

# Corporate Social Responsibility

## A Business Essential & Legal Imperative

ABA Section of International Law  
China Committee

in cooperation with  
American Chamber of Commerce in Shanghai

May 9<sup>th</sup>, 2013



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# Agenda

- China & CSR : Reference to China's Five Year Plan B. Cheng
- Laws & Regulations:
  - U.S.: State and Federal Mandates J. Cabou
  - China: Rules & Regulations Dr. Buchanan
- What is seen in practice: All
  - In Deals & Operating companies in China
- Best corporate practices All
- What's in store in the future? All
- Q&A

# China FYP & CSR



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# 12<sup>th</sup> Five –Year Plan (2011-2015)

- Follow the Policy shift in the 11<sup>th</sup> FYP - Move away from “growth at any cost” toward a more balanced & sustainable growth pattern “
- Key Themes – Economic restructuring, Social inequality, Environmental protection (Energy Conservation; Environmental Quality; New energy)
- New Policy Directions:
  - Greater focus on economic & social issues
  - Increased effort to enhance the rule of law
  - Simplification of Gov’t departments & governing style

# Policy focus areas

## Policy focus



### Equality, justice and rule of law

- Anti-corruption
- Income distribution
- Simplify administrative approval/certification



### People's welfare

- Social security, pensions, housing
- Push forward healthcare and hukou reform
- Ensure food/drug safety; control pollution



### Deepen reform – “into the deep waters”

- Maintain 7.5% economic growth rate
- Promote consumption, urbanization, private sector
- Upgrade industrial base, SEIs, innovation
- Clean energy, energy-saving, environmental tech.

## Impact on Corporations

- Need robust compliance process
- Lower administrative approval barriers
- More regulations and stricter enforcement
- Policy influencing and R&D funding opportunities with right local partners
- Positive biz opportunities for Energy/environment, Technology, Healthcare, ....



# 12<sup>th</sup> Five – Year Plan (2011-2015)



President Xi Jinping

Commented on the importance to “resolutely fight against corruption and other misconduct in all manifestations”

Premier Li Keqiang



“Maintain economic growth, improving people’s livelihood and safeguarding social justice are the top three tasks of the new installed Gov’t.” To fulfill these tasks, “...China must build an innovation, clean Gov’t and the Gov’t following the Rule of Law.”

## Gov’t Work Style Simplification

### 8 Rules (八项规定)

- 1.Improve investigations
- 2.Streamline meetings
- 3.Simplify documents
- 4.Standardize trips
- 5.Simplify security arrangements
- 6.Improve news reports
- 7.Limit policies and notices
- 8.Enforce thrift

### 6 Prohibitions (六条禁令)

- 1.No public money for New Year’s visits
- 2.No gifts of local specialties
- 3.No gift cards, cash, payment vouchers
- 4.No extravagant activities
- 5.No VIP receptions or treatment
- 6.No gambling



# Institutional Reform and Function Transformation Scheme of the China state council

Abstract of notice on Tasks and Duties from office of State Council

Mar. 26, 2013



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# 28 Tasks to be completed in 2014

- To cancel or remove some administrative approvals on production and business activities.
- To cancel or consolidate some special central government fiscal transfer payments, and to delegate it to local government.
- To reduce government administrative charges.
- To reduce overlaps and gaps of responsibilities of some departments.
- To enhance Compliance System Construction in government activities.
- To establish a long-term effective mechanism, to maintain an wide open, fair & ethical, competing & well organized market environment.



# 11 Tasks to be completed in 2015

- To publish new edition of government authorized investment catalog, "who invest shall make the decision, who benefit shall take the risk", to maximized reduce scope of approval.
- To reduce overlaps and gaps of responsibilities of some departments.
- To enhance construction of business integrity
- To publish and implement government affairs integrity system

# 4 Tasks to be completed in 2017

# Risk Assessment built into the Deal Process



Risk Based Assessment of compliance considerations of the target, industry & relevant geography throughout a deal :

- Due Diligence. . .starting from investigative due diligence to Bring down due diligence pre sign, pre-close
- Contract Negotiation...Compliance protections such as reps, warranties & indemnities, input a compliance infrastructure; incorporate a compliance plan
- Integration planning post sign/pre close
- Integration execution post close

# 14 Risks Policy Areas – Deals & Business Operations

- Improper Payments
- International Trade Controls
- Money Laundering Prevention
- Working with the Government
- Controllershship
- Supplier Relationships
- Conflicts of Interest
- Fair Employment Practices
- Intellectual Property
- Insider Trading
- Privacy
- Competition/Anti-trust Law
- National Security
- Free Trade Agreements & Bilateral Investment Treaties

# Corporate Citizenship in GE

- GE's businesses depend on the infrastructure, skills, and institutions of stable, prosperous societies & healthy environments. To succeed as a global business , we need to be a part of building these societies where we operate. We do this through the products & services we create, the way we work with employees, customers, suppliers & investors, the public policies we advocate & the philanthropic partnerships we support.
- China Specific Efforts:
  - GE Ecomagination: Support PRC Gov't environmental targets in offering of technologies & solutions in aircraft engines, locomotive, water treatment & lighting equipment
  - GE Foundation: Foster culture of community & philanthropy; Donations to support Chinese community programs with an education focus
  - GE Volunteers Foundation: Projects on education, healthcare, care for seniors & environmental protection initiatives for local communities
  - Charitable Activities: Donation of Healthcare equipment, Lighting products; Portable ultrafiltration water systems, Employee contribution to disaster relief & rebuilding

# GE in the community

## Quick Facts:

- Focus on education, environment, healthcare, community services and elderly care
- In 2011, 4,747 GE volunteers contributed over 27,000 hours in 128 projects in 14 cities in China

## GE Foundation:

- Awarded 7,669,723 grants in the past 20 years
- In 2010, GE donated 1MM RMB to the Yushu Earthquake
- In 2008, GE's contribution to Sichuan disaster relief efforts totaled more than RMB 30MM in China

## GE businesses:

- CEO and business leaders' active support and employees' involvement, (eg, book donations, Project Hope school, etc.)



