume social responsibilities.[31] Another significant development was the release in 2008 of responsible business guidelines by the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), a Chinese government entity that oversees China's SOEs.[32] The guidelines require these enterprises to insist on "the principle of human-oriented and the Scientific Outlook on Development, to be responsible to stakeholders and environment, so as to achieve well-balance among the growth of enterprises, social benefit and environment protection", which is "an important measure for promoting the socialist harmonious society".[33] These and other laws and regulations, which will be discussed in more detail in the section below, signal the important role of the government in driving responsible business in China.

Whether through socialisation with global market practices, a government push, or both, Chinese companies began to adopt the concept of social responsibility more widely from the 2000s onwards. This is illustrated by various developments, such as the dramatic increase in the number of Chinese companies publishing responsible business statements or full reports during that decade. Furthermore, by 2008 almost 200 Chinese companies had

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[27] Baocheng Liu and Mengsha Zhang, *CSR Report on Chinese Business Overseas Operations,* 2018, 224-226, accessible via globethics.net/documents/4289936/17452664/GE_China_Ethics_8_isbn9782889312504.pdf; Vermander, "The Development of CSR in China", 7.
[28] Chungming Lau, Yuan Lu, and Qiang Lian, "Corporate Social Responsibility in China: A Corporate Governance Approach," *Journal of Business Ethics* 136, no. 1 (2016), 75.
[29] People's Daily Online, "Full text of Hu Jintao's report at 18th Party Congress (2)," accessed 19-08-2021, http://en.people.cn/102774/8024779.html.
[30] Tan-Mullins and Hofman, "The Shaping of Chinese Corporate Social Responsibility".
[31] ChinaLawInfo, "Company Law of the People's Republic of China (2018 Amendment)," accessed 17-08-2021, http://www.lawinfochina.com/display.aspx?id=29161&lib=law; Liu and Zhang, *CSR Report on Chinese Business Overseas Operations,* 226.
[32] State-owned Assets Supervision and Administration Commission of the State Council, "关于印发《关于中央企业 履行社会责任的指导意见》的通知 [Notice on Issuing the "Guiding Opinions on Central Enterprises' Fulfillment of Social Responsibilities"]," accessed 17-08-2021, http://www.gov.cn/zwgk/2008-01/04/content_850589.htm.
[33] State-owned Assets Supervision and Administration Commission of the State Council, "Guidelines to the State-owned Enterprises Directly under the Central Government," accessed 17-08-2021, http://en.sasac.gov.cn/2011/12/06/c_313.htm.

joined the UN Global Compact, a "voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals".[34] Moreover, the China National Textile and Apparel Council took the lead in developing Chinese industrial responsible business standards by formulating a standard for its sector (CSC9000T) in 2005. The publication of social responsibility guidelines for listed companies by the stock exchanges of Shenzhen and Shanghai in 2006 and 2008 respectively is another illustration of the acceptance and practice of ideas related to responsible business in China since the 2000s.[35]

1.3 The Two Factors Driving and Shaping Responsible Business in China

As the discussion above shows, there are two main factors (and the interplay between them) driving the emergence of responsible business in China. These factors are: (1). international interactions and (2). the Chinese state. This section will analyse in more detail how each factor drives and shapes Chinese approaches to responsible business both within and outside of China. The international interactions include global (market) pressures, the adoption and adaptation of international standards, and the interactions with actors in countries that host Chinese investments and supply chains. The Chinese state influences Chinese responsible business through SOEs, regulations, and its efforts to promote a positive image of China.

1.3.1 Factor One: International Interactions

International Pressures

International actors have introduced, promoted, and shaped responsible business in China in various ways. First of all, Chinese supplier companies have been socialised with international standards by global market pressures. The EU and the US continue to be the most important export markets for China, and the consumers in these regions attach increasing value to responsible business. International clients from these regions request their Chinese suppliers to comply with codes of vendor conduct and other responsible production standards, as they face pressure at home to increase standards across their supply chain.[36] This applies both to the activities of Chinese companies within as well as outside of China. Chinese companies have begun to take the initiative themselves as well, realising that they need to meet international expectations with regards to responsible business in order to compete in the global market.[37] Chinese enterprises with foreign shareholders have also noted that such investors emphasise responsible business issues.[38] In response to these market pressures, companies have implemented ISO standards and other international norms such as the OECD Guidelines for

[34] UN Global Compact, "About the UN Global Compact", accessed 17-08-2021, https://www.unglobalcompact.org/about; Tan-Mullins and Hofman, "The Shaping of Chinese Corporate Social Responsibility," 6; Liu and Zhang, *CSR Report on Chinese Business Overseas Operations,* 228.
[35] Liu and Zhang, *CSR Report on Chinese Business Overseas Operations,* 223-257.
[36] Lin, "Corporate Social Responsibility in China," 81; Peter S. Hofman, Jeremy Moon, and Bin Wu, "Corporate Social Responsibility Under Authoritarian Capitalism: Dynamics and Prospects of State-Led and SocietyDriven CSR," *Business & Society* 56, no. 5 (2017), 660-661; Lau, Lu, and Liang, "Corporate Social Responsibility in China," 76; Sepideh Parsa et al., "Corporate social responsibility reporting in China: political, social and corporate influences," *Accounting and Business Research* 51, no.1 (2021), 47.
[37] Lin, "Corporate Social Responsibility in China," 89.
[38] Parsa et al., "Corporate social responsibility reporting in China", 47.

Multinational Enterprises.[39] The Chinese government supports such efforts, as it acknowledges that they can help increase the international competitiveness of Chinese companies and attract foreign investment.[40]

Apart from market forces, international civil society has also played a role. NGOs have encouraged Chinese companies to adopt international responsible business norms by publishing codes of conduct especially designed for them, such as the 'China Business Principles' of the International Labour Rights Fund (which later became GLJ-ILRF).[41] NGOs and global financial institutions have also addressed the overseas practices of Chinese companies, for example with regard to their environmental performance.[42] Furthermore, the role of international actors in shaping responsible business in China is also apparent from the official partnerships between China and other countries (including the Netherlands, see appendix 3) to enhance responsible business awareness, knowledge, policy making, implementation capabilities, and practices.[43] In fact, international cooperation on responsible business has been very significant in the conceptual developments that shape relevant regulation in China.[44] All in all, it is not surprising that research has found that responsible business practices are more developed in Chinese regions with greater global exposure.[45]

International Standards and Auditors

In order to compete on the global market, Chinese companies, industry organisations and government institutions have adopted and influenced internationally acknowledged standards, guidelines and certifications. Chinese actors have also developed their own standards. Prominent examples of standards that have been adopted by Chinese companies include the Global Reporting Initiative (GRI) standards for reporting and the standards of the International Organization for Standardization (ISO).[46] China is also an active player in many international responsible business mechanisms, such as the Equator Principles and the abovementioned non-binding UN Global Compact (UNGC).[47] Currently, over 530 Chinese companies participate in the UNGC (for reference: there are 232 active participants from the Netherlands).[48] The Chinese government expressed its support for the UNGP back in 2011.[49]

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[39] Parsa et al., "Corporate social responsibility reporting in China", 48; Weng and Buckley, ed., "Chinese businesses", 23.
[40] Vermander, "The Development of CSR in China", 9; Hofman, Moon, and Wu, "Corporate Social Responsibility," 661; Bingyu Liu, "China's State-Centric Approach to Corporate Social Responsibility Overseas: A Case Study in Africa," *Transnational Environmental Law* 10, no.1 (2021), 70; Virginia Harper Ho, "China's Soft Power in Africa or Real Corporate Accountability?," United States Institute for Peace, accessed 19-08-2021, https://www.usip.org/publications/2017/09/chinas-soft-power-africa-or-real-corporate-accountability.
[41] May Tan-Mullins and Giles Mohan, "The potential of corporate environmental responsibility of Chinese state-owned enterprises in Africa," *Environment, Development and Sustainability* 15, no.2 (2013), 265–284.
[42] Liu, "China's State-Centric Approach," 68; Tan-Mullins and Mohan, "The potential", 265-266.
[43] Sino-Swedish Corporate Social Responsibility Website, accessed 17-08-2021, http://csr2.mofcom.gov.cn/; Tan-Mullins and Hofman, "The Shaping of Chinese Corporate Social Responsibility"; Liu and Zhang, *CSR Report on Chinese Business Overseas Operations,* 231.
[44] Vermander, "The Development of CSR in China", 9; Hofman, Moon, and Wu, "Corporate Social Responsibility," 661.
[45] Parsa et al., "Corporate social responsibility reporting in China", 48; Weng and Buckley, ed., "Chinese businesses", 38.
[46] Olga Timokhina, "Chinese foreign direct investment in Africa in corporate social responsibility context," Working Paper (2014), 9, accessed via http://web2.msm.nl/RePEc/msm/wpaper/MSM-WP2014-29.pdf.
[47] May Tan-Mullins, "Successes and Failures of Corporate Social Responsibility Mechanisms in Chinese Extractive Industries," *Journal of Current Chinese Affairs* 43, no.4 (2014), 27.
[48] United Nations global Compact, "China," accessed 1-09-2021, https://www.unglobalcompact.org/engage-locally/asia/china.
[49] Kathryn Wright, "China: Corporate respect for human rights in the Chinese context," 28-06-2015, accessed 05-10-2021, https://www.business-humanrights.org/en/latest-news/china-corporate-respect-for-human-rights-in-the-chinese-context/.

China's government also motivates Chinese actors to play a role in the formulation of new international standards.[50] For example, the country is a member with voting rights within ISO and currently is the single most active participant in the committees that develop ISO standards.[51] Furthermore, one of our interviewees indicated that Chinese companies join organisations that are involved in the drafting of new EU regulations of mandatory due diligence, in order to get a sense of what they can expect and to share their opinions without clearly pushing an agenda or lobbying.[52] The Standardization Administration of China (SAC) is the government organisation in charge of China's national standard setting, including the development and publication of local standards, the translation and adoption of international standards, and, increasingly, the co-development of international standards. SAC is also the organisation that represents China within ISO.

Responsible business standards have been introduced to China mainly by the global supply chains of foreign multinational companies and through international NGOs. As discussed above, this was initially met with resistance, because of fears that these standards could reduce the international competitive advantage of Chinese enterprises (for example, because improved labour conditions undermine the economic model of Chinese factories).[53] In response, some called for developing Chinese standards. CSC9000T, developed by the Chinese textile industry and introduced in 2005, is the first prominent example of such an effort. The original version of CSC9000T was relatively lenient as it was not designed for certification, set forth long-term rather than immediate requirements, and characterized the auditing process as cooperative and harmonious.[54] The latest version (2018) of the standards declares to incorporate the core concepts of ISO26000 and the UNGP.[55] Other examples include the three national standards on social responsibility jointly developed by SAC that went into effect in 2016. These are GB/T 36000-2015 Guide on Social Responsibility, GB/T 36001-2015 Guide on Social Responsibility Report Writing, and GB/T 36002-2015 Guide on Social Responsibility Performance.[56] Regarding international supply chains, the Guide on Social Responsibility for Chinese International Contractors was published in 2012, using the UNGC and ISO26000 for reference while also "taking into account the development of Chinese international contracting industry".[57]

International standards are also adapted to be more in line with Chinese understandings of responsible business. ISO26000:2010, a prominent international non-certifiable standard that provides voluntary guidelines for responsible business, is an example of this practice. China was a member of the working group that developed the standard, which it implemented in 2015 when SAC launched the National Standards of Social Responsibility

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[50] Liu, "China's State-Centric Approach," 64-65.
[51] International Organization for Standardization, "Members," accessed 17-08-2021, https://www.iso.org/members.html.
[52] Interview G.
[53] Baidu Baike, "SA8000 标准 [The SA8000 Standard]," accessed 11-10-2021. https://baike.baidu.com/item/SA8000%E6%A0%87%E5%87%86/9658186?fr=aladdin.
[54] Lin, "Corporate Social Responsibility in China", 81-83.
[55] Office for Social Responsibility CNTAC, "CSC9000T 纺织服装企业社会责任管理体系 (2018 版) [CSC9000T Social Responsibility Management System of Textile and Apparel Enterprises (2018 edition)]," downloaded 11-10-2021 from: http://csc9000.org.cn/down.php?lm=26.
[56] Liu and Zhang, *CSR Report on Chinese Business Overseas Operations,* 231.
[57] Ibidem, 240-241.

(社会责任国家标准). The content of this adapted version closely follows the ISO original but includes some adjustments for the Chinese situation "according to China's national conditions and customs".[58] Textbox 1 provides an overview of the most significant adjustments, which mainly concern different definitions and some changes in the order of chapters reflecting Chinese priorities. These illustrate how China's government approaches responsible business differently from the ISO, even as it was involved in drafting the original standard.

The abovementioned publication of the Human Rights Action Plan of China (2021-2025) by the Chinese government is also interesting in this regard. Not only does it state that China encourages Chinese companies to "abide by the UN Guiding Principles on Business and Human Rights in their foreign trade and investment", it also emphasises that China "will participate and play a constructive role in negotiations on the UN business and human rights treaty". The latter indicates a further commitment by the Chinese state to influence international standards on responsible business.[59]

Textbox 1: Adjustments made to the text of ISO26000:2010[60]

- "Social dialogue" is replaced by "collective negotiation".
- "Basic features of social responsibility" is replaced by "State and Social Responsibility".
- The topic "Small and Medium-Sized Organizations'' is made into a separate chapter. It is argued that the vast majority of smaller companies are still financially unable to perform socially and have therefore been moved outside the direct scope of ISO 26000:2010.
- The Chinese standard adopts the term "respect for human rights". However, this refers not to international/universal human rights but to "China's constitution and human rights laws".
- ISO 26000:2010 has a separate chapter on human rights. This chapter is adopted but in a much more basic form. The heading "Freedom of Association and Collective Bargaining" was changed to "Trade Union Organization and Collective Bargaining". All ISO references to freedom of association at the workplace are excluded.
- The term "Social Dialogue" is replaced by "Democratic Management and Collective Consultation".
- The topic "Responsible Political Participation" was removed altogether.

SA8000 is an example of an international standard that is more directly adopted by Chinese companies. The standard, for which companies can receive certification, focuses on labour rights and workplace social practices.[61]

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[58] Qin Hao, "社会责任国家标准解读(1-8 合集) [Interpretation of Social Responsibility National Standards (1-8 Collection)]", *社责观察*, 05-02-2015, http://www.chinacsr.net.cn/a/lilunyanjiu/20150705/257.html.
[59] State Council Information Office of the People's Republic of China, "Human Rights Action Plan of China (2021-2025).
[60] Hao, "社会责任国家标准解读.
[61] Social Accountability International, "About SA8000", visited 11-10-2021, https://sa-intl.org/programs/sa8000/.

SA8000 is developed by the global NGO Social Accountability International (SAI). Its certification is overseen by a subsidiary called SAAS, which validates and accredits commercial third-party audit firms, known as certification bodies, that audit companies and issue SA8000 certifications.[62] So even though SAI is an NGO, the audit and certification system itself is commercial. For China, SAAS has accredited both local Chinese and international certification bodies. The latter usually work with a Chinese partner when operating in China and have to meet the requirements of SAAS in order to be able to operate in China in the first place. SA8000 is a popular certification among Chinese companies. According to data provided by SAAS, there are currently 2202 SA8000-certified organisations in China.[63] Chinese sources describe SA8000 as *additional* to China's labour laws; SA8000 is seen as a non-legally binding management standard whereas the labour law is anchored in the legal system.[64]

These are just a few examples of how China adopts and adapts international standards and certifications. China is often willing to adopt, but regularly, only after adaptation to its own national rules, which means that they rely on Chinese certification bodies. As a result, Chinese companies may comply with a certain standard under the Chinese adaptation of that standard, but not under the original international standard. Certification also tends to be subordinate to Chinese laws. In practice, this makes international standards less effective.

