



***HUMAN RIGHTS POLICIES OF CHINESE COMPANIES:  
RESULTS FROM A SURVEY***

**Conducted under the mandate of the UN Secretary-General's  
Special Representative for Business and Human Rights  
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## *Overview*

Two studies of corporate human rights policies were conducted under the mandate of the United Nations Secretary-General's Special Representative for Business and Human Rights (SRSG) in 2006.<sup>1</sup> One was a questionnaire survey of the Fortune Global 500 companies ("FG500 survey"). The other was a detailed analysis of the actual policies of a broader cross-section of more than 300 firms, as described in their annual reports, websites and similar public sources ("Business Recognition Report"). Both were posted on the SRSG's home page at the Business and Human Rights Resource Centre and submitted as addenda to his 2007 report to the United Nations Human Rights Council.<sup>2</sup>

These studies provided new information and have been widely referenced. But they also suffered from limitations in geographical coverage. Few companies domiciled in emerging market economies responded to the FG500 survey. And because of linguistic limitations in the research team at the time, the business recognition report included only Brazilian, Chinese and Russian companies whose sources of information were available in English. Yet companies from these countries have become major players on the global stage and need to be included in such studies if we are to gain a fuller understanding of corporate policies and practices regarding human rights. The present report primarily draws on Mandarin sources, along with some English sources, and parallels the methodology of the business recognition report. Opportunities and resources permitting, we hope to continue extending this mapping to additional firms and countries.

This sample is small—25 firms—so the findings cannot be taken as representative or definitive. But it does include some of the largest internationally oriented companies in China, both private and state-owned. As was true of the business recognition report, this study maps the policies these companies publicly state they have in place. It is not an assessment of actual company practices, nor do we know if they have policies in place that they choose not to publish. Nevertheless, as a first cut, the results are interesting and suggestive, especially when compared with the findings of the earlier studies.

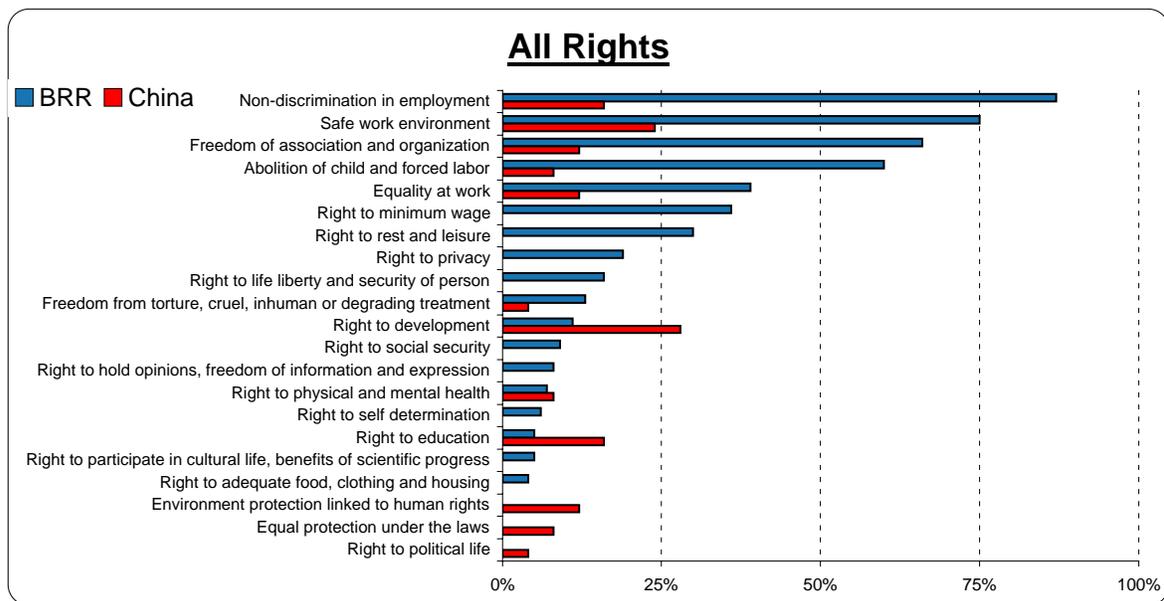
As in those studies, by the "recognition" of rights we mean that a company addresses a particular right in its policies. We found a combined total of 46 references to specific rights in the published policies of the 25 firms in this sample.

- Overall, these Chinese companies recognize fewer rights, and generally recognize them at a lower rate, than the companies surveyed in the business recognition report. However, the Chinese companies express more frequent support for the right to development than others we have surveyed.
- The Chinese companies in our sample exhibit approximately the same rates of recognition of labor and non-labor rights. Among non-labor rights, the Chinese companies are slightly more likely to recognize social and economic rights. In contrast, companies in the business recognition report give the highest rate of recognition to labor rights, with rights related to security of the person next in ranking but mentioned far less frequently, and other civil, political, social and economic rights following at yet lower rates.

