

The Guidelines for Overseas Sustainable Forest Products Trade and Investment by Chinese Enterprises

(Draft)

1. Objective

This Guidelines is aimed to guide Chinese enterprises to carry out the processing, trading and investment of overseas forest resources for the sustainable development; regulate the behaviors of Chinese enterprises in overseas trade and investment for improving the sectoral self-discipline; and meet the demands of the international community for the sustainable trade and investment of forest products in order to promote the legitimate, sustainable management and utilization of global forest resources.

2. Basic Principles and Applicable Scope

2.1 Basic Principles

2.1.1 Principle of National Sovereignty: Chinese enterprises are supposed to fully respect the ownership of the host country to its forest resources and strictly comply with the laws, regulations and policies in there when carrying out the overseas trade and investment of forest products.

2.1.2 Principle of Cooperation for Win-Win Progress: Chinese enterprises are supposed to positively facilitate the local economic and community development and carry out cooperation on the mutual benefits basis when carrying out the overseas trade and investment of forest products.

2.1.3 Principle of sustainability: Chinese enterprises are supposed to attach great importance to the sustainable management and utilization of forest resources and ensure the triple unification of economic, ecologic and social benefits when carrying out the overseas trade and investment of forest products.

2.2 Applicable Scope

The Guidelines is applicable to the Chinese enterprises that engage in forest product trade and investment and related activities in foreign countries. //

3. Legal Regulation

3.1 Comply with the laws, regulations, department rules and related documents formulated by the competent authorities of the Chinese Government on overseas trade and investment by Chinese enterprises.

3.2 Comply with the laws, regulations and related documents of the host country on foreign company's trade, investment, contracted projects, labor force import, etc.

3.3 Comply with the agreements and protocols signed between China and the host country on forest products trade and investment.

3.4 Comply with the international conventions and agreements ratified by China or the host country.

4. Trade Activities

4.1 Fundamental Requirements

Chinese enterprises engaging in the import-export trade of forest products should comply with the laws and regulations formulated by China and the host country to make the accurate cargo declaration to the Customs, hand in documents for inspection, go through related procedures, pay taxes and fees as required by laws, use the timber of legal origin in conformity with green procurement standard and its implementation mechanism, and carry out legitimate and sustainable trading activities. The forest product importation and exportation should follow the requirements of quarantine, commodity inspection and customs authorities on the forest products in the two countries, including the requirements on type of product, specification, quality, pest treatment, etc.

4.2 Requirements on Importation

4.2.1 Chinese enterprise should procure legal timber through the proper channel. They are encouraged to implement the green procurement, refuse to buy the timber and timber products of illegal origin and prioritize the procurement of sustainable forest products. Before the procurement, Chinese enterprises need to clarify the types of forest (nature forest or forest plantation), species, origin and suppliers, ensure if there are legality evidences and proofs with relation to timber harvesting, transportation, processing, export and the other, and keep related documents and evidences.

4.2.2 Comply with the CITES and requirements of the country of origin on animal and plant trade, and refuse to import endangered wild animals and plants and their products prohibited for commercial trade by the CITES and the host country. The importation of endangered wild animals and plants and their products shall apply for the permission from the competent authorities responsible for wild animals and plants protection and obtain the certificate that allows the import. If importing endangered wild animals and plants and their products restricted for import by the CITES, the enterprises shall also submit the export permit issued by the competent authorities responsible for the administration of endangered species import and export in the host country.

4.2.3 After entering the country, all the cargos shall pass the quarantine and inspection by the animal and plant quarantine and inspection authorities at the port, and receive the necessary pest treatment.

4.3 Requirements on Processing and Transportation

4.3.1 Timber processing enterprises shall register legally in the host country and conform to the related requirements on investment and permission.

4.3.2 Timber processing enterprises should hold the valid timber processing permit, and are encouraged to engage in the further processing and comprehensive utilization of timber.

4.3.3 Timber processing enterprises should follow the guiding principles towards rational utilization of forest resources, energy saving, resources and environment protection, and sustainable development.

4.3.4 Timber processing enterprises shall pay all the taxes and fees required by the laws and regulations in China and the host country.

4.3.5 Timber transportation should meet the standards and requirements with regards to transportation, inspection and quarantine in the host country, and keep related documents as records.

4.4 Requirements on Export

4.4.1 Chinese enterprises engaging in foreign trade business shall register in the industry and commerce authorities or apply for other licenses for business.

4.4.2 When exporting forest products, Chinese enterprises shall hold the permit or related documents in conformity with the related legal requirements. The exportation of forest products processed with imported timber should have the related legality evidences or documents.

4.4.3 Comply with the provisions on animal and plant trade in the CITES and in the laws of China, and refuse to export the endangered wild animal and plant and their products for commercial trade that are forbidden by the CITES and China. If exporting the endangered wild animal