Interactions with Host Countries

Other international interactions that shape Chinese overseas approaches to responsible business are those with actors in the countries that host Chinese investments. These include local governments, communities, and civil society actors. Local legislation is especially significant in this regard. Earlier research indicates that Chinese companies operating in Africa consider host-country laws and regulations as the most important factor guiding their activities, specifically in areas such as labour law and the environment. Many of these companies have expressed that they believe complying with local laws is essential to protect themselves against unreasonable requests in disputes or punishments by local authorities.65 The risk of liability and litigation in host countries is exemplified by cases such as the suspension of operations of the USD 2 billion Lamu Coal Power Plant in Kenya by local authorities after opposition from local civil society groups for ignoring public participation and climate change legislation.66 Examples like these illustrate to Chinese financial institutions that environmental and social issues can increase lending risks. Chinese companies, banks and investors have financial incentives to practice responsible business overseas, especially when local authorities embed sustainable development in their legal systems.67

Local regulatory systems also shape Chinese overseas responsible business practices because overseas managers face difficulties in practicing company policies, which are often designed in headquarters back in China without

[62] Social Accountability Accreditation Services, "SA8000 Accredited Certification Bodies," visited 11-10-2021, http://www.saasaccreditation.org/?q=node/65.
[63] For comparison: the Netherlands 13, USA 50, India 3037, Vietnam 244. For all SA8000 certified organisations, see the Excel sheet found on: http://www.saasaccreditation.org/?q=node/23 (visited 11-01-2021).
[64] Tranwin, "How do companies face the challenges of SA8000?", visited 11-10-2021, http://en.sa8000cn.cn/article/61.html.
[65] Weng and Buckley, ed., "Chinese businesses," 5-6, 20
[66] Liu, "China's State-Centric Approach," 70.
[67] Ibidem, 69-71.

adequately considering conditions in host countries. Local legislation demands a suitable, responsible business strategy for Chinese companies.68 Furthermore, when host governments are project proprietors, they often bear legal responsibility for environmental impact assessments and resettlement processes, at least in the case of projects in engineering, procurement, and construction. This has led researchers to conclude that "to minimize the social and environmental impacts of a large-scale project, the primary pressure point sits with the local government".69

Interaction with local communities also shapes Chinese overseas responsible business approaches. The unequal distribution of revenues, compensation and resources has marginalised local communities, resulting in social conflicts that pressure Chinese companies to conduct their business more responsibly.70 Civil society actors in many developing countries are more familiar with Western concepts of responsible business which emphasise transparency, stakeholder engagement, and social relations. Local communities in these regions are also concerned whether activities undermine local institutions (especially if these are relatively weak), and therefore emphasise issues such as corruption and transparency over charitable activities. They therefore challenge Chinese approaches in their interactions with actors from China. These different perceptions on responsible business have resulted in miscommunications and opposition from local stakeholders.71

Many Chinese businesses lack a formal policy for interacting with local communities and their engagements are ad hoc in nature.72 Furthermore, Chinese companies tend to invest more in relationships with local officials and elites (who are not always concerned with the needs of the wider population) than with local communities themselves. 73 This lack of bottom-up engagement reflects China's 'state-centric' approach to responsible business at home, which stresses top-down control.74 For example, because of their limited experience with civil society engagement in China, Chinese companies operating overseas have preferred to engage with local governments more than local media and NGOs.75 Initiatives by Chinese companies to improve transparency towards local communities regarding the social and environmental impacts of their investments have also been undermined by the top-down manner in which information was disseminated, without feedback channels.76 Such mechanisms contribute to situations where, for example, Chinese companies invest in building schools, while local communities worry more about their access to water.77

Local official and legal systems are thus very important in driving and shaping the responsible business practices of Chinese companies overseas. On the one hand, this provides a clear avenue for improving standards, namely through implementing and enforcing stricter legislation, especially if these are accompanied by clear instructions

[68] Tan-Mullins, "Smoothing the Silk Road", 216.
[69] Weng and Buckley, ed., "Chinese businesses," 25
[70] Liu, "China's State-Centric Approach," 69.
[71] Tan-Mullins, "Smoothing the Silk Road" 215-216
[72] Weng and Buckley, ed., "Chinese businesses," 27.
[73] Liu, "China's State-Centric Approach," 69-70 and Tang-Lee, "Corporate social responsibility," 31-35.
[74] Liu, "China's State-Centric Approach."
[75] Ibidem, 74 and 78.
[76] Tang-Lee, "Corporate social responsibility," 31-35.
[77] Ibidem 31-35.

on community engagement. The willingness shown by Chinese businesses to abide by local regulations, avoid litigation and cooperate with state actors suggests this could be effective. In fact, many Chinese companies consider a lack of capacity in law enforcement, weak rule of law and corruption in host countries as negative for their business.78 On the other hand, this dependency on local institutions is worrisome, considering that China is often criticised for investing in countries with weak institutional environments and with poor records in protecting the environment and interests of local communities.79 This helps explain why a study found that Nigerians believe that Chinese construction companies operating in their communities are respectful of local laws, but still rank these companies' protection of the environment and of the welfare of workers to be low.80 Abiding by local regulations is not very meaningful when these regulations or their enforcement are inadequate.

1.3.2 Factor Two: The Chinese State

A State-Centric Approach to Responsible Business

The state plays a relatively large role in driving and shaping responsible business in China.[81] This reflects the make-up of China's economy, in which the Chinese state (and Communist Party) are relatively influential. SOEs play a crucial role in this composition. In China, SOEs have long had important social functions, providing housing, schooling, and many other social services for their workers. From the reform period onwards, many SOEs were privatised or had their social services scaled down, although they are still expected today to be active in social welfare programs and charity. Currently, the share of SOEs in China's GDP is around 25 percent.[82] SOEs are under the direct supervision and governance of state institutions such as the earlier mentioned SASAC. Because of their close ties to the state, the goals of SOEs are relatively aligned with those of the Chinese government. Since the government aims to realise more sustainable development, SOEs play a leading role in China's model for socially responsible business conduct.[83] For example, they are among the leading organisations regarding the publication of responsible business reports and are specifically targeted by official guidelines and regulations.[84] Both SOEs and private companies have learned to respond strategically to signals from the state with regard to responsible business.[85] Xi Jinping's Common Prosperity strategy, which saw a crackdown on many companies and business

[78] Weng and Buckley, ed., "Chinese businesses," 5-6.
[79] Dell Marie Butler and Thomas Wheeler, "China and conflict-affected states Between principle and pragmatism," *Saferworld,* 2012.
[80] Oluwasegun Oluwaseyi Seriki, "Looking through the African lenses: a critical exploration of the CSR activities of Chinese International Construction Companies (CICCs) in Africa," *International Journal of Corporate Social Responsibility,* 8, no. 5 (2020), 5.
[81] Tan-Mullins and Hofman, "The Shaping of Chinese Corporate Social Responsibility," 12 and Lin, "Corporate Social Responsibility in China," 84.
[82] World Bank, " How Much Do State-Owned Enterprises Contribute to China's GDP and Employment? (English)," visited 12-10-2021, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/449701565248091726/how-much-do-state-owned-enterprises-contribute-to-china-s-gdp-and-employment; https://www.cambridge.org/core/services/aop-cambridg and Liu, "China's State-Centric Approach," 62, 65-66.
[83] Lin, "Corporate Social Responsibility in China," 93.
[84] Hofman, Moon, and Wu, "Corporate Social Responsibility," 654, 659.
[85] Christopher Marquis and Cuili Qian, "Corporate Social Responsibility Reporting in China: Symbol or Substance?,"*OrganizationScience*, 25, no. 1, (2014).

sectors, has re-emphasised how important this is. Companies risk abruptly falling out of favour when the Chinese leadership considers them in opposition to state interests.[86]

The dominant role of the state challenges the Western understanding of responsible business, in which interactions between civil society and companies are often regarded as a main driver for improving business practices. The role of China's civil society is considerably different in this regard. All NGOs are required to register with the authorities, leaving little space to operate independently. NGOs working on sensitive topics, such as human rights or ethnic minority interests, are not allowed to register at all.[87] Instead of being an adversarial counterweight to state power, civil society organisations work closely together with (local) governments on issues that are in line with official interests. This can include pressuring companies to improve responsible business standards.[88] Environmental NGOs, for example, serve as "as an extra set of eyes and ears for the government" and assist the state in monitoring company violations.[89]

At the same time, the development of responsible business has empowered Chinese civil society actors, as it can provide legitimacy to NGOs working in fields such as environmental protection. Civil society actors have learned to strategically use the language of the state and Communist Party to realise their goals and both international and local NGOs make use of responsible business as a discourse to challenge irresponsible practices. [90] Furthermore, as long as the Chinese state does not consider them harmful, news articles and social media posts that criticise companies for issues such as their environmental impact or working conditions (such as recently in the tech sector) appear regularly and spread quickly over the internet. In case of strong public anger, consumer boycotts occur (especially among younger urban residents) that can have a strong impact and affect company policies.[91]

Another indication of China's state-centric approach is the unfolding of the corporate social credit system, which has implications for responsible business. Through the corporate social credit system, China's government aims to influence the behaviour of companies which includes "guiding enterprises to enhance their sense of social responsibility".[92] The focus of the system is on compliance with market regulations, as this is the most important factor affecting the social credit score of companies.[93] Nonetheless, it has been reported that businesses can

[86] Chris Buckley, Alexandra Stevenson and Cao Li, "Warning of Income Gap, Xi Tells China's Tycoons to Share Wealth,"*New York Times*, 07-09-2021, https://www.nytimes.com/2021/09/07/world/asia/china-xi-common-prosperity.html.
[87] Tan-Mullins and Hofman, "The Shaping of Chinese Corporate Social Responsibility," 9-10.
[88] Hofman, Moon, and Wu, "Corporate Social Responsibility," 662 and Vermander, "The Development of CSR in China", 8.
[89] Tan-Mullins and Hofman, "The Shaping of Chinese Corporate Social Responsibility," 9-10.
[90] Ibidem 10-11 and Lin, "Corporate Social Responsibility in China," 96.
[91] Interview A.
[92] State Council of the People's Republic of China, "国务院关于印发社会信用体系建设规划纲要（2014—2020 年）的通知[Notice of the State Council on Issuing the Planning Outline for the Construction of the Social Credit System (2014-2020)]," visited 12-10-2021, http://www.gov.cn/zhengce/content/2014-06/27/content_8913.htm.
[93] European Chamber of Commerce in China, "The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors," (2019), downloaded from: https://www.europeanchamber.com.cn/en/publications-corporate-social-credit-system#:~:text=The%20Digital%20Hand%3A%20How%20China's,its%20planned%20rollout%20in%202020.

increase their scores by conducting social responsibility activities.[94] One of the main purposes of the corporate social credit system is to make information on the compliance and credibility of companies more easily accessible.

The leading role of the state in driving and shaping Chinese responsible business is also evident in overseas supply chains. Many of the large Chinese companies that invest overseas, especially in industries such as resource extraction and infrastructure, are SOEs.[95] As is the case domestically, their activities are aligned with the interests of the Chinese government. SOEs often require official approval before investing abroad and need to obtain capital from mostly state-owned financial institutions, such as the China Exim Bank, when investing overseas.[96] Several studies have found that SOEs take the lead in practicing and communicating responsible business overseas.[97] Furthermore, a large range of state institutions are involved in shaping the behaviour of overseas investments, and the state can mobilise various institutional, managerial, and financial resources to protect China's image when harmful social and environmental accidents occur overseas.[98] The Chinese state is therefore regarded as "an important force pushing Chinese companies to engage in CSR in Africa".[99]

Even though the Chinese public "has not demonstrated particular concern or corresponding reaction to any irresponsible overseas behaviour on the part of Chinese companies" and "Chinese civil society and markets remain focused on domestic CSR issues" there are incentives for the Chinese government to promote responsible business overseas.[100] First of all, it can help reduce financial risks for Chinese state institutions. For example, the abovementioned Lamu Coal Power Plant in Kenya that was suspended for irresponsible behaviour was to be financed for USD 1.2 billion by ICBC, a Chinese state-owned bank.[101] Secondly, as is apparent from the concept of the 'Construction of Ecological Civilization', the government strives for Chinese companies to have a competitive advantage by practicing environmentally responsible business.[102]

Furthermore, China's government is very concerned with the international image of the country, as is evident from official strategies that aim to improve this image, such as the 2017 A New Leap of China's Great Power Image Strategy document.[103] Diplomatic experts in China have argued that Chinese responsible business practices overseas can play an important role in this effort, even more so since the unfolding of the Belt and Road Initiative

[94] Alexander Chipman Koty, "China's Corporate Social Credit System: What Businesses Need to Know," *China Briefing*, 05-11-2019, https://www.china-briefing.com/news/chinas-corporate-social-credit-system-how-it-works/.
[95] Tan-Mullins, "Successes and Failures," 22.
[96] Liu, "China's State-Centric Approach," 65.
[97] Tan-Mullins, "Smoothing the Silk Road", 216 and Liu and Zhang, *CSR Report on Chinese Business Overseas Operations,* 251.
[98] Tan-Mullins, "Successes and Failures," 29, 33 and Liu, "China's State-Centric Approach," 63, 74.
[99] Liu, "China's State-Centric Approach," 63, 74.
[100] Ibidem, 74.
[101] Ibidem 72, and BBC News, "Kenya halts Lamu coal power project at World Heritage Site," 26-06-2019, https://www.bbc.com/news/world-africa-48771519 and John Muchangi, "Lamu coal plant's biggest investor abandons project," *The Star,* 18-11-2020, https://www.the-star.co.ke/news/2020-11-18-lamu-coal-plants-biggest-investor-abandons-project/.
[102] Xinhua, "中共中央 国务院关于加快推进生态文明建设的意见[Opinions of the Central Committee of the Communist Party of China and the State Council on Accelerating the Construction of Ecological Civilization]," visited 12-10-2021, http://www.gov.cn/xinwen/2015-05/05/content_2857363.htm.
[103] Yuan Sainan, "中国大国形象战略的新飞跃 [A New Leap in China's Great Power Image Strategy]", visited 12-10-2021, https://www.sxejgfyxgs.com/19/5606.html.

(BRI) that saw increased overseas investments.[104] It is argued that, in part because companies (especially SOEs) operate overseas by the will and authorisation of the Chinese state, their activities should be considered a component of China's public diplomacy.[105] The pledge by Xi Jinping in 2019 to promote more sustainable and green BRI projects is in line with this idea. There are obvious reasons why the Chinese government invests in the country's international image, as political and economic interests are at stake. For instance, negative publicity regarding Chinese overseas projects can put China's access to foreign natural resources, deemed an issue of national security, at risk.[106] Although it makes sense from a Chinese official standpoint to use state assets to promote state priorities, it could increase international uncertainties about the motives behind responsible business policies of Chinese companies.

There are limits to the authority of the Chinese state regarding business practices overseas. Its control over SOEs in overseas contexts is restricted, as business imperatives dominate local operations in foreign contexts.[107] Furthermore, the Chinese state has much less control over privately-owned enterprises overseas, and holding them accountable or moving them towards responsible business is even more challenging.[108] This is in part because private enterprises seldom receive concessional loans provided by state-backed financial institutions.[109] Research has found that official Chinese instructions regarding overseas responsible business do not automatically translate to a high level of awareness of, let alone compliance to these instructions, by Chinese companies.[110]

Official Guidance, Laws and Regulations

Another indication of China's state-centric approach is the regulatory orientation of responsible business.[111] Chinese state institutions have been relatively active in introducing legislation, making demands, and developing guidelines for responsible business. In 2006, Chinese laws began to refer to the obligation of social responsibility for Chinese companies, and the Communist Party and Chinese state restated in 2014 and 2020 respectively the

[104] Sino-Swedish CSR Website, ""The Belt and Road" and Corporate Social Responsibility," visited 13-10-2021, http://csr2.mofcom.gov.cn/article/Nocategory/201710/20171002657050.shtml.
[105] Li Zhiyong, "企业公共外交怎么做? [How to do corporate public diplomacy?]," visited 13-10-2021, https://www.zz-news.com/com/duiwaichuanbo/news/itemid-623882.html; Li Yonghui and Zhou Xinyu, `企业公共外交：宏观战略与微观管理 [Corporate Public Diplomacy: Macro Strategy and Micro Management], *China Public Diplomacy Association*, visited 13-10-2021, http://www.chinapda.org.cn/chn/zgggwj/t1048927.htm, and Zhao Xinli, "公共外交视角下的中国企业海外社会责任 [Overseas Social Responsibilities of Chinese Enterprises from the Perspective of Public Diplomacy]," visited 13-10-2021, http://news.china.com.cn/world/2018-07/23/content_57814926_0.htm.
[106] Liu, "China's State-Centric Approach," 71 and Tan-Mullins, "Successes and Failures," 29.
[107] Tan-Mullins and Mohan, "The potential," 21.
[108] Liu, "China's State-Centric Approach," 67.
[109] Weng and Buckley, ed., "Chinese businesses," 19.
[110] Weng and Buckley, ed., "Chinese businesses," 5.
[111] Hofman, Moon, and Wu, "Corporate Social Responsibility," 657.

need to strengthen such legislation.[112] This regulatory approach can partly be explained by the limited civil society pressure in China, requiring the state to step in to make demands.[113]

A few regulatory documents stand out in shaping Chinese responsible business. The first of these is the 2006 revision of the Company Law, which marked the initial official endorsement of the idea that companies have a social responsibility. Article 5 states that “When engaging in business activities, a company shall abide by laws and administrative regulations, observe social morality and business ethics, act in good faith, accept supervision by the government and the public, and bear social responsibilities.”[114] The latest revision (2018) continues to include this article. Other noteworthy documents include the 2007 circular of the Chinese Ministry of Commerce to restrict environmentally irresponsible enterprises from conducting trade with foreign actors[115] and the 2011 amendment to the criminal law which added articles prohibiting bribery overseas.[116] Since 2007, creditors have also received instructions encouraging them to prioritise lending to more environmentally conscious companies in order to promote a ‘green credit system’.[117] Some of these instructions are in the form of voluntary guidelines.