- The nine state-owned enterprises (SOEs) in this sample recognize human rights at a higher rate than non-SOEs.
- The FG500 companies in the sample recognize human rights at a significantly higher rate than non-FG500 firms, even when the latter are Global Compact (GC) participants.
- Among the sample companies, we found only two references to reporting on human rights policies and practices, conducting impact assessments that encompass human rights, and engaging in community consultation. The exceptions are two companies that report on their social and environmental practices utilizing Global Reporting Initiative guidelines.
- Companies in the survey do not address supply chain issues. Therefore, it is impossible to know whether their human rights policies are intended to extend beyond their core operations.

Figure 1 summarizes the results of this preliminary survey, and compares them to the findings of the business recognition report.

Figure 1: Overview



### Methodology

The research for this survey required reading, and in many cases translating from, company websites.<sup>3</sup> We gathered information by looking at companies’ human resources policies, social responsibility statements and reports, and annual reports. We made no attempt to consider whether the stated policies in fact are implemented, due to the enormous resource requirements of such research.

We tabulated recognition for the rights included in the Universal Declaration of Human Rights (UDHR); the International Covenant on Civil and Political Rights (ICCPR), of which China is not a State Party; the International Covenant on Economic, Social, and Cultural Rights (ICESCR); ILO Core Conventions; and the United Nations Declaration on the Right to Development. We considered a company to have recognized a right if it has a policy statement addressing it. We did not require the terminology used by companies to track the actual language of international instruments; it simply had to be close enough for us to be able link the policy statement to a human right.

Our aim in this survey was to map the human rights policies of internationally engaged Chinese companies. The sample size of 25 was set by resource constraints. Within that cap, we sought to achieve a roughly equal distribution between companies (1) ranked in the Fortune Global 500; and (2) participating in the Global Compact (GC).<sup>4</sup> We also sought to achieve a broad sectoral distribution. Thus, after identifying all Chinese companies in the FG500 and the GC we divided them into sectors and selected companies randomly from each sectoral grouping. We included only GC companies that had submitted a “communication on progress,” describing one or more specific measures undertaken in the previous year to advance the GC principles—this being the required measure of active rather than merely nominal participation in the GC.<sup>5</sup> The final sample includes 14 FG500 companies and 14 GC companies, with 3 falling into both categories.

The sample consists of companies in the following sectors:

- Extractive (4)
- Financial Services (4)
- Food & Beverage (1)
- Heavy Manufacturing (2)
- Infrastructure & Utilities (2)
- IT, Electronics & Telecommunications (4)
- Pharmaceutical & Chemical (2)
- Retail & Consumer Goods (2)
- Others (4)

As noted, we documented a combined total of 46 references to various areas of rights in the policies of the 25 companies. Of that total, FG500 firms, not including the three companies also in the Global Compact, account for 65% of the references. The three companies that are both FG500 firms and GC participants account for 44% of the remainder.

### ***Labor Rights***

The China-based companies in this sample do not recognize labor rights at the rate of the broader group of companies in the business recognition report. And while the labor rights they do recognize are generally the same, they are ranked in a different order. Among these Chinese companies, the right to a safe work environment is recognized

most frequently (6 firms, or 24%), followed by non-discrimination in employment (4 companies, 16%), freedom of association (3 companies, 12%), the right to organize (3 companies, 12%), equality at work (3 companies, 12%), the right to work and vocational training (3 companies, 12%), and the abolition of child labor (2 companies, 8%), and the abolition of forced labor (2 companies, 8%). No other labor-related rights receive recognition from any company.

As noted, the *right to a safe work environment* is recognized by 6 companies in the sample (24%). This compares to a 75% recognition rate in the business recognition report. One company noted, “In order to protect the fundamental rights of employees, the first thing is to ensure their workplace safety.”<sup>6</sup> Another states, “The corporation fully respects the value of human lives and puts the safety of the public and employees on top.” Some also refer to specific steps, programs, and reporting mechanisms undertaken to strengthen workplace safety.

The *right to non-discrimination at work* received less frequent recognition—4 of the 25 companies, or 16%, compared to 90% of companies in the business recognition report. But the few that do recognize it express their policy in a clear manner. One company states, “We adhere to the concept of people first, advocating equality and non-discrimination in our recruitment strategy...We highly respect all related laws and regulations in countries where we operate, and carry out an equal and non-discriminatory recruitment strategy and treat all employees fairly and justly, regardless of their nationality, race, gender, religious belief or cultural background.” Another company emphasizes gender non-discrimination and has created a nationwide association to protect female employees’ rights.