Many guidelines directing responsible business have been published by Chinese state institutions. Since large SOEs are often empires in themselves, with lots of vested interests and therefore reluctant to change, implementing responsible business policies depends to a large extent on political support and less on legal enforcement. This helps explain why many of China’s ‘regulations’ on responsible business are promoted as voluntary guidelines, and not as binding laws. Of special significance are the Guidelines on Fulfilling Social Responsibility by Central Enterprises, issued in 2008 by SASAC and last updated in 2011.[118] These non-binding guidelines “give the impetus” to SOEs “to earnestly fulfil corporate social responsibilities (CSR), so as to realise coordinated and sustainable development of enterprises, society and environment in all respects”.[119] Although the document includes typical topics of responsible business, such as sustainable governance, workers’ rights, and emission reduction, they also reflect many of the more specific priorities of Chinese approaches.

First of all, the guidelines reflect the Chinese focus on philanthropic responsible business, stating that SOEs are expected to “actively participate in community and social welfare programs, such as charity, donations, and giving support to schools, cultural or hygiene activities''. Secondly, the guidelines never mention human rights and pay especially little attention to issues that could be related to civil and political rights. Thirdly, the document reflects

[112] Liu and Zhang, *CSR Report on Chinese Business Overseas Operations,* 231 and Xinhua, “中共中央印发《法治社会建设实施纲要（2020－2025 年）》[The Central Committee of the Communist Party of China issued the "Implementation Outline for the Construction of a Society Ruled by Law (2020-2025)]", visited 13-10-2021, http://www.gov.cn/zhengce/2020-12/07/content_5567791.htm.
[113] Parsa et al., “Corporate social responsibility reporting in China”, 51.
[114] Company Law of the People's Republic of China, accessed 13-10-2021 via: http://www.npc.gov.cn/zgrdw/englishnpc/Law/2007-12/12/content_1383787.htm/.
[115] Tan-Mullins and Mohan, “The potential,” 8.
[116] Ibidem, 8 Liu and Zhang, *CSR Report on Chinese Business Overseas Operations*, 230.
[117] Tan-Mullins and Mohan, “The potential,” 10-11; China Daily, “Guidelines for establishing the green financials system,” 2016-09-04, https://www.chinadaily.com.cn/business/2016hangzhoug20/2016-09/04/content_26692931.htm and China Law Insight, “The Green Credit Guideline,” 08-03-2021, https://www.chinalawinsight.com/2012/03/articles/finance/the-green-credit-guideline/.
[118] State-owned Assets Supervision and Administration Commission of the State Council, “Guidelines to the State-owned Enterprises Directly under the Central Government”, accessed 17-07-2021, http://en.sasac.gov.cn/2011/12/06/c_313.htm.
[119] Ibidem.

the influence of international interactions by acknowledging that responsible business is required for SOEs to participate in international economic cooperation, and that it can help SOEs to establish an international image of China as 'responsible'. SOEs are also encouraged to exchange ideas and experiences with foreign actors, and to participate in the formulation of international standards on responsible business. Some of the topics included in the guidelines fall outside the typical European scope of responsible business, such as calls for more technological innovation and expanding Chinese intellectual property.

Another noteworthy set of voluntary instructions can be found in the Chinese Corporate Social Responsibility Reporting Guideline, which sets out guidelines for responsible business reporting.[120] These guidelines were published by the Research Center for Corporate Social Responsibility of the Chinese Academy of Social Sciences, which was launched to be a "world-class social responsibility think-tank with Chinese characteristics".[121] The Reporting Guidelines, last updated in 2017, are often cited in responsible business reports of Chinese companies.[122] However, they appear to be more of an academic publication with a very wide scope than a practical tool. As a result, the guidelines are rather vague and multi-interpretable.

The abovementioned guidelines do not specifically address the overseas operations of Chinese companies. However, many documents that do target overseas activities have been published. Important in this respect has been the 2013 Guidelines on Environmental Protection for China's Outbound Investment and Cooperation, which addresses topics such as local law compliance, capacity building, and stakeholder engagement.[123] The role of creditors was acknowledged in 2017 with the promotion of the 'Green Belt and Road', as well as through instructions provided to financial institutions to increase their overseas social and environmental risk management.[124]

Documents for specific sectors have also been published, such as the Guidelines For Social Responsibility in Outbound Mining Investments (year). These stand out because they have been drafted with support of a Sino-German Corporate Social Responsibility Project, and because they are primarily based on international standards and guidelines, which helps explain the inclusion of a chapter on human rights.[125] However, this chapter merely refers to the UNGP and is mainly concerned with specific problems of resettlements and the protection of local culture and heritage. A further elaboration of this document is the Chinese Due Diligence Guidelines for

[120] CASS-CSR, "中国企业社会责任报告指南(CASS-CSR4.0)[Chinese Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0)]", visited 13-10-2021 via https://www.sohu.com/a/207536394_100012596.
[121] See: http://www.cass-csr.org/. The Chinese Academy of Social Sciences (CASS) is China's main academic organization, think tank, and research center in social sciences and is funded and controlled by the Chinese government and operates directly under the State Council. CASS-CSR is thus a government research center.
[122] CASS-CSR, "中国企业社会责任报告指南(CASS-CSR4.0)[Chinese Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0)]", visited 13-10-2021 via https://www.sohu.com/a/207536394_100012596.
[123] Tan-Mullins, "Smoothing the Silk Road," 211; Ministry of Commerce of the People's Republic of China and Ministry of Environmental Protection of the People's Republic of China, "Guidelines for Environmental Protection in Foreign Investment and Cooperation," accessed 13-10-2021 via: http://english.mofcom.gov.cn/article/policyrelease/bbb/201303/20130300043226.shtml.
[124] Ho, "China's Soft Power," 2 and SCO Environment Information Sharing Platform, "Guidance on Promoting Green Belt and Road," accessed 13-10-2021 via http://english.mee.gov.cn/Resources/Policies/policies/Frameworkp1/201706/t20170628_416864.shtml.
[125] CCCMC, "Guidelines for Social Responsibility in Outbound Mining Investments (GSRM)," accessed 13-10-2021 via http://images.mofcom.gov.cn/csr2/201812/20181224151850626.pdf.

Responsible Mineral Supply Chains (2015), developed with support of the OECD to "align Chinese company due diligence with international standards and allow for mutual recognition with existing international initiatives and legislations".[126] These guidelines indicate that they use the guiding documents of the UN and OECD as their basis and appear to tick all the right boxes regarding European expectations.

SOEs are locally owned by provinces, municipalities, and cities, who publish their own guidelines, usually based on those of SASAC. Many localities have their own responsible business programs and policies, focused on various kinds of companies and using similar but not always exactly the same definitions. It appears that local governments have a lot of leeway to launch new responsible business entities and regulations. At the same time, these local governments follow the general direction of the central government. The abundance of local efforts indicates that there is a large and well-established responsible business bureaucracy in China, on every local level.

The demands of stock exchanges are also an important factor in shaping responsible business. The main stock exchanges for Chinese companies are those of Shanghai, Shenzhen and Hong Kong. The stock market regulator of mainland China is a government ministry of the state council and bureaucratically more directly controlled by the state than its US or European equivalents.[127] The regulator of the Hong Kong Stock Market is the more independent Securities and Futures Commission.[128] All three stock exchanges have issued instructions or guidelines for responsible business reporting. The Shenzhen Stock Exchange issued instructions in 2006, mainly consisting of recommendations.[129] In 2008, the Shanghai Stock Exchange issued the Guidelines for Environmental Information Disclosure of Listed Companies.[130] This document demands listed companies to disclose information on their environmental policies and impact, as well as on environmental litigation that affects their business. The Environmental, Social and Governance (ESG) Reporting Guide of the Hong Kong Stock Exchange provides instructions to companies about the way that they need to report on ESG issues, which are relatively detailed and comprehensive.[131]

In 2017, mainland China's stock market regulator launched new rules requiring all listed companies and bond issuers in China to "disclose ESG risks associated with their operations" by 2020.[132] Furthermore, the institution began, since 2018, to include a chapter on responsible business in its Code of Corporate Governance for Listed Companies to "strengthen the leading role of listed companies in environmental protection and social

[126] OECD, "Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains," accessed 21-202-21 via https://mneguidelines.oecd.org/chinese-due-diligence-guidelines-for-responsible-mineral-supply-chains.htm.
[127] China Securities Regulatory Commission
[128] Securities and Futures Commission.
[129] Shenzhen Stock Exchange, "Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies," visited 13-10-2021, https://www.szse.cn/English/rules/siteRule/t20070604_559475.html.
[130] Shanghai Stock Exchange, "上海证券交易所上市公司环境信息披露指引[Guidelines on Environmental Information Disclosure of Listed Companies on the Shanghai Stock Exchange]", visited 13-10-2021, http://www.sse.com.cn/lawandrules/sserules/main/listing/stock/c/c_20190228_4727830.shtml.
[131] Hong Kong Stock Exchange, "Environmental, Social and Governance Reporting Guide," visited 13-10-2021, https://en-rules.hkex.com.hk/rulebook/environmental-social-and-governance-reporting-guide-0.
[132] Lexology, "China Mandates ESG Disclosures for Listed Companies and Bond Issuers," visited 13-10-2021, https://www.lexology.com/library/detail.aspx?g=61af067d-4fd6-4ad9-91d6-bb01037fb166.

responsibility".[133] Another chapter was added to establish a "basic framework for Environmental, Social, and Corporate Governance (ESG) information disclosure". The choice for the term 'ESG' over 'CSR' reflects the recent growing prominence of the former, which puts more emphasis on governance over charitable activities. However, poverty alleviation and other more charitable activities are still put forward as a prominent aspect of responsible business in the chapter.

Earlier research has highlighted the importance of stock exchanges in driving Chinese responsible business practices. For example, the Shenzhen Stock Exchange has a Social Responsibility Index that tracks the stocks of companies that have "favorable CSR performance".[134] Companies are encouraged to take this seriously, as it will influence investors. The same study found that coercive measures like formal rules by local governments and stock exchanges were the reason for most companies to initiate responsible business policies.[135]

Limitations on the Regulations of Responsible Business

The effectiveness of the regulatory approach to responsible business is undermined by a few factors. First of all, as discussed above, the existence of regulations does not automatically mean that businesses operating overseas are aware of them. Secondly, the implementation of policy documents in overseas situations by Chinese companies has proven to be problematic. One study found that companies believe such documents to be irrelevant for their overseas operations.136 Another study highlighted that these companies lack the "knowledge and skills to translate, implement, and contextualize Chinese regulations in foreign contexts". For example, the earlier discussed Guidelines For Social Responsibility in Outbound Mining Investments has been "issued with very little follow-up on the technology and skills required to implement these policies in an effective and meaningful manner in the African context".137 Furthermore, the large number of overlapping instructions from many different Chinese institutions, as well as the variety in types of guidelines will not help Chinese companies to gain a clear overview of what is most relevant. A single overarching rulebook for overseas responsible business by Chinese companies does not yet exist.

One particularly large challenge has been the lack of enforcement. This is in part because of the voluntary nature of many of the instructions, as well as the often broad terms in which responsible business is defined.138 The lack of enforcement and penalty mechanisms in many guiding documents "raises uncomfortable uncertainty regarding the actual implementation and impact of the policies".139 A lack of enforcement within China has been linked to the decentralised governance system, in which implementation and enforcement are left to local governments, who might have fewer incentives to adequately do so.140 At the same time, earlier research has

[133] Securities Regulations Committee, "上市公司治理准则[Listed Company Governance Code]", accessed 13-10-2021 via http://www.gov.cn/gongbao/content/2019/content_5363087.htm.
[134] Lexy Li, "SZSE To Assess Companies' Social Responsibility Reporting," accessed 13-10-201, https://www.senecaesg.com/blog/szse-to-assess-companies-social-responsibility-reporting/.
[135] Parsa et al., "Corporate social responsibility reporting in China", 54-55, 58.
[136] Weng and Buckley, ed., "Chinese businesses", 5.
[137] Tan-Mullins, "Smoothing the Silk Road", 217.
[138] Liu, "China's State-Centric Approach," 64 and Ho, "China's Soft Power," 3.
[139] Weng and Buckley, ed., "Chinese businesses", 8
[140] Tan-Mullins and Mohan, "The potential", 9.

found that local rules for operations in a specific region can in fact be relatively strict. In any case, regulations developed at the central level can be implemented and enforced differently across China.[141]

What is concerning is that enforcement of overseas regulations is to a large extent left to the legislative systems in host countries. As discussed under Interactions with host countries, Chinese companies have indicated that their responsible business performance depends on pressures from host countries. Chinese regulatory documents appear to strengthen this dependency.[142] Many guiding documents continue to stress the importance of practicing responsible business based on host country laws and regulations, instead of on Chinese or international standards. For example, of the 22 articles of the abovementioned Guidelines on Environmental Protection for China's Outbound Investment and Cooperation, 8 emphasise the importance of host country regulations, and only the last article "encourages" Chinese companies to research and learn from international standards.[143] Considering the relatively high levels of corruption and fragile institutional environments of some of the countries in which overseas Chinese companies operate, such emphasis results in serious concerns of implementation and enforcement.[144]

In this regard, an interesting development has occurred. In July 2021, the Ministry of Commerce and the Ministry of Ecology and Environment published the Guidelines for Green Development in Foreign Investment and Cooperation. These guidelines stand out, because they "encourage companies to adopt international or Chinese standards in investing activities where local laws and regulations are non-existent or too lenient". The document also urges companies "to conduct environmental assessments and due diligence for a proposed project in accordance with international practices".[145] This emphasis on international standards and rules, especially when local standards are insufficient, is a new development and an important step forward compared to earlier guidelines, which often primarily emphasise meeting host countries' standards.[146]

1.4 Communicating and Verifying Responsible Business

Responsible business policies and practices are communicated in various ways by Chinese actors. First of all, Chinese companies have adopted the practice of publishing responsible business reports. Although the numbers vary, it is clear that the total of Chinese companies publishing such reports has grown exponentially in the last fifteen years. One study, for example, finds that the total has increased from 33 in 2006 to 3043 in 2016.[147] One particular explanation for this uptake that has been offered is that publishing reports which incorporate "issues

[141] Parsa et al., "Corporate social responsibility reporting in China", 38, 52.
[142] Tan-Mullins, "Smoothing the Silk Road", 216.
[143] Ministry of Commerce of the People's Republic of China and Ministry of Environmental Protection of the People's Republic of China, "Guidelines for Environmental Protection in Foreign Investment and Cooperation," accessed 13-10-2021 via: http://english.mofcom.gov.cn/article/policyrelease/bbb/201303/20130300043226.shtml.
[144] Liu, "China's State-Centric Approach," 64 and Tan-Mullins, "Smoothing the Silk Road", 216.
[145] Secretariat of BRI International Green Development Coalition, "BRI Green Review," accessed 13-10-2021 via http://en.brigc.net/Media_Center/BRI_Green_Review/2021/202107/P020210729465376906569.pdf.
[146] Christoph Nedopil, Dimitri De Boer, Danting Fan and Yingzhi Tang, "What China's new guidelines on 'green development' mean for the Belt and Road," *China Dialogue,* 18-08-2021, accessed via https://chinadialogue.net/en/business/what-chinas-new-guidelines-on-green-development-mean-for-the-belt-and-road/.
[147] Tan-Mullins, "Smoothing the Silk Road", 216-217.

featured in the government's political discourses and official announcements and publications, such as energy saving and emission reductions (...) and promoting a harmonious society and sustainable development perspectives" is a particularly visible way for companies to demonstrate their responsiveness to governmental signals, which is important for their political legitimacy.[148]

Although a number of Chinese companies base their reports on international standards like those of the Global Reporting Initiative (GRI), Chinese state institutions like SASAC have also developed reporting guidelines for SOEs.[149] Both international and Chinese guidance has helped to improve the quality of reporting by Chinese companies.[150] Nonetheless, a 2020 report commissioned by SASAC indicates that only a minority of centrally-owned SOEs has been continuously publishing responsible business reports, although the number of reports on overseas practices is relatively high. Also, there is very little third-party vetting, let alone vetting from international entities.[151] Furthermore, a 2017 research by the UN Development Programme found that 58 percent of interviewed Chinese companies in BRI regions have not published responsible business reports for their overseas operations.[152]

Several Chinese initiatives review the responsible business performance of Chinese companies, primarily by evaluating the reports of these companies. Such evaluations often mainly check basic publishing data of these reports, instead of their content. Each initiative publishes their findings in a report, frequently accompanied by award ceremonies such as those of Golden Bee.[153] State-backed institutions also publish such reports. However, these often do not fact-check the actual content. Enterprises themselves regularly opt to use third-party companies to verify the content of the reports.

One example of a state-backed initiative is the China Corporate Social Responsibility Report Rating Expert Committee of the Research Center for Corporate Social Responsibility.[154] This committee rates responsible business reports based on their own guidelines (called CASS-CSR4.0). Interestingly, the real-life minimum rating appears to be three out of five stars. According to the research centre, the number of 5-star scores has increased with the years. The same research centre also published the Blue Book on Overseas Social Responsibility of Central Enterprises, commissioned by SASAC, which details the overseas responsible business efforts of SOEs. The Blue Book mainly discusses responsible business efforts from a macro-perspective, such as the percentage of companies that participate in ecological protection. The numbers are based on the input by companies themselves, so the Blue Book is more of a survey than a research. The largest challenges identified by SOE and

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[148] Parsa et al., "Corporate social responsibility reporting in China", 39 and Yanhong Tang, Yanling Ma, Christina Wong and Xin Miao, "Evolution of Government Policies on Guiding Corporate Social Responsibility in China," *Sustainability*, 10, no. 3 (2018), 16.
[149] Liu and Zhang, *CSR Report on Chinese Business Overseas Operations,* 228.
[150] Tan-Mullins, "Smoothing the Silk Road", 216-217.
[151] China Economic Net, "2020 年央企社会责任报告[The social responsibility report of central enterprises in 2020 basically achieves "full coverage"],"accessed 13-10-2021, https://www.163.com/dy/article/FOROBB7Q0514CQIE.html.
[152] Tan-Mullins, "Smoothing the Silk Road", 216-217..
[153] Golden Bee.
[154] Economic Daily, "中国社科院企业社会责任研究中心发布《中国企业社会责任报告评级标准》[The Corporate Social Responsibility Research Center of the Chinese Academy of Social Sciences released the "China Corporate Social Responsibility Report Rating Standards"],"visited 13-10-2021, http://www.ce.cn/cysc/newmain/yc/jsxw/201804/03/t20180403_28703994.shtml.

the percentage of SOEs that should improve their practices are also discussed. Illustrations of responsible business approaches discussed in the 2020 edition reflect the policy priorities of the Chinese state, demonstrating the responsiveness of these companies to government signals. For instance, one company explains how their efforts contribute to “a good image for the overseas development of Chinese companies”.

Another state publication is the SASAC commissioned annual Report on Fulfilment of Social Responsibility of Centrally State-owned Enterprises’.[155] This report focuses on responsible business reporting and looks at how often SOEs publish reports, whether they publish it on time, which reference standards they use, if the report is vetted by a third-party, whether international practices are included, and if the reporting is innovative. There is usually quite a lot of publicity surrounding the annual publication of this report. To capitalise on that, some of the central SOEs organise press conferences around the same time on the release of their own reports. For example, the release of the China National Nuclear Corporation's 2020 Social Responsibility Report took place at a large media event with many of the company’s top managers in attendance.[156] Such publicity indicates that companies find it important to draw attention to their responsible business efforts.

1.5 European Interactions with Chinese Responsible Business

There are many ways in which European and Chinese actors interact on topics and issues around responsible business. First of all, many interactions take place on a business-to-business level. Consumers and governments in Europe increasingly expect that products on the common market are produced responsibly throughout the supply chain. This provides an incentive for companies in Europe to apply standards of responsible business themselves, to carry out due diligence, perform audits, and check the standards and certifications at supplying companies. Recently, the issue of forced labour in Xinjiang has drawn specific attention to products from China that supply European companies or which reach the European consumer market directly. Overseas operations and investments from Chinese companies, for example regarding conflict minerals and the construction of coal plants, have also resulted in European concerns about responsible business issues related to Chinese products.

As a result, companies in Europe have committed themselves to perform due diligence in their Chinese supply chains. Dutch companies, for example, increasingly engage in discussions with their Chinese suppliers on responsible business. They often allocate employees to these suppliers, who originally focused on quality control, to work on responsible business issues.[157] However, there are limitations to these activities when they touch sensitive issues, such as forced labour. Chinese companies face political pressure from authorities as well as from nationalistic Chinese consumers to refuse compliance with due diligence requests in such areas, while Western

[155] China Economic Net, “2020 年央企社会责任报告基本实现“全覆盖”[The social responsibility report of central enterprises in 2020 basically achieves "full coverage]," visited 13-10-2021, https://www.sohu.com/a/424414663_120702.
[156] China Nuclear Power, “中核集团 2020 年度社会责任报告正式发布[China National Nuclear Corporation's 2020 Social Responsibility Report is officially released]," visited 13-10-2021, https://power.in-en.com/html/power-2386507.shtml.
[157] Interview A.

auditors face restrictions from authorities as well.[158] European companies themselves, even larger ones, also risk retaliation from Chinese consumers and the government when they express concerns over sensitive topics.[159] Furthermore, our interlocutors indicate that European companies face difficulties in performing due diligence even in less sensitive areas, because of a lack of transparency and misleading practices on the Chinese side.[160] Smaller companies have little leverage to make demands and are confronted with an unwillingness from Chinese partners to provide information.[161]

Nonetheless, many Chinese businesses are willing to comply with the requests from their European clients and allow Western auditors to perform examinations. Economic incentives are the main factor driving this willingness to cooperate.[162] Chinese companies who sell directly to European consumers face similar incentives. Businesses from China who are aiming to increase their share in European consumer markets have demonstrated to be relatively active in improving and disclosing their responsible business efforts to customers.[163]

Recently, these interactions are increasingly being shaped by regulatory developments in Europe. A study by the European Commission found that the voluntary approach to due diligence, expressed in the legally non-binding OECD Guidelines for Multinational Enterprises and the UNGP, is insufficient.[164] In the past years, mandatory due diligence legislation has been adopted in several European countries, often informed by the abovementioned non-binding guidelines. For example, the German parliament adopted the Supply Chain Due Diligence Act in 2021, which requires large companies to investigate and counter human rights violations in their supply chains from 2023 onwards. The French Corporate Duty of Vigilance Law adopted in 2017 similarly demands due diligence measures from larger corporations.[165] In some cases, legislation has been drafted that targets specific responsible business issues or sectors. Examples include the EU Conflict Minerals Regulation (in effect since January 2021), which aims to help stem the trade in four minerals that are sometimes mined using forced labour or that finance armed conflict, and the Dutch Child Labour Due Diligence Act (in effect from January 2022).[166] The EU announced mandatory due diligence legislation in March 2021, and the European Parliament is expected to approve the new legislation in 2022. A draft version of the legislation states that companies are responsible for their entire supply

[158] Interview K;Interview A and Eva Xiao, "Auditors to Stop Inspecting Factories in China's Xinjiang Despite Forced-Labor Concerns," *WSJ*, 21-09-2020, https://www.wsj.com/articles/auditors-say-they-no-longer-will-inspect-labor-conditions-at-xinjiang-factories-11600697706?mod=searchresults&page=1&pos=7.
[159] BBC News, "Nike, H&M face China fury over Xinjiang cotton 'concerns'," 25-03-2021, https://www.bbc.com/news/world-asia-china-56519411.
[160] Interview G and Interview K.
[161] Interview K
[162] Interview A, K.
[163] Interview A.
[164] European Commission, "Study on due diligence requirements through the supply chain," (2020), accessed via https://op.europa.eu/en/publication-detail/-/publication/8ba0a8fd-4c83-11ea-b8b7-01aa75ed71a1/language-en.
[165] MVO Risico Checker, "Wetgeving rondom due diligence," visited 13-01-2021, https://www.mvorisicochecker.nl/nl/wetgeving-rondom-due-diligence.
[166] European Commission, "The regulation explained," accessed 17-08-2021, https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation-explained/ and KVK, "Ondernemer moet kinderarbeid voorkomen", visited 13-10-2021, https://ondernemersplein.kvk.nl/wet-zorgplicht-kinderarbeid/.

chain and that the rules apply to any company doing business in the European market, including non-European suppliers.[167]

Our interlocutors indicated that they believe that this regulation can be effective. When Chinese supply chains are not transparent, European companies will no longer be able to produce through them, providing a strong economic incentive for improvements on the Chinese side. And when Chinese companies themselves are forced to live up to the same standards as a condition for accessing the European market, they are facing similar incentives for performing due diligence and improving responsible business across entire supply chains.[168] For the regulation to be effective, however, it will also be important that European actors trust the reports provided by auditors and Chinese companies. This will be a challenge on sensitive issues, as it is difficult for the EU to have enforcement mechanisms enter the Chinese market without restrictions.[169] At the same time, respondents pointed out that certain standards in the Chinese market, such as ISO26000, are generally trusted by European actors. Furthermore, certain important Chinese institutions, such as the Asian Infrastructure Investment Bank (AIIB), are also highly regarded concerning their responsible business standards.[170] Finally, one interlocutor remarked that the EU legislation will likely mean that audits by Chinese companies will in fact have to be acknowledged in order to avoid discrimination.[171]

Direct state-to-state interaction between the EU and China regarding responsible business is also significant. This occurs, for example, through agreements such as the Comprehensive Agreement on Investment (CAI), the ratification of which was frozen by the European Parliament due to Chinese countersanctions relating to disputes over Xinjiang.[172] The CAI contains provisions on responsible business. For example, the agreement text states that "The Parties recognize the important contribution of Corporate Social Responsibility or Responsible Business Conduct to strengthening investment's positive role in sustainable growth" and that the EU and China agree "to promote responsible business practices, including by encouraging the voluntary uptake of relevant practices by businesses, taking into account relevant internationally recognized guidelines and principles". These include the UN Global Compact, the UNGP, and the OECD Guidelines for Multinational Enterprises. Specific attention is devoted to the ratification of conventions on forced labour, reflecting EU concerns about forced labour practices in Xinjiang. The European Commission has communicated that the CAI represents a commitment to support responsible business practices by EU and Chinese companies "wherever they operate".[173]

Such an agreement, which includes clear mechanisms to solve disputes over responsible business issues, appears to be a useful tool for European actors demanding responsible business standards. However, the CAI has drawn criticism from commentators who believe that the deal still lacks adequate enforcement measures to ensure

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[167] CBI, "The European Due Diligence Act," visited 13-10-2021, https://www.cbi.eu/news/european-due-diligence-act.
[168] Interview K and Interview G.
[169] Interview K.
[170] Interview G and Interview K.
[171] Interview A.
[172] European Commission, "EU – China Comprehensive Agreement on Investment (CAI)," accessed 13-10-2021 via https://trade.ec.europa.eu/doclib/press/index.cfm?id=2237.
[173] European Commission, "Q&A: EU-China Comprehensive Agreement on Investment (CAI)," visited 13-10-2021, https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_2543.

meaningful implementation in China on issues such as labour rights.[174] Finally, more explicit references to the geographic scope of the provision could benefit European actors looking to improve responsible business standards of Chinese suppliers who operate overseas, for example in African mining sectors. Apart from agreements such as CAI, other state-to-state interaction also takes place. As mentioned above, several initiatives have existed in the past years in which Chinese policymakers were assisted by European experts to align and design responsible business standards. These collaborative projects have yielded results, such as the earlier discussed Guidelines for Social Responsibility in Outbound Mining Investments, which make relatively many references to international standards compared to other Chinese guidelines.

Interactions also take place in third countries. For example, the EU supports the African Legal Support Facility, which provides "legal advice and technical assistance to African countries in the structuring and negotiation of complex commercial transactions, creditor litigation and other related sovereign transactions".[175] Given the emphasis that Chinese companies and state institutions place on respecting local laws and customs in host countries, assisting African countries in developing legal expertise for litigation and negotiations seems a fruitful avenue to improve responsible business of foreign companies operating in Africa, for example in the mining sector.

[174] Mimi Lau, "Why labour rights issues may sink the EU-China investment deal," *SCMP*, 13-02-2021, https://www.scmp.com/news/china/diplomacy/article/3121576/why-labour-rights-issues-may-sink-eu-china-investment-deal.

[175] African Legal Support Facility, "The African Legal Support Facility to receive $5 million grant from the European Union," visited 13-10-2021, https://www.alsf.int/new/the-african-legal-support-facility-to-receive-5-million-grant-from-the-european-union.

2. Chinese Responsible Business in Practice: Approaches to Responsible Cobalt

As Part I demonstrated, the approaches to responsible business by Chinese actors within China as well as overseas are shaped by a variety of factors and in some respects differ from ideas and practices embraced in Europe. This second part of the report investigates how the Chinese approaches unfold in practice, by translating the findings (that are primarily based on secondary literature) to the specific context of the cobalt mining industry of the DRC. On the one hand, the conclusions of Part I serve to structure this analysis to realise more concrete insights. On the other hand, placing these conclusions in a specific context can help to nuance these findings. Part II aims to realise this by first briefly introducing how cobalt in the DRC is being mined, which responsible business issues occur in the process and what solutions have been proposed to tackle these. After this introduction, the focus will shift specifically to the responsible business approaches of Chinese actors in the supply chain. Finally, Part II will conclude by discussing how insights from the DRC cobalt supply industry further our knowledge of Chinese responsible business that has been described in Part I.

2.1 Cobalt Mining in the DRC and its Challenges

2.1.1 The DRC Cobalt Supply Industry

Cobalt is a chemical element that is found in the earth's crust, and which is primarily mined as a by-product of nickel and copper. Cobalt is produced by extracting, or separating, cobalt from these other chemical elements. This can be done in several ways, the most common of which is by refining. The importance of cobalt has increased in recent years, to a large extent because of its use in rechargeable lithium-ion batteries that power electronic devices and electric cars. Cobalt is also used for industrial energy storage (mainly for wind and solar), in semiconductors (as a coating of copper wiring), healthcare (implants, imaging), and in magnets for wind turbines. Cobalt-based super alloys are used in many industrial applications, including gas turbines, rocket engines, nuclear reactors, and conventional power plants. The EU has estimated that for batteries used in energy storage and mobility alone, it will need 3-15 times more cobalt in 2050 than what is currently supplied to the EU economy.[176]

The DRC is home to about 50 percent of the world's cobalt reserves and produces about 70 percent of the world's cobalt supplies.[177] Despite its wealth in cobalt and other natural resources, the country has remained underdeveloped. Conflict, corruption, and unethical practices of international business have all contributed to the country becoming a quintessential example of the 'resource curse'. The country's political system appears to be

[176] European Commission, "Strategic dependencies and capacities," 2021, accessed 14-10-2021 via https://ec.europa.eu/info/sites/default/files/swd-strategic-dependencies-capacities_en.pdf.
[177] In 2019. Estimates vary between 60 and 70%. For example, see Transport and Environment, "Cobalt from Congo: how to source it better," (2019), accessed 18-10-2021 via https://www.transportenvironment.org/wp-content/uploads/2021/07/Cobalt%20from%20Congo_how%20to%20source%20it%20better_Final.pdf.

gaining some stable footing, and the plethora of interested investors, such as in the cobalt mining industry, do provide the DRC with substantial opportunity for development. China controls a large portion of the global production and trade in cobalt. At least eight of the fourteen largest cobalt mines in the DRC are Chinese-owned or partially Chinese-owned.[178] Almost all mined cobalt in the DRC goes to China for further processing. In 2019, the DRC produced 100.000 tons of cobalt of which 97.9 percent went to China, with an estimated worth of USD 1.87 billion.[179]

The DRC-Chinese cobalt supply indusrty consists of various stages. About 80 percent of cobalt in the DRC is extracted from mines by large-scale formal mining operations (LSM), and 20 percent is extracted using artisanal and small-scale mining (ASM).[180] After extraction, the cobalt is traded directly to larger companies or through independent middlemen. After this, the material is refined in the DRC or directly shipped to China for refinement to prepare it for further use. These refiners either produce cobalt metal and powder, which is ultimately used in jet-engines, or cobalt chemicals, which are used to make batteries. In 2017, over 80 percent of these cobalt chemicals were produced by Chinese companies.[181] The cobalt chemicals are then processed into battery components. The batteries containing cobalt are sold to companies producing consumer products, such as electronic devices or vehicles. As Image 1 illustrates, the supply chain is divided into an upstream and downstream segment. The distinction between upstream and downstream is not absolute. One company may also control various parts of the supply chain, like mining and refining, or producing batteries *and* cars.