The *right to freedom of association and collective bargaining* as well as *the right to organize and participate in collective bargaining* are each acknowledged by 3 companies (12%). Most firms mention existing workers’ unions and workers’ congresses and refer to their importance in enabling employees to influence management, decision-making, and supervision. *Equality at work* and the *right to work, including vocational training*, also appear in the policies of 3 companies.

Two companies mention the *abolition of child labor* as well as the abolition of *forced labor* (8%). One company’s language contains clear and strong support for the abolition of child labor: “We will resolutely refrain from hiring child labor or forcing employees to work.” This contrasts with the more aspirational or vague terminology that many companies use to address human rights. In the business recognition report, 60% of companies recognize these prohibitions.

### ***Non-Labor Rights***

Unlike companies in the business recognition report, this sample of Chinese companies recognizes certain non-labor rights at approximately the same rate as labor rights. The right to development is referenced more frequently than any other right, including labor rights. Of non-labor rights, 80% of the rights Chinese companies

recognize are economic and social rights, and 20% are civil and political rights. This contrasts with the business recognition report, where civil and political rights, especially those related to security of the person, receive somewhat higher rates of recognition than economic, social, and cultural rights. No companies refer to minority rights. Business recognition report companies recognize these, although at very low rates.

Seven companies express support for the right to development (28%). The right to education follows with 4 companies (16%). The need to address environmental issues because of their human rights dimensions, such as impacts on health, receive recognition from 3 companies (12%). Two companies address the right to physical or mental health (8%). Two companies (8%) address equal protection under the laws. The following rights are recognized once: freedom from torture and cruel, inhuman or degrading treatment; and the right to political life.

In discussing the *right to development*, several companies refer to supporting societal and human development in harmony with the company's growth. One states, "Our goal is to achieve harmonious development of the company on the one hand and society and the environment on the other hand." In some instances, the right to development was coupled with the notion that because corporations are empowered by society, they have duties to give back to society. One company notes, "The wealth we gained from society should serve to benefit the people. [The company] is duty bound to give something back to society." Some policies referring to the right to development focus primarily on China, while others explicitly have a broader area of inclusion.

Four companies refer to the *right to education* (16%). This generally is through philanthropic programs, so the degree to which education is recognized as a "right" is unclear.

Three companies (12%) address a *duty to protect the environment because of the link between the environment and rights issues*, such as health and safety of employees and communities. One company states, "The most important resources in the world are people and the natural environment. Protecting the environment, caring for the health of employees and the lives and property of the public are the core job of the company." Other companies address environmental conservation issues, which we did not count.

Two companies recognize the *right to physical and mental health*. Their emphasis is on their employees' physical health, although some statements about the protection of the environment, noted above, touch upon health issues which may affect the community or society at large.

Two companies mention *equal protection under the laws*. The clearest policy addressing this issue notes, "We will protect our employees according to law and make sure they enjoy the rights of political, economic, and cultural life."

*Security of the person*, which includes the *prohibition against torture and cruel, inhuman or degrading treatment*, is recognized by one company. The *right to political*

*life* appears in one company's policy. In contrast, in the business recognition report, 13% of companies explicitly address the duty to avoid engaging in torture and cruel, inhuman or degrading treatment, many focusing on physical harassment in the workplace.

No other rights receive recognition from any companies.

### ***Accountability and External Engagement***

We also looked for indications of how companies measure and report on implementation of their human rights policies, internally and externally. Furthermore, we sought to determine whether they hold their supply chains accountable to human rights standards. Finally, we tried to identify how companies interact with communities whose human rights they impact through community consultation practices, impact assessments, and philanthropic activities.

*Reporting* could include internal whistle-blowing mechanisms, internal reporting procedures, or external public reporting. Only two companies (8%) mention any form of reporting. This contrasts with over 90% of companies in the business recognition report that state they have formal reporting systems to address human rights-related issues. As noted, both of the exceptional cases state that they employ GRI guidelines in their external social and environmental reporting.

None of the companies indicate whether they hold their *supply chains* to any human rights standards or social policies; 54% of the companies surveyed in the business recognition report state that they have policies regarding their supply chains.

No companies mention *community consultation policies or methods*, and none discusses *human rights or social impact assessments*.

Six companies indicate *philanthropic* policies or practices. Several note contributions in the areas of poverty alleviation, education, health, and disaster relief. Some encourage employees to engage in volunteer activities.

### ***Corruption***

Bribery and corruption are often considered part of the human rights agenda because they can significantly impede the realization of rights. Moreover, anti-corruption is one of the 10 principles included in the Global Compact. Only one company in this survey has a published *anti-corruption policy*: “[The company] has established and improved its system to both prevent corruption and take disciplinary measures whenever it arises.” It is a state-owned enterprise, in the FG500 but not the Global Compact.