Challenges in the DRC Cobalt Industry

Issues related to lack of adherence to responsible business standards are widespread within the DRC cobalt industry. A report published by Amnesty and Afrewatch in 2016 drew large-scale international attention to many of these problems.[182] For example, the report documented very unsafe working conditions, resulting in various serious health risks and fatalities due to accidents. Furthermore, the report brought to light widespread practices of child labour at these mine sites. The authors concluded that companies further downstream in the supply chain failed to meet international due diligence standards, such as those developed by the OECD. Although the 2016 report sent shock waves through the industry, many of the problems persist. In fact, later reports on the issue have drawn attention to further problems, such as forced labour and environmental damage.[183]

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[178] Jack Farchy and Hayley Warren, "China Has a Secret Weapon in the Race to Dominate Electric Cars," *Bloomberg*, 02-12-2018, https://www.bloomberg.com/graphics/2018-china-cobalt/.
[179] Observatory of Economic Complexity, "Democratic Republic of the Congo," accessed 18-10-2021, https://oec.world/en/profile/country/cod.
[180] Fairphone, "Be part of the change: Join the Fair Cobalt Alliance," 24-08-2020, https://www.fairphone.com/en/2020/08/24/be-part-of-the-change-join-the-fair-cobalt-alliance/.
[181] Farchy and Warren, "China Has a Secret Weapon."
[182] Amnesty International, ""This is what we die for": Human rights abuses in the Democratic Republic of the Congo power the global trade in cobalt," (2016), accessed via https://www.amnesty.org/en/documents/afr62/3183/2016/en/.
[183] BBC News, "Top tech firms sued over DR Congo cobalt mining deaths," 16-12-2019, https://www.bbc.com/news/world-africa-50812616; Henry Sanderson, "Congo, child labour and your electric car," *Financial Times,* 07-07-2019, https://www.ft.com/content/c6909812-9ce4-11e9-9c06-a4640c9feebb , World Economic Forum, "Making Mining Safe and Fair: Artisanal cobalt extraction in the Democratic Republic of the Congo," (2020), accessed 18-10-2021 via http://www3.weforum.org/docs/WEF_Making_Mining_Safe_2020.pdf and Filipe Calvão, Catherine Erica Alexina Mcdonald and Matthieu Bolay, "Cobalt mining and the corporate outsourcing of responsibility in the Democratic

Most of these responsible business problems pertain to the small-scale mines in the ASM sector. This sector is divided into legal ASM, where miners are more or less regulated by the government, and illegal ASM, where they are not regulated at all. ASM became a source of livelihood for many in the DRC in the 1990s. When the DRC Mining Code of 2002 established that ASM could only take place at authorised zones where industrial mining is not viable, the illegal ASM sector was created. Very few authorised zones were established in Southern DRC, which resulted in many artisanal miners working in unauthorized and unregulated areas or trespassing at mines of industrial mining companies.[184] It is here that the most pressing human rights violations and unacceptable labour conditions take place. One interlocutor involved in auditing indicated that it is more difficult to audit and assess risks at ASM mines, as they are more loosely structured compared to the formalised structure of LSM mines.[185]

A further challenge is that companies that acquire cobalt from LSM sources also often purchase extra cobalt from the ASM sector, primarily through independent Chinese traders. This can include cobalt that is mined under unsafe and unregulated circumstances, which is subsequently mixed with cobalt that is mined under more formal conditions. It is here that supply chain transparency problems arise, because companies are not always able, or willing, to know whether the ASM cobalt comes from a properly operated and legal ASM mine, or from an unsafe illegal mine. Via mainly Chinese companies that refine cobalt both in the DRC and in China, the stream of unregulated cobalt ends up in batteries of global companies and consumer brands. As a result, many of these companies are reported to have little idea about who actually supplied the cobalt. In fact, it is generally assumed that the producer of the final product is only fully aware of its direct suppliers.

Some of these problems are the result of systemic issues within the DRC. The authors of the 2016 report emphasised, for example, that local authorities failed to protect people in this industry from human rights abuses because of weaknesses in the regulatory system, corruption, and a lack of capacity to enforce safeguards.[186] Examples have been provided by our interlocutors which describe how companies often find themselves alone in providing basic needs for local communities. The increase in population frequently outpaces the capacity of social projects implemented by these companies. Many respondents also pointed to the high levels of corruption as a challenge to their efforts to improve local conditions.[187] Interlocutors from a local NGO furthermore mentioned that issues such as child labour and forced labour remain monumental challenges that are directly driven by poverty, for which the DRC government is also responsible.[188] Under such circumstances, it is difficult to conduct business responsibly. Interlocutors have consequently stated that many of the problems are not *Chinese* problems per se, but are industry wide issues that companies from all backgrounds face in the cobalt mining sector of the DRC.[189]

Republic of Congo," *The Extractive Industries and Society,* (2021), accessed 18-10-2021, https://www.sciencedirect.com/science/article/pii/S2214790X21000290.

[184] Amnesty International, ""This is what we die for"," 5.

[185] Interview C.

[186] Amnesty International, ""This is what we die for"."

[187] Interviews.

[188] Interview D.

[189] Interviews.

2.1.2 Addressing Problems in the DRC Supply Chain

Local Legislation

The DRC government has introduced legislation to tackle many of the problems described above. The most important law for the cobalt mining industry is the 2018 Mining Code of the Democratic Republic of Congo. The mining code creates a framework of regulations for issues related to responsible business, such as environmental protection, health, safety, and labour concerns. The law furthermore regulates the formation and operation of the ASM mining zones. Human rights are addressed in the law as well, with penalties for companies that violate human rights, children's rights, and women's rights. The largest fine described in the law is for obstruction of transparency and traceability in the mining industry (USD 1 million), suggesting that the DRC government attaches importance to making the sector more transparent.[190]

The 2018 Mining Code also contains a specific chapter on 'social responsibility'. This chapter requires mining companies to contribute to the financing of community development projects, to implement socio-economic and industrial development projects for local communities affected by mining activities, and to improve living conditions of these communities. The law furthermore requires mining companies to allocate a minimum of 0.3 percent of turnover for contribution to community development projects managed by the communities themselves, as a means of addressing the poverty cycles that underlie local challenges. The understanding of social responsibility of companies applied in the law appears to be in line with common Chinese understandings, emphasising community development over responsible sourcing.

Several issues undermine the effectiveness of legislation in the DRC, however. Most notably is the issue of corruption, which interlocutors have stressed is a systematic challenge of operating in the DRC.[191] For example, state officials have been reported to profit from mining activities at illegal ASM sites by controlling the access to such sites and demanding illegal payments from local artisanal miners. At the same time, these officials are "turning a blind eye to the unsafe conditions in which miners work that breach DRC's own laws, including the prohibition on child labour in mines".[192] Such problems contribute to the low levels of trust in the authorities among the local population. One interlocutor indicated that this explains why local communities often prefer to engage with mine operators directly to discuss responsible business issues, over approaching DRC government officials.[193] Another issue is the lack of enforcement of laws and standards by the authorities. This was one of the central criticisms of Amnesty and Afrewatch in 2016, as they concluded that the government failed to enforce laws that were in place at ASM sites.[194] Unfortunately, one of the closely involved organisations interviewed indicated that the local population still complains about low levels of law enforcement today.[195]

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[190] Cabinet du Président de la République, "Mining code of the Democratic Republic of Congo," (2018), accessed via https://eiti.org/files/documents/j_o_ndeg_speicial_du_28_mars_2018_code_minier.pdf.
[191] interview H.
[192] Amnesty International, ""This is what we die for"," 8.
[193] interview H.
[194] Amnesty International, ""This is what we die for"."
[195] interview H.

Platforms to Improve Responsible Business

Besides legislation by the DRC government, several platforms exist that aim at improving responsible mining in the DRC (see Table 1 for a selected overview). Some of these initiatives are run by organisations active in the supply chain that represent commercial interests, such as companies, trade organisations, or chambers of commerce. These initiatives can be commercial themselves as well and tend to focus on improving transparency, for example by mapping the supply chain or offering assessments and/or certification for their members. Other initiatives are run by NGOs and focus mostly on improving standards in the ASM sector. However, there is a lot of overlap between these initiatives in terms of both their aims and methods, as well as the actors that join them. The DRC government has joined several international platforms to tackle responsible business problems in its extractive sectors. For example, in order to improve the transparency of the supply chain the DRC government has become a member of the Extractive Industries Transparency Initiative.[196] Another noteworthy commitment by the DRC government has been the participation in CAP in 2020.[197]

According to many of our interlocutors, industry-wide platforms have proven to be very helpful in improving responsible practice. In these initiatives, different types of organisations work together to provide a clearer overview of the supply chain, and organise audits and other means to assess the companies operating within it. The platforms present a viable and indispensable resource for more downstream companies to get an overview of their suppliers. As mentioned above, these companies often have a very limited idea of which businesses are indirectly supplying them, and such information is obviously crucial when practicing due diligence. According to interlocutors, the seemingly obvious emphasis on improving transparency is at the heart of transforming the cobalt value chain, yet has only recently been embraced.[198]

The platforms also make it easier for smaller companies, who would otherwise have very little leverage, to cooperate and speak with one voice when making demands. The platforms furthermore provide downstream companies with valuable information, various standards, and auditing mechanisms, all of which can supplement their due diligence efforts. Moreover, since global concerns regarding responsible business practices are harmful for all companies within the cobalt supply chain, it makes sense to engage with stakeholders who would otherwise only be regarded as competitors. These platforms offer opportunities to build trust between different stakeholders and help the complete supply chain to move towards better standards. This is crucial, as interlocutors from across the board indicated that collective action is the only way to resolve challenges in the supply chain.

[196] EITI, "Democratic Republic of Congo," accessed 18-10-2021, https://eiti.org/democratic-republic-of-congo.
[197] Unicef, "DRC Minister of Mines Joins Cobalt Action Partnership," accessed 18-102-21, https://www.unicef.org/drcongo/en/press-releases/drc-minister-mines-joins-cobalt-action-partnership.
[198] Interview E and Interview C.

Name of initiative	Type of initiative	Main purpose
Responsible Minerals Initiative (RMI)	Industry association of mainly international and Chinese consumer goods companies	Developing mechanisms for mineral supply chain due diligence
Responsible Mining Foundation (RMF)	Research NGO (Switzerland)	Mapping responsible business policies in extractive value chains
Responsible Cobalt Initiative (RCI)	CCCMC [199] -run industry initiative for international consumer companies and Chinese cobalt producers	Minimising responsible business risks of ASM cobalt in DRC
Cobalt Institute (CI)	Industry association for companies involved in cobalt production	Protecting, growing, and enhancing the reputation of the cobalt market
Extractive Industries Transparency Initiative (EITI)	NGO for standard-setting in extractive industries	Implementing standards to promote open and accountable management
PACT	Development NGO	Improve the ASM sector and the lives of artisanal miners
Drive Sustainability	Industry association for car manufacturers	Improve sustainability in the automotive supply chain via procurement process
Global Battery Alliance (GBA)	Public-private platform of companies, NGOs and other organisations under the World Economic Forum	Developing a circular, sustainable, and responsible battery value chain
Cobalt Action Partnership (CAP)	Public-private coalition (in collaboration with the Global Battery Alliance)	Promoting engagement and commitment of companies towards a responsible cobalt supply chain

Table 1: Important initiatives in DRC cobalt mining industry

Formalizing the ASM Sector

Mining companies have reacted differently to the controversy over responsible business issues in ASM. Some have cancelled all cobalt purchases from the ASM sector. Others continue to purchase ASM cobalt while trying to work with the DRC government and other organisations to improve working conditions.[200] One way this could be done is by further formalising the ASM sector. The Entreprise Générale du Cobalt (EGC), a subsidiary of the DRC state-owned mining company Gécamines, plays an important role in this effort. Currently, most of the cobalt

[199] Chinese Chamber of Commerce for Metals, Minerals & Chemicals Importers and Exporters CCCMC

[200] Henry Sanderson, "China's top cobalt producer halts buying from Congo miners," *Financial Times*, 28-05-2020, https://www.ft.com/content/ce9af944-fb70-4576-88d0-dc76821facfd ; https://en.cmoc.com/html/2021/News_0621/45.html; CMOC, "CMOC and IXM join the Fair Cobalt Alliance to assist in the professionalization of the ASM cobalt sector," accessed 18-10-2021, https://www.mining.com/china-moly-joins-small-scale-mining-initiative/.

mined by the informal sector is traded by middlemen and sold on to larger cobalt companies, creating a non-transparent situation. To remedy this, EGC has been granted a monopoly on purchasing and marketing cobalt from the legal ASM sector.

When EGC was launched, it pledged that: "We are going to eliminate child labour, we are going to eliminate labour by pregnant women and we are going to eliminate fraud in this sector so that the cobalt will be responsible cobalt." These are considered priorities by the EGC because consumers are so concerned with these problems that companies are trying to eliminate or at least drastically reduce the use of cobalt in their batteries.[201] A deal with Trafigura, a trading company based in Singapore and registered in the Netherlands, was the first major agreement under the new EGC monopoly.[202] The deal is aimed at purchasing from controlled artisanal mining zones, thereby formalising the semi-illegal artisanal mining sector. Trafigura will fund these zones and set up specialised purchasing stations. These zones and stations are for common use, and not exclusive to Trafigura. EGC will ensure that cobalt purchased by Trafigura complies with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.[203] EGC will also set up a Technical Committee to promote responsible sourcing due diligence.

However, the formalisation of ASM has resulted in various challenges, such as more opportunities for corruption. Furthermore, the increased use of private security companies at controlled ASM mine sites has led to incidents with trespassing individuals.[204] Interlocutors have also argued that the formalisation of ASM increases operational costs within the sector, undermining the accessibility of ASM for local populations. Instead, making ASM sites safer, while allowing them to run at lower costs, should be a priority.[205] Furthermore, it has been highlighted that many of the problems in the ASM sector are not so much related to human rights transgressions (such as child labour or forced labour), but mostly to an inability to operate safely due to a lack of machinery. Such problems would not be directly solved by formalising the ASM sector but instead require input in the form of resources to improve conditions.[206]

2.2 Chinese Responsible Business Approaches in the DRC Cobalt Industry

The dominance of Chinese companies in the DRC cobalt mining industry combined with the serious responsible business issues and the international demands to improve conditions makes it very interesting to analyse how Chinese actors approach responsible business in this particular context. The approaches of both state-institutions and individual Chinese companies are discussed.

[201] Eric Olander, "For the DRC, EV batteries without cobalt is bad news," accessed 18-10-2021, https://www.theafricareport.com/95739/for-the-drc-ev-batteries-without-cobalt-is-bad-news/.
[202] Hereward Holland, "UPDATE 4-Trafigura signs artisanal cobalt supply deal with Congo," *Reuters*, 23-11-2020, https://www.reuters.com/article/congo-mining-trafig-idUSL1N2I90AO.
[203] OECD, "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas."
[204] Calvão, Mcdonald and Bolay, "Cobalt mining and the corporate outsourcing of responsibility in the Democratic Republic of Congo".
[205] Interview C.
[206] Interview C.