### ***References to International Instruments and Sources***

We sought to determine which, if any, human rights instruments and sources the companies acknowledge or draw upon in formulating their policies. Thus, we looked for

references to the UDHR, ICCPR, ICESCR, ILO Conventions, Global Compact, Fair Labor Association, SA8000, Voluntary Principles on Security and Human Rights, and other such sources of human rights guidance.

We found only one reference in the entire sample: one company notes that it participates in the Global Compact—when in fact 14 of the 25 do so.

These results differ significantly from the business recognition report, where companies frequently refer to international human rights sources. For example, in the business recognition report, 67% of companies state that they participate in the Global Compact; 35% reference the UDHR; and 28% specify ILO Conventions.

### *State-Owned Enterprises*

Nine of the twenty-five companies surveyed (39%) are state-owned. Overall, they exhibit a higher level of recognition of rights than the other companies in the survey. Of the combined total of 46 specific references to rights by the 25 companies, SOEs account for 25 (54%). They are represented consistently throughout the recognition of both labor and non-labor rights.

### *Concluding Observations*

As indicated at the outset, further research examining a larger number of Chinese companies is necessary before any definitive conclusions can be drawn about their human rights policies. At this point we can offer only a few preliminary observations.

It is not surprising that companies domiciled in emerging market economies differ in some respects from the norm among companies that have been major global players for many years. In part, these inconsistencies are due to varying conceptions of appropriate corporate behavior that prevail in different countries—which, as we found in our FG500 survey, is evident to some extent even among companies within the OECD countries.<sup>7</sup> In addition, there may well be time lags involved, as firms acquire experience and learn from their peers about what standards are expected of companies operating in the global market place.

If the preliminary results of this survey were borne out among a larger universe of Chinese companies, they would indicate several ways in which Chinese firms differ from their peers. Chinese companies recognize fewer rights than others, and mostly at a lower rate. But few companies elsewhere reference the right to development as frequently. Chinese companies also spread their overall lower recognition of rights somewhat more evenly than others across the spectrum of social and economic rights.

In this limited sample, Chinese companies seem to reflect official positions more explicitly in their human rights policies. For example, “putting people first” is an official principle of the Central Committee of the Communist Party of China, and “harmonious society” is a theme by which the government frames social and environmental

sustainability issues in relation to economic growth policies. Both appear frequently in company policy statements. At the same time these Chinese companies, unlike their counterparts elsewhere, do not reference international instruments or initiatives in relation to their human rights policies, even when they participate in them.

The social branding effects of being major global companies may be responsible for the fact that the Chinese firms in our sample that are listed in the FG500 are more likely to have published human rights policies than non-FG500 companies, even though the latter are Global Compact participants. In turn, the influence of government may be evident in the fact that the state-owned enterprises in our sample are more likely to have such policies than the privately owned firms.

It is our hope that these ongoing efforts to map company policies will contribute to a deeper understanding among companies and governments alike of patterns and trends in corporate recognition of human rights, and thereby help identify effective means of achieving improved corporate human rights practices throughout the world.

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<sup>1</sup> Subparagraph (e) of the SRSG's mandate asks him to identify "best practices" (Commission on Human Rights Resolution 2005/69).

<sup>2</sup> "Human Rights Policies and Management Practices of Fortune Global 500 Firms: Results of a Survey," available at <http://www.reports-and-materials.org/Ruggie-survey-Fortune-Global-500.pdf>, [hereinafter "FG500 Report"], summarized in UN Document A/HRC/4/035/Add. 3; and "Business Recognition of Human Rights: Global Patterns, Regional and Sectoral Variations," UN Document A/HRC/4/035/Add.4, also available at <http://www.reports-and-materials.org/Business-Recognition-of-Human-Rights-12-Dec-2006.pdf> [hereinafter "Business recognition report"].

<sup>3</sup> The websites were last checked in July 2007.

<sup>4</sup> FG500 were selected from the 2006 rankings, which included 20 Chinese firms. See CNNMoney.com, Fortune Global 500, available at <http://money.cnn.com/magazines/fortune/global500/2006/countries/C.html>. The Global Compact listed more than 110 Chinese companies as participants. A list of GC participants is available at [http://www.unglobalcompact.org/ParticipantsAndStakeholders/search\\_participant.html](http://www.unglobalcompact.org/ParticipantsAndStakeholders/search_participant.html).

<sup>5</sup> On the annual communication on progress required by the GC, see <http://www.unglobalcompact.org/CommunicatingProgress/index.html>. The list of GC participants indicates whether they have submitted a Communication on Progress.

<sup>6</sup> Most quotations have been translated from Mandarin.

<sup>7</sup> For example, the FG500 survey found that European-based companies are more likely to embrace a broader conception of rights and rights holders than US- or Japan-based companies. See FG500 Report, pp. 3-4, pp.7-8.