2.2.1 The Role of the Chinese State

Multilateral relations between China and Africa and the relation between China and the DRC play an important role in shaping Chinese responsible business approaches in the cobalt mining sector. China-Africa relations have deepened, particularly since China's 'Year of Africa' was announced in 2006 and the first series of financial pledges through the Forum on China-Africa Cooperation (FOCAC) were made. At the 2018 Beijing Summit of this forum, the organisation launched the FOCAC Beijing Action Plan (2019-2021), which addresses the issue of responsible business.[207] According to Xi Jinping's speech made in Beijing, broad support was expressed for the need to tackle issues of responsible business in China-Africa cooperation. In the action plan, responsible business is mentioned once: "China will support Chinese companies in Africa to forge alliances of corporate social responsibilities."[208]

One concrete outcome of the 2018 FOCAC summit is the Chinese Alliance for Corporate Social Responsibility in Africa, which was announced by President Xi Jinping during the meeting.[209] This government-backed company alliance was set up to support responsible business policies of Chinese companies in Africa. Members of the Alliance are Chinese companies operating in Africa, Chinese chambers of commerce, and other government entities. The initiative was a response to the increased scrutiny Chinese companies faced on responsible business issues since the start of the BRI. A text by the Chinese Ministry of Foreign Affairs introducing the Alliance explains that Chinese companies lacked a clear direction for responsible business: "Chinese companies still have insufficient understanding of overseas social responsibility work, with poorly targeted actions, and insufficient results." The Alliance is supposed to remedy this by creating a more comprehensive and overarching approach, bringing relevant ideas and experiences together. The main driver behind the implementation of the Alliance is the Chinese Chamber of Commerce for Metals, Minerals & Chemicals Importers and Exporters (CCCMC).[210] So far, the implementation of the Alliance has not yielded many concrete results on the ground in Africa. However, considering its announcement by Xi Jinping himself, the initiative can be expected to have a certain priority.

China-DRC relations have a long history and were established with the then-Republic of Zaire in 1972. In the 1970's and 1980's the relationship was mainly characterized by development assistance. Relations became more mature in the early 2000's when bilateral trade and Chinese investments in the DRC increased. China's foray into the DRC's mining industry began in 2007, when the countries jointly set up Sino Congolaise des Mines (Sicomines), a mining joint venture between DRC's state-owned mining company Gécamines (32 percent ownership) and a

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[207] Chinese Ministry of Foreign Affairs, "Forum on China-Africa Cooperation Beijing Action Plan (2019-2021)," accessed 18-10-2021, http://www.focac.org/eng/zywx_1/zywj/t1594297.htm.

[208] Chinese Ministry of Commerce, "Elaboration on the Eight Major Initiatives of the FOCAC Beijing Summit," accessed 18-10-2021, http://english.mofcom.gov.cn/article/policyrelease/Cocoon/201809/20180902788698.shtml.

[209] Sino-Swedish Corporate Social Responsibility Website, ""联盟"把中国企业海外社会责任带到新高度["Alliance" Brings Chinese Enterprises' Overseas Social Responsibility to New Heights]," accessed 17-09-2020, http://csr.mofcom.gov.cn/article/hwlz/zczn/201809/20180902787449.shtml.

[210] CCCMC, "王茂春副会长出席中国在非企业社会责任联盟筹备会[Vice Chairman Wang Maochun attended the preparatory meeting of the China-Africa Corporate Social Responsibility Alliance," accessed 18-10-2021, http://www.cccmhpie.org.cn/Pub/1445/176345.shtml.

consortium of Chinese companies (68 percent ownership).[211] It was a resource-for-infrastructure deal, with the Chinese side committing to USD 3 billion of infrastructure projects in return for mining concessions for copper and cobalt. The deal has received criticism over the years for its lack of transparency, overcomplexity, and the growing indebtedness of the DRC, but did bring large Chinese investments into the country.[212]

This and subsequent mining deals brought more trade opportunities, aid, and construction to the DRC. According to Chinese figures, between 2015 and 2019, DRC exports to China increased by 70 percent and imports from China by 47 percent. Chinese officials state its total investments in the DRC stand at USD 10 billion, with 80 Chinese companies operating in the country, creating some 50.000 jobs.[213] More than half of the total DRC exports in 2019 went to China, while 28.5 percent of total imports were from China. In January 2021, the DRC joined the BRI, with China promising more investments, trade, and diplomatic support.[214] As discussed above, China's role in the cobalt industry in the DRC is very large, with Chinese companies controlling a majority of cobalt mines and almost all mined cobalt being exported to China.

The Chinese government states that China has been conducting many projects to support development in the DRC, including the construction of hospitals, vocational training centres and schools, and more recently, through COVID-19 assistance.[215] At the same time, Chinese mining companies have long faced criticism about the lack of responsible business practices in local communities as compared to what they promised to do as part of their responsible business commitments. In May 2021, DRC president Felix Tshisekedi made a highly publicised tour of the mining provinces of Haut-Katanga and Lualaba, where he was surprisingly critical of the conditions in the mining industry. He did not call China out by name, but considering the dominance of Chinese companies in the industry and his use of a typical Chinese slogan ('win-win'), his target was arguably clear enough when he stated: "It is time for the country to readjust its contracts with the miners to seal win-win partnerships."[216]

China's embassy in the DRC plays a pro-active role in the responsible business policies of Chinese companies operating in the country. The embassy emphasises the need for good behaviour of Chinese companies active in the DRC. In an interview in 2021, aimed at attracting more Chinese investments to the DRC, the Chinese ambassador stated that "China-Congo cooperation is carried out on the basis of mutual respect, mutual benefit, and win-win results. In Congo, Chinese companies uphold the correct concept of justice and profit, strictly abide

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[211] Johanna Jansson, "The Sicomines Agreement: Change and Continuity in the Democratic Republic of Congo's International Relations," (2011), acessed via https://www.files.ethz.ch/isn/146024/saia_sop_97_jansson_20111031.pdf and Sicomines, "华刚矿业股份有限公司简介[About Huagang Mining Co., Ltd.]," visited 18-10-2021, http://www.sicomines.com/cn/MainNews.aspx?NodeId=A2101&ParentId=A210.
[212] Johanna Jansson, "China – DRC Sicomines deal back on track," accessed 18-10-2021, https://www.theafricareport.com/4086/china-drc-sicomines-deal-back-on-track/.
[213] Dong Feng, "China and the DR Congo strengthen bilateral ties," *Global Times,* 21-09-2021, https://www.globaltimes.cn/content/1201590.shtml.
[214] CGTN, "China and DRC sign MoU on Belt and Road cooperation," *CGTN,* 07-01-2021, https://news.cgtn.com/news/2021-01-07/China-and-DRC-sign-MoU-on-Belt-and-Road-cooperation-WQDfnIxRq8/index.html.
[215] Antoine Roger Lokongo, "How do the congolese people themselves view chinese investmenst in DRC?," visited 18-10-2021, https://caspu.pku.edu.cn/en/viewassemble/230979.html and Zhang Yu, "Chinese medical team goes to aid African nation," *China Daily*, 11-05-2020, https://www.chinadaily.com.cn/a/202005/11/WS5eb9461da310a8b241154dc6.html.
[216] Rédaction Africanews, "DRC: President Tshisekedi to renegotiate mining contracts," visited 18-10-2021, https://www.africanews.com/2021/05/14/controversy-over-the-location-of-amazon-african-headquarters-in-cape-town-south-africa//.

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by local laws and regulations, and do not engage in short-sighted and speculative behaviours. They have made positive contributions to the Congolese government to increase tax revenue, expand employment, promote economic development and improve people's livelihood."[217] On visits to Chinese companies in the DRC, the embassy regularly mentions responsible business in speeches and talks. For example, on a visit to Lubumbashi, the embassy's cultural counsellor informed a gathering of companies that "Chinese enterprises and overseas Chinese should raise their safety awareness, fulfil their social responsibilities, and promote China-Congo friendship." The embassy has also ordered Chinese companies to take the lead in the fight against the Covid-19 pandemic, by "prevention and control of the epidemic in the community, strengthen cooperation with local governments, strengthen self-protection, and actively fulfil social responsibilities."[218]

On request of the DRC Ministry of Mines, the Chinese embassy supported the founding in 2018 of the Union of Mining Companies with Chinese Capital (USMCC), a business association of 36 members based in Lubumbashi. Members are mainly Chinese mining companies and mining construction companies. The association's primary goal is to improve and coordinate communication between the Chinese mining companies and the DRC government. The USMCC functions as a "non-profit, self-regulating non-governmental organisation" but appears to be working in close coordination with the embassy.[219] According to local media, the USMCC's activities are "strictly in accordance with Congolese laws and regulations and Chinese government policies and regulations."[220] The association has a responsible business program. Chinese companies providing aid to battle Covid-19 in the DRC are considered to do so as part of the responsible business program, and their interventions are not primarily framed as a healthcare project.[221] In 2019, the USMCCC "under the leadership of the Chinese Embassy in the DRC" contributed funds for the modernization of the Academy of Fine Arts in Kinshasa as well, because the academy "contributes to Sino-Congolese cultural exchanges".[222]

In September 2021, DRC authorities suspended the activities of several smaller Chinese mining companies for breaking local laws and international standards. In response, the Chinese government ordered these companies

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[217] China Investment Reference, "【认识非洲】中国驻刚果民主共和国大使朱京：携手前行 共谱中刚合作新乐章｜中国投资 [Knowing Africa] Zhu Jing, Chinese Ambassador to the Democratic Republic of Congo: Join hands to compose a new chapter of China-Congo cooperation," visited 18-10-2021, https://mp.weixin.qq.com/s/SMueMzqLTdht22-NzVSFYA.

[218] Chinese Embassy in the DRC, "驻刚果（金）使馆举行中资机构新冠肺炎疫情防控工作会议[The Chinese Embassy in the Democratic Republic of the Congo held a meeting on the prevention and control of the new crown pneumonia epidemic among Chinese-funded institutions]," visited 18-10-2021, http://cd.chineseembassy.org/chn/xwdt/t1764685.htm.

[219] Chinese Embassy in the DRC, "朱京大使会见刚果（金）中资矿业企业协会会长`[Ambassador Zhu Jing Meets with the President of the Congo (DRC) Association of Chinese Mining Enterprises]", visited 25-10-2021, http://cd.china-embassy.org/chn/sghd/t1724382.htm and, Pengxinzy, "刚果（金）中资矿业企业协会正式成立 SMCO 成功当选协会理事[The Congo (DRC) Chinese Mining Enterprise Association was formally established. SMCO was successfully elected as a council member of the association],"visited 25-10-2021, http://www.pengxinzy.com.cn/business/news/view.htmls?id=86.

[220] ACP Congo, "Amitié sino congolaise : incrustation en RDC de l'Union des sociétés minières aux capitaux chinois," visited 25-10-2021, https://acpcongo.com/index.php/2020/10/27/amitie-sino-congolaise-incrustation-en-rdc-de-lunion-des-societes-minieres-aux-capitaux-chinois/

[221] Chinese Embassy in the DRC, "中资矿业企业协会在行动！一百万美元强力支援刚果（金）矿业大省防范新冠肺炎疫情 [The Chinese Mining Enterprise Association is in action! One million U.S. dollars to strongly support the Congo (DRC) mining province to prevent the new crown pneumonia epidemic]," visited 25-202-21, http://cd.chineseembassy.org/chn/sghd/t1771772.htm.

[222] China Culture, "中国驻刚果（金）大使出席中矿企协捐建金沙萨美术学院校舍项目开工仪式 [The ambassador to Congo (DRC) held a video conference with representatives of Chinese mining companies in Congo], visited 25-10-2021, https://www.fmprc.gov.cn/web/zwbd_673032/jghd_673046/t1902481.shtml.

to leave the DRC. A high-ranked Chinese official clarified the move by stating that "We will never allow Chinese companies in Africa to violate local laws and regulations."[223] This development is in line with what an interlocutor has noted prior to the recent incident, stating that the Chinese embassy has at times sent non-compliant companies back to China.[224] It is also another indication of the emphasis that Chinese authorities place on respecting local laws and working within local frameworks of engagement.

2.2.2 Responsible Business Approaches by Chinese Companies in the DRC Cobalt Industry

The following section discusses the responsible business efforts of Chinese companies in the DRC cobalt industry. In total, there are 11 Chinese (LSM) companies operating in the DRC. For this discussion, three companies have been selected, based on their large role in the industry. These are: Huayou Cobalt, China Molybdenum (CMOC), and Hanrui Cobalt. All three companies devote considerable attention to the issue of responsible business on their websites and have published responsible business reports. A few things stand out from the responsible business approaches of these companies, and specifically the way in which they communicate to the outside world about their efforts.

First of all, the communication on responsible business of all three companies reflects the priorities of Chinese approaches to responsible business, as they are in line with the Chinese emphasis on contributions to community development. For example, Huayou's website includes a 'Community Improvement' page which describes how the company constructed new buildings for a local school.[225] CMOC runs several community projects, including a five-year program with the local DRC government for which CMOC provides USD31 million. CMOC also has also aided in the fight against Covid-19 by donating an ambulance and testing kits to local communities. For these donations, CMOC cooperated with the Chinese embassy in the DRC and with the abovementioned Association of Chinese Mining Companies in the DRC. To run such programs, CMOC's local subsidiary has set up a 'social responsibility steering committee', which it claims was partially a response to requirements found in the DRC's 2018 Mining Code. In China, CMOC won the 2020 Golden Bee Corporate Social Responsibility China List-Overseas Responsibility Enterprise Award for its "community livelihood projects" at its mining sites in the DRC.[226] Hanrui Cobalt also runs several social responsibility projects in the DRC. The company and its subsidiaries subsidised several schools and hospitals and donated to welfare projects, such as the drilling of wells.[227]

Alignment with Chinese priorities is also apparent from the important role that instructions and guidance by institutions with links to the Chinese state play in driving the responsible business approaches of these companies, including from both Chinese stock exchanges and CCCMC. For example, Huayou's report states that it conforms

[223] Jevans Nyabiage, "Chinese mining firms told to stop work and leave Democratic Republic of Congo," *SCMP*, 16-09-2021, https://www.scmp.com/news/china/diplomacy/article/3148897/chinese-mining-firms-told-stop-work-and-leave-democratic.
[224] Interview F.
[225] Huayou Cobalt, "Responsible Supply Chain," visited 25-10-2021, http://en.huayou.com/social111.html?introId=64.
[226] CMOC, "CMOC's CSR efforts honored with the GoldenBee Overseas CSR Award," visited 25-20-2021, https://en.cmoc.com/html/2020/News_0807/33.html.
[227] http://www.hrcobalt.com/news/44.html http://www.hrcobalt.com/news/45.html http://www.hrcobalt.com/news/46.html http://www.hrcobalt.com/news/47.html

to requirements of the Shanghai Stock Exchange.[228] CMOC's report states that it is compiled based on the Environmental Information Disclosure Guide of the Shanghai Stock Exchange (SSE) and the Hong Kong Exchange Environmental, Social and Governance Reporting Guide.[229] The important role of stock exchanges has also been underlined by one interlocutor representing a Chinese company in the supply chain.[230] Furthermore, Huayou and Hanrui both indicate that their responsible business policies are informed by the guidance of the CCCMC.[231] This guidance, discussed earlier, is actually relatively aligned with international standards. In fact, according to Amnesty International, "CCCMC has recognized the importance of due diligence, including in relation to supply chains and human rights" in its guidelines. When operating in accordance with this guidance, "Chinese companies can seek to avoid causing or contributing to adverse human rights impacts through their own activities and should be able to positively influence the practices of other companies in their supply chains."[232]

The orientation of the CCCMC guidance towards international expectations is in line with a second finding in the communication on responsible business of Chinese companies, namely that they are responsive to international demands. This is, first of all, apparent from the emphasis these companies put on aligning their practices with international standards. For example, Huyaou refers to internationally accepted standards on its website, stating that it has the first responsible cobalt supply chain due diligence system in the whole industry according to the guidance of the UN and the OECD.[233] Huayou's responsible business report of 2019 furthermore states that it was "Prepared with reference to the GRI Standards issued by the Global Reporting Initiative (GRI), and the Environmental, Social and Governance (ESG) Reporting Guide, by combining the United Nations Sustainable Development Goals (UN SDGs) and ISO26000/GB/T36000-2015 (Guidance on Social Responsibility)."[234] CMOC similarly states that its compliance and sustainability policies make reference to international frameworks such as the UNGP and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.[235] Hanrui Cobalt states in its 2020 Due Diligence report that it is guided by the same OECD guidelines.[236]

The responsiveness to international demands also appears from the inclusion of certain topics in the communication by these companies that reflect European priorities of responsible business. For example, the

[228] For example: Hanrui Cobalt, "Kamimbi public welfare project of Congo (democratic republic of Korea) business department of hanrui cobalt industry has been partially completed," visited 25-10-2021, http://en.hrcobalt.com/news/4.html. For an overview, see Hanrui Cobalt's news feed: "Company News," visited 25-10-2021, http://en.hrcobalt.com/news/2/#c_portalResNews_list-15676475225501235-1.
[229] CMOC, "2019 Environmental Social and Governance Report – China ," accessed via https://en.cmoc.com/uploadfile/2021/0323/20210323060914573.pdf.
[230] Interview E.
[231] Huayou Cobalt, "Supply Chain Due Diligence," visited 25-10-2021,http://en.huayou.com/social.html and Hanrui Cobalt, " Hanrui Cobalt: Cobalt Supply Chain Due Diligence Audit by RCS Global," visited 25-10-2021, http://www.hrcobalt.cn/en.hrcobalt.com/shzr/i=42&comcontentid=42.html.
[232] Amnesty International, "Phillippines: Undermining Workers' Rights," (2021), accessed via https://www.amnesty.org.ph/wp-content/uploads/2021/08/Philippines_Undermining_Workers_Rights-ASA3543892021ENGLISH.pdf.
[233] Huayou Cobalt, "Supply Chain Due Diligence".
[234] Huayou Cobalt, "Corporate Social Responsibility Report 2019," accessed via https://v1.cecdn.yun300.cn/100001_1903055002/2019%20CSR%20Report.pdf.
[235] CMOC, "2019 Environmental Social and Governance Report – China."
[236] Hanrui Cobalt, "Hanrui Cobalt 2020 Due Diligence Report," accessed via https://v4.cecdn.yun300.cn/100001_2008055064/%E5%AF%92%E9%94%90%E9%92%B4%E4%B8%9A2020%E5%B9%B4%E5%BA%A6%E5%B0%BD%E8%B4%A3%E7%AE%A1%E7%90%86%E6%8A%A5%E5%91%8A%20%E8%8B%B1%E6%96%87%20%E7%BB%88%E7%A8%BF.pdf.

responsible business section of Huayou's website includes separate pages which describe the company's policies regarding 'labour practices and human rights'. CMOC's 'Sustainability Executive Committee' is tasked with "formulating and issuing company-level key policies on sustainable development, including but not limited to: environment, safety, community, anti-corruption, human rights, labor force, supply chain and others".[237] These references to issues such as human rights and corruption reflect European priorities. Another illustration of this development is that interlocutors have indicated that the concept of 'ESG' is gaining traction, which Chinese companies understand as being broader than 'CSR' or 'social responsibility', and to also include governance issues.[238]

Furthermore, the three companies also demonstrate a willingness to convince international actors of their business conduct by working together with non-Chinese auditors. Huayou commissioned Bureau Veritas, a Paris-based certification company with offices in China and the DRC, for third-party verification of its responsible business report "to improve the credibility of the report". Since 2018, Huayou has "monitored" its mining sites in cooperation with the Better Mining programme, developed by the RCS Group, a commercial auditor with offices around the globe.[239] In turn, CMOC has hired MSCI, a New York-based research and rating company with offices in China, for the verification of its responsible business reports.[240] In order to check whether its policies are indeed aligned with OECD and UNGP standards, CMOC makes use of external verification companies, such as a UK-based consultancy and ratings company. CMOC also states that all its mining sites "undergo recurrent third-party audits" to check compliance with international standards, including ISO14001 and OHSAS18001.[241] Hanrui mentions that it has been audited by RCS Global Group, an audit that was commissioned by Daimler.[242] Earlier, in 2017, Hanrui was audited in a similar way by Apple.[243]

Finally, both CMOC and Huayou have founded or joined multiple international industry-wide platforms that work on responsible business. Huayou is a co-founder of the Fair Cobalt Alliance, which runs responsible business projects at Huayou's DRC mining sites.[244] The company has also developed a sustainable cobalt sourcing checklist with PACT.[245] CMOC is also a member of platforms such as the Cobalt Institute and the Fair Cobalt Alliance. When joining the latter, CMOC said in a press release that its main motivation to do so was to "improve conditions in ASM communities, such as poverty-driven child labour and working conditions."[246]

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[237] CMOC, "CMOC established the Sustainability Executive Committee," visited 25-20-2021, https://en.cmoc.com/html/2019/News_1021/15.html.
[238] Interview E.
[239] International Mining, "RCS Global & Responsible Minerals Initiative expand DRC cobalt & copper Better Mining artisanal mine monitoring program," visited 25-10-2021, https://im-mining.com/2020/08/13/rcs-global-responsible-minerals-institute-expand-drc-cobalt-better-mining-artisanal-mine-monitoring-program/.
[240] MSCI.
[241] CMOC, "Environmental Social and Governance Report," accessed 25-10-2021 via https://en.cmoc.com/uploadfile/2021/0323/20210323060914573.pdf.
[242] Hanrui Cobalt, "Hanrui Cobalt 2020 Due Diligence Report."
[243] Hanrui Cobalt, " Hanrui Cobalt: Cobalt Supply Chain Due Diligence Audit by RCS Global."
[244] Michael Greenfield, "Glencore, Huayou create body to 'professionalize' artisanal mining," visited 25-10-2021, https://www.metalbulletin.com/Article/3947665/Glencore-Huayou-create-body-to-professionalize-artisanal-mining.html.
[245] DNV GL, "Audit Report on Congo Dongfang International Mining sarl.," accesed 25-10-2021 via https://www.lgchem.com/asset/doc/Audit_Report_CDM_2018.pdf.
[246] https://en.cmoc.com/html/2021/News_0621/45.html

The willingness to meet international standards and cooperate with international auditing processes has so far appeared mostly from the communication of these companies themselves. Multiple respondents from independent organisations have confirmed that Chinese companies are in practice also relatively willing to cooperate with auditing or certification programs, especially when this is presented as a business case.[247] Representatives from European companies in the sector have also observed the many references and commitments towards international standards by Chinese companies in the DRC cobalt industry. According to an interlocutor representing a European company in this sector, these companies have faced increasing demands from their international customers to do so, also regarding the issue of supply chain transparency. They have learned how to respond to European demands and are increasingly providing the reporting in ways that ticks all the right boxes.[248] One interlocutor representing a Chinese company in the supply chain has confirmed that downstream clients are indeed making significant responsible business-related demands regarding their operations in the DRC.[249]

Demands from international customers, including from Europe, however, are not the only factor behind the increased adoption of internationally acknowledged practices by Chinese companies in the DRC cobalt industry. Multiple interlocutors have indicated that the adoption by Chinese companies of higher standards also relies to a large extent on the requirements of the DRC government.[250] Furthermore, reports by international NGOs have also been put forward as a factor in effectuating change.[251]

However, the increased references and stated commitments regarding internationally acknowledged standards and practices by Chinese companies does not automatically convince every stakeholder that they are actually put into practice. In fact, our interlocutors report a lack of trust between different actors within the supply chain. One factor that could explain the distrust from the side of European stakeholders is the fact that many auditors and certifiers active in the DRC cobalt industry audit the responsible business policies and reports of Chinese companies as a whole, not just their activities in the DRC. Furthermore, since many of these auditors have offices in China, they need approval by Chinese government-backed organisations when operating from this specific office. Other auditing companies are Sino-foreign joint ventures, which will have to meet the same requirements. Distrust is furthermore fuelled by an unequal balance of power between supplier and client. Smaller companies in Europe have little choice but to accept the information provided by suppliers. The dependency on large Chinese suppliers makes it difficult for these companies to make demands and requests audits.[252]

The low levels of trust are illustrated by the comments of one interlocutor from a European company, who questions the credibility of the responsible business reporting of Chinese companies in the DRC cobalt industry and is unsure about the trustworthiness of the organisations that audit these companies. Only European third-party auditors would suffice, according to the interlocutor, as they are up to date about European standards and

[247] Interview C; Interview H.
[248] Interview B.
[249] Interview E.
[250] Interview D; Interview C.
[251] Interview C.
[252] Interview B.

demands.[253] The lack of trust within the industry goes both ways, however. For example, Chinese companies are hesitant to be audited by companies put forward by European companies for fear of partiality.[254] Finding a neutral and trustworthy middle ground for all parties is therefore necessary, but difficult. Existing industry-wide associations, in which Chinese and non-Chinese businesses cooperate to overcome risks that face the whole sector as a result of negative publicity, can help to solve these problems.

2.3 Chinese Responses to Responsible Business in Practice

The discussion of the approaches to responsible business by both Chinese state institutions and Chinese companies in the DRC cobalt industry makes it possible to revisit the findings of Part I and analyse how the characteristics of these approaches unfold in practice. This also provides insights into how European interactions with Chinese responsible business approaches and practices, as discussed in Part I, can help to make the business conduct of Chinese companies operating in the DRC more responsible.

The role of the state

First of all, the analysis of the cobalt mining industry in the DRC has confirmed the findings discussed in Part I, namely that the Chinese state plays an important role in shaping responsible business of Chinese companies overseas. Furthermore, it has illustrated what this process looks like in practice. Concerned about the international image of the country and its companies, the Chinese government has, first of all, created frameworks of international cooperation with Africa and the DRC in which it reassures these regions of China's commitment to responsible business. Certain aspects of aid and development cooperation are specifically framed as responsible business projects, and the government highlights the role of Chinese companies within these programs.

Furthermore, the Chinese government has set up alliances of Chinese companies in both Africa and in the DRC specifically. These efforts are designed to underline Chinese commitments to responsible business by pooling resources, unifying approaches, and conducting projects, often "under the leadership of the Chinese Embassy in the DRC'' or other state-institutions. The Chinese embassy in the DRC is able to influence the responsible business policies of Chinese companies to a considerable degree and has the leverage to demand companies to fund non-business related projects that are important for diplomatic relations, but not directly for the companies themselves.

Another indication of the influence of the Chinese state are the references made by companies to regulations or guidelines by institutions with relatively close proximity to the Chinese state. The responsible business reports of Chinese companies in the DRC cobalt industry stress their alignment with the requirements of Chinese stock exchanges and the CCCMC. The major role of the state indicates that it is important for European actors to continue to engage with the Chinese government on responsible business in bilateral and multilateral settings, as

[253] Interview B.
[254] Interview E.

it is a major driver of change. Earlier cooperation has demonstrated that China is open for engagement on this topic, while the 2021 'Guidelines for Green Development in Foreign Investment and Cooperation' have shown a willingness from the Chinese state to meet international demands.

Host country interactions

Chinese companies in the DRC cobalt chain have stressed their engagement with local communities. However, this engagement focuses on charitable activities in order to promote local development. Community engagement in the sense of creating channels for locals to voice concerns or promoting participation among locals in decision making processes has not appeared to be a priority for the Chinese state or Chinese companies. This is in line with what has been described in Part I. One indication of the lack of priority given to community engagement is the fact that communication is hindered by a language barrier, as important information is often only available in Chinese and senior level management generally cannot communicate in the local language. At the same time, it has been noted that improvements have been made in this area by Chinese actors.[255]

What Part I also found is that pressures in host countries are very important in shaping responsible business of Chinese companies overseas. The discussion of DRC's cobalt mining industry demonstrates what this looks like in practice. First of all, abiding by local laws and regulations is stressed especially by the Chinese government, for example by China's ambassador to the DRC and the Chinese government-backed USMCC. Chinese companies also state that they respond to requirements found in local laws, such as the 2018 DRC Mining Code. It therefore appears that the Chinese government and Chinese companies indeed stress the importance of local regulations. This is underlined by our interviewees, who state that the adoption of higher standards by Chinese companies is dependent on local requirements in the DRC.[256]

However, the DRC is an example of a country with high levels of corruption and low levels of law enforcement. This re-emphasises the issue that has been highlighted in Part I as well, of Chinese state institutions and companies attaching a high level of importance to adhering to local regulations, while the regulatory systems in many of the countries in which these companies operate is relatively weak. Added to this is the nature of the extractives industry itself, which is uniquely positioned and renowned as a sector that is challenging to regulate. This underlines the importance of supporting developing countries in strengthening mechanisms that ensure accountability and law enforcement, such as the African Legal Support Facility. Furthermore, multiple interlocutors have indicated that civil society has an important role to play in this regard, mainly by putting pressure on the DRC government to improve conditions. The 2018 Mining Code is, to a large extent, the result of demands from civil society organisations.[257] This indicates that if European actors would like to contribute to improving conditions in this specific context, engaging with NGOs in countries hosting Chinese investments can be an effective way to do so.

[255] Interview C.
[256] Interview D and Interview C.
[257] Interview F and Interview D.

The nature of responsible business

Part I discussed how the understanding of responsible business by Chinese actors generally emphasises charitable activities related to community development and poverty alleviation. The DRC cobalt industry demonstrates that this is also very much the case in this specific context. Both the Chinese state and Chinese companies consider activities such as providing Covid-19 assistance and constructing schools and hospitals to be part of responsible business. Especially in the case of the communication by Chinese state-institutions, local development continues to be at the core of the 'social responsibility' of Chinese companies in Africa and the DRC. According to one of our interviewees, while this type of responsible business has proven successful in China in improving conditions in less-developed areas, its international application serves primarily to brush up the image of the Chinese actors involved.[258] However, what is noteworthy is that the discussion above shows that the DRC government also expects Chinese actors to contribute to local development and criticizes companies for when they do not.

What goes against the general trend described in Part I is that Chinese companies in the DRC cobalt industry have demonstrated that they also emphasise other aspects of responsible business that are traditionally less central to Chinese approaches, including those that are sensitive to the Chinese state. Although projects labelled as 'CSR' and 'social responsibility' often still relate to charitable activities, companies also report on issues such as human rights and anti-corruption, as the discussion above has shown. Companies have supply chain due diligence policies in place as well as mechanisms to monitor labour conditions at mine sites. The inclusion of such issues in their responsible business communication is more in line with European understandings. The increased use of the term 'ESG' by Chinese companies is another indication of the adoption of these interpretations.

International expectations

The adoption of an interpretation of responsible business that is more in line with international practices reflects a larger willingness to respond to international expectations. The important role that such expectations and demands, including from European consumers, have played in shaping responsible business has been discussed in Part I as well. However, the DRC cobalt industry has demonstrated that Chinese companies in this industry are especially responsive and willing to align their business practices with international standards. In their communication on responsible business, Chinese companies make many references to such standards. Their responsible business reports indicate that they have been drafted based on internationally acknowledged practices, while international certifiers verify whether these reports do indeed meet such standards. Companies also state that their business practices are aligned with those of the OECD and the UNGP, which is again checked by international third-party auditors as well as multi-stakeholder industry platforms.

This responsiveness, which is to a large extent the result of economic incentives, is remarkable. Instead of adapting, companies are willing to directly adopt international standards. Chinese state-institutions have recently demonstrated such willingness as well, as the 'Guidelines for Green Development in Foreign Investment and

[258] Interview A.

Cooperation' and the CCCMC guidelines have shown. What, apart from economic motivations, could help explain this willingness, is the overseas context in which the business activities take place. In these contexts it is arguably politically less difficult for Chinese and European stakeholders to cooperate. The responsiveness of Chinese actors suggests that European due diligence legislation that also applies to Chinese companies supplying the European market, which would provide a strong economic incentive to these businesses, could be effective. It is important, however, that mechanisms are created to improve mutual confidence in auditing and other processes that drive responsible business. Industry wide associations can play a role in these efforts, because Chinese and non-Chinese companies work together in such platforms, which at the same time also provide smaller European companies with the opportunity to strengthen their bargaining power.

Especially in the case of the communication by Chinese state-institutions, local development continues to be at the core of the 'social responsibility' of Chinese companies in Africa and the DRC. According to one of our interviewees, while this type of responsible business has proven successful in China in improving conditions in less-developed areas, its international application serves primarily to brush up the image of the Chinese actors involved

Conclusion

This research report has analysed the features of Chinese approaches to responsible business in overseas contexts, and has specifically focused on the DRC cobalt industry to investigate how these approaches unfold in practice. It has found that Chinese actors often emphasise charitable activities aimed at realising community development, while focusing on issues that are relatively less sensitive to the Chinese government. This is true for Chinese companies operating both within China, and in overseas contexts. However, Chinese businesses in the DRC cobalt industry, in response to international demands, demonstrate a willingness to adopt an interpretation of responsible business that is more in line with European expectations.

The role of the Chinese state in shaping responsible business approaches is relatively large, through its control over SOEs and civil society, the drafting of regulations and guidelines by institutions with close relations to the state, government-to-government interactions, and the activities of state organisations in overseas contexts (such as the Chinese embassy in the DRC). The Chinese state is promoting responsible business among Chinese companies overseas, as it is concerned about the country's international image and believes that responsible behaviour can become a competitive advantage. The major role of the state indicates that it is important for European actors to continue to engage with the Chinese government, during which the European side should stress its perspectives on what it means to conduct business responsibly. Such interactions have proven successful in the past, like the Sino-German Corporate Social Responsibility Project.

Furthermore, international interactions are significant drivers of Chinese responsible business ideas and practices as well. Companies from China look to avoid risks related to environmental degradation or social conflict in overseas contexts and are encouraged by the Chinese government to respect local regulations and customs in host countries. The latter can be problematic in countries such as the DRC, where mechanisms for accountability and law enforcement are often lacking. Therefore, continuing and increasing the support for the development of such mechanisms in developing countries with extensive Chinese investments can be an effective way to encourage Chinese companies to conduct their business more responsibly. A recent positive development is the publication of official Chinese guidelines that call upon companies to also adhere to international standards when operating overseas, in case local regulations are not adequate.

International expectations furthermore promote Chinese companies to conduct their business responsibly, as requirements from customers in export markets provide strong economic incentives to do so. The widespread use of international standards and auditing processes among Chinese actors demonstrates an awareness of having to meet such demands, although the Chinese government ensures a certain level of control by requiring standards and certifiers to adapt to Chinese circumstances. The latter point explains in part the level of distrust among European actors regarding the audits and certificates used by Chinese companies.

The responsiveness of Chinese companies towards international expectations in the DRC cobalt industry stands out, as these companies appear relatively willing to directly adopt internationally respected standards and work with international auditors to meet European responsible business demands. These companies are taking steps in the right direction, improving their responsible business policies and the conditions at ASM sites. Mining companies have joined or co-founded multi-stakeholder platforms which have proven to be valuable in assisting these companies in improving their business conduct and providing information towards European clients. This has not completely resolved the lack of trust between European and Chinese parties, however. European regulations and government-to-government exchanges with China will therefore have to focus on creating systems for auditing and certification that are trusted by actors from both sides. The DRC cobalt industry has demonstrated that industry-wide platforms could offer solutions in this regard.

At the same time, it must be acknowledged that due diligence alone will not resolve the challenges that many industries, such as that of cobalt, face. These sectors require structural transformation and large-scale, multi-stakeholder initiatives to engender transformative and long-term change. Many of the responsible business challenges in these industries are also not *Chinese* per se. It is furthermore important for both European companies and policymakers to acknowledge that realising improvements in complex supply chains, such as that of cobalt, takes time. A cooperative and collaborative approach that considers the deep-rooted and multifaceted nature of the challenges involved is increasingly necessary.

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Appendices

Appendix 1: Chinese Government Entities Involved in Certification

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China National Institute of Standardization (CNIS)[259]

CNIS is a Chinese government entity, part of the State Administration of Market Regulation (SAMR). CNIS is both a standard-research and a standard-development organisation. CNIS also represents China in some international standard-setting committees.[260]

Certification and Accreditation Administration of the People's Republic of China (CNCA)[261] [262]

CNCA is a Chinese government entity, since 2018 part of the State Administration of Market Regulation (SAMR). It is the main responsible entity for certification and accreditation in China.[263]

China National Accreditation Service for Conformity Assessment (CNAS)[264]

CNAS is an agency under CNCA, responsible for the daily approval, management, and inspection of certification bodies, testing agencies, and inspection agencies. CNAS is tasked with the accreditation for certification companies in China. CNAS is a member of the International Accreditation Forum (IAF).[265]

State Administration for Market Regulation Certification and Accreditation Technology Research Center (Short: National Accreditation Center) (CCAI)[266]

CCAI is a national scientific research and think tank-type institution engaged in certification, accreditation, inspection, and testing. It functions under the State Administration of Market Regulation (SAMR)[267].

China Certification and Accreditation Association (CCAA)

China Certification and Accreditation Association (CCAA) is an industry association[268] composed of accreditation bodies, certification bodies, certification training bodies, certification consulting bodies, laboratories, and inspection bodies.[269] The CCAA is a government organisation under the Ministry of Civil Affairs (MCA) and the State Administration of Market Regulation (SAMR).

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259 https://en.cnis.ac.cn/
260 China's main representative standard-setting body in international standard setting is the Standardization Administration of (SAC).
261 http://www.cnca.gov.cn/
262 http://www.cnstandards.net/index.php/policy/certification/china-certification-system/
263 http://www.cnca.gov.cn/jggk/
264 https://www.cnas.org.cn/index.shtml
265 https://www.iaf.nu/articles/IAF_MEM_China/62
266 http://www.ccai.cc/
267 http://www.ccai.cc/dwjs/jbxx/index.shtml
268 http://www.ccaa.org.cn/
269 http://www.ccaa.org.cn/xhjj/2014/04/776083.shtml

Appendix 2: Chinese Government Entities and Government Associations – Cobalt

National Food and Strategic Reserves Administration270

The National Food and Strategic Reserves Administration is an entity under the National Development and Reform Commission (NDRC). It was founded in 2018, combining several existing government bureaus, including the China's State Reserve Bureau (SRB).

Until 2018, the SRB was responsible for managing China's stockpiles of strategic mineral reserves, including antimony,[271] copper,[272] iron, nickel,[273] and cobalt. This responsibility was transferred to the National Food and Strategic Reserves Administration in 2018. Even today, some media still incorrectly use the SRB name when talking about China's stockpiling.[274] In 2005, the SRB became famously enrolled in a 'copper scandal' when a rogue trader lost $150 million on short-selling copper at the London Metal Exchange (LME).[275] [276]

The National Food and Strategic Reserves Administration buys cobalt mainly from Chinese mining and production companies. As a state administration, it is not a purely commercial entity, but it does accelerate buying when prices are low. In September 2020 for example, when cobalt prices were depressed due to Covid-19, the agency bought about 5000 tons of cobalt.[277] [278] This had two goals: the stockpiling itself, and supporting Chinese miners and producers. As indicated earlier, cobalt prices started to rise in late 2020, caused by the administration's massive purchases and by the improving economic situation in China.

Antaike

Antaike[279] [280] [281] is a "consulting research center, data center, and information center for the domestic nonferrous metals industry." Antaike was founded in 1992 and owned by state-owned Beijing Antaike Information Co., Ltd. The company is based in Beijing and often quoted in Chinese media. Antaike cooperates closely with the CNIA.

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270 http://www.lswz.gov.cn/ , 国家粮食和物资储备局.
271 https://roskill.com/news/antimony-chinas-state-reserve-bureau-adds-stockpile/
272 https://finance.yahoo.com/news/china-state-bureau-stockpiling-supporting-130431135.html
273 https://news.metal.com/newscontent/100041295/state-reserve-bureau-may-purchase-nickel/
274 https://www.benchmarkminerals.com/membership/chinas-srb-reignites-cobalt-stockpiling/
275 https://www.metalbulletin.com/Article/3474528/SRB-REVEALED-Shedding-light-on-Chinas-State-Reserve-Bureau-in-the-copper-market.html
276 https://en.wikipedia.org/wiki/State_Reserves_Bureau_copper_scandal
277 https://www.reuters.com/article/china-cobalt-stockpiling-idUKL4N2G82DV
278 https://www.reuters.com/article/china-cobalt-stockpiling-idUSL4N2JI2UQ
279 https://www.antaike.com/
280 https://www.linkedin.com/company/antaike-rare-metals-and-ree/
281 https://www.zoominfo.com/c/beijing-antaike-information-development-co-ltd/13175989

China Nonferrous Metals Industry Association (CNIA)[282] [283] [284]

The CNIA is an industry organisation founded in 2001. The CNIA stands under joint supervision of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the Ministry of Civil Affairs (MCA). Under CNIA are several more specialised branches, divided by materials and/or industries. One of these branches is for cobalt.

China Nonferrous Metals Industry Association Cobalt Branch (CNIA-CO.)[285] [286] [287]

CNIA-CO. is the cobalt branch of the CNIA. 'CO.' refers to the chemical symbol *Co* for cobalt. The organisation was founded in 2008 and is based in Beijing. CNIA-CO. has more than 50 members. These members include companies involved in cobalt mining, trade, and processing, research institutes, and military research institutes.[288]

Nonferrous Metals Techno-Economic Research Institute (NTE)[289] [290] [291]

NTE is affiliated to the China Nonferrous Metals Industry Association (CNIA). It is a service organisation specialising in research, information, consulting, standardisation research, metrology, quality standards, and development strategy. NTE also publishes several trade magazines, including the China Metal Bulletin and the World Nonferrous Metals. NTE cooperates with several Chinese and international companies for database-building and data-collection. NTE also operates as a patent agency for the non-ferrous metal industry. For this, it works under supervision of the State Intellectual Property Office and the National Defence Patent Office. NTE has a PR function too, promoting the non-ferrous metal industry via various promotion centres, such as the Non-ferrous Metal Information Productivity Promotion Center and the Copper Development Center.

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282 中国有色金属工业协会

283 http://www.chinania.org.cn/

284 https://baike.baidu.com/item/%E4%B8%AD%E5%9B%BD%E6%9C%89%E8%89%B2%E9%87%91%E5%B1%9E%E5%B7%A5%E4%B8%9A%E5%8D%8F%E4%BC%9A/9726319?fr=aladdin

285 中国有色金属协会钴业分会

286 http://www.chinacobalt.org/

287 https://baike.baidu.com/item/%E4%B8%AD%E5%9B%BD%E6%9C%89%E8%89%B2%E9%87%91%E5%B1%9E%E5%B7%A5%E4%B8%9A%E5%8D%8F%E4%BC%9A%E9%92%B4%E4%B8%9A%E5%88%86%E4%BC%9A/15985646?fr=aladdin

288 http://www.chinacobalt.org/organization/description/

289 有色金属技术经济研究院.

290 http://www.cnmte.cn/

291 https://baike.baidu.com/item/%E6%9C%89%E8%89%B2%E9%87%91%E5%B1%9E%E6%8A%80%E6%9C%AF%E7%BB%8F%E6%B5%8E%E7%A0%94%E7%A9%B6%E9%99%A2

Chinese Chamber of Commerce for Metals, Minerals & Chemicals (CCCMC) Importers & Exporters[292] [293] [294]

One of the big players on the mining scene, involved in the drafting of many guidelines and other regulations. CCCMC was founded in 1988 and is based in Beijing. It is an industry association for companies involved in importing and exporting metals, minerals, and chemicals.[295] Besides the normal functions of an industry association it has a few remarkable additional functions, including: responding to anti-dumping lawsuits from abroad, coordinating and promoting overseas investment of energy and mineral resources, and investigating and researching the international market. CCCMC is a founder of the Responsible Cobalt Initiative,[296] which seems to fit within the 'coordinating and promoting overseas investment' function of the organisation.

Appendix 3: Sino-Dutch CSR Project & the China Corporate Social Responsibility Monitoring and Evaluation System[297]

The Sino-Dutch CSR Project started in 2011 and ended in 2016. The participants were the Royal Netherlands Embassy in Beijing, the Ministry of Commerce of the People's Republic of China (MOFCOM), and the Sino-Dutch Project Office of the State Information Center (SIC).[298] The main result of the project was the China Corporate Social Responsibility Monitoring and Evaluation System.[299]

This system is an "online corporate social responsibility performance measurement and information disclosure system". It is/was operated by the National Information Center and by the Global Reporting Initiative (GRI). It could be used by local government departments, industry associations and enterprises to evaluate and compare analyses of social responsibility performance, transparency, and public reputation. The main reference basis for the system is the GRI (Global Reporting Initiative) standards for sustainability reporting[300]. Other references came from guidelines issued by domestic research institutions and various industry associations. The references cover corporate governance, economic responsibility, environmental responsibility, employee responsibility, human rights responsibility, and social responsibility. The system consists of three core modules: an indicator system, an index model, and word-of-mouth monitoring. On this basis, the system has developed five main applications: information collection, information management, index evaluation, word-of-mouth monitoring, and

[292] http://en.cccmc.org.cn/
[293] 中国五矿化工进出口商会.
[294] http://www.cccmc.org.cn/
[295] http://en.cccmc.org.cn/aboutcccmc/briefintroductiontocccmc/index.htm
[296] https://respect.international/wp-content/uploads/2018/08/Responsible-Cobalt-Initiative-RCI.pdf
[297] 中荷项目, http://www.siccsr.org/index.aspx
[298] Sino-Dutch Project Office of the State Information Center: 国家信息中心中荷项目办公室. State Information Center (SIC): 国家信息中心. SIC website: http://www.sic.gov.cn/
[299] 中国企业社会责任监测和评价系统.
[300] https://www.globalreporting.org/

communication. To come to a CSR evaluation, the system uses 7 first-level indicators, 49 second-level indicators, and 325 third-level indicators.

For enterprise users, the system could be used for: self-evaluation and benchmarking of social responsibility performance to provide a basis for performance improvement; understanding the social responsibility status of potential suppliers and partners to prevent supply chain CSR risks; real-time monitoring of social reputation and optimization of an enterprise’s public image; and exchanging responsibility performance experience with peers to improve the level of CSR practice.

For industry associations, the system could be used for: understanding the benchmarking status of their industry and other industries through the analysis of the social responsibility index between different industries, between regions within the industry, within the industry, and even between specific enterprises. It is possible to monitor the dynamics of public opinion and social impact related to social responsibility in the industry, so as to formulate clear and effective social responsibility promotion strategies, establish demonstration areas and benchmark enterprises, and guide the continuous improvement of the level of responsibility performance in the industry.

For local government departments, the system could be used for: understanding the strengths and weaknesses of social responsibility performance in the region compared with other regions; checking the comparison of social responsibility performance and transparency among different industries in the region. Responsibility practice enterprises monitor the trends of public opinion related to social responsibility in the region in order to formulate effective local policies, guide and promote social responsibility practices in the region, and prevent social responsibility risks.

In short, the system is incredibly complex and caters to three very different user categories. The system was, apparently, able to analyse and compare CSR indicators of companies, regions, and industries. Users could use the system for self-evaluation and for evaluation and comparison with other entities. A particularly interesting function was the ability to monitor public opinion. That was perhaps a desirable function in 2011 but it would likely be considered ‘sensitive’ and thus undesirable by the Dutch government today. The website of the project is no longer online but can still be viewed via Waybackmachine.[301] The system launched as a beta version and, as far as can be seen, never became fully operational. The project is rarely mentioned in Dutch literature about the embassy’s activities or in literature about CSR in China.

Appendix 4: Chinese Terms

Corporate social responsibility (CSR)	企业社会责任 (CSR)

[301] https://web.archive.org/web/20120529124229/http://www.siccsr.org/index.aspx

Environmental, Social, and Corporate Governance (ESG)	环境社会责任 公司治理 (ESG)
Overseas Social Responsibility	海外社会责任
China's Great Power National Image Strategy[302]	中国大国形象战略
Supply chain	供应链
Guidelines on Fulfilling Social Responsibility by Central Enterprises[303] [304] [305]	《关于中央企业 初步社会责任的指导意见》
Certification	认证
Opinions on accelerating the construction of ecological civilization	《关于加快推进生态文明建设的意见》
Sustainable Development Goals (SDGs)[306] [307] [308]	可持续发展目标
Forum on China-Africa Cooperation (FOCAC)	中非合作论坛
Chinese Alliance for Corporate Social Responsibility in Africa	中国在非企业社会责任联盟

[302] http://theory.people.com.cn/n1/2017/1002/c40531-29571629.html
[303] http://govt.chinadaily.com.cn/s/201112/06/WS5c076933498eefb3fe46e2c6/guidelines-on-the-state-owned-enterprises-directly-under-the-central-government.html
[304] http://en.sasac.gov.cn/2011/12/06/c_313.htm
[305] http://www.sasac.gov.cn/
[306] https://baike.baidu.com/item/%E8%81%94%E5%90%88%E5%9B%BD%E5%8F%AF%E6%8C%81%E7%BB%AD%E5%8F%91%E5%B1%95%E7%9B%AE%E6%A0%87
[307] https://www.cn.undp.org/content/china/zh/home/sustainable-development-goals.html
[308] https://sdgcompass.org/wp-content/uploads/2016/06/SDG_Compass_Guide_Chinese.pdf

Cobalt	钴
Democratic Republic of the Congo	刚果民主共和国
Artisanal miner	手工矿商
Child labour	童工
Sustainability	可持续性
China Certification and Accreditation Association (CCAA)	中国认证认可协会
China Compulsory Certification Program (CCC)[309] [310]	中国强制性产品认证, aka "3C"认证
Research Center for Corporate Social Responsibility of the Chinese Academy of Social Sciences	中国社会科学院经济学部企业社会责任研究中心.
State Administration for Market Regulation Certification and Accreditation Technology Research Center	国家市场监督管理总局认证认可技术研究中心
National Standardization Administration of China (SAC)	国家标准化管理委员会
China National Institute for Standardization (CNIS)	中国标准化研究院
Certification and Accreditation Administration of the People's Republic of China (CNCA)	中国国家认证认可监督管理委员会

[309] http://cqm.com.cn/english/China%20Compulsion.html
[310] http://www.ccc-certificate.org/

China National Accreditation Service for Conformity Assessment (CNAS)	中国合格评定国家认可委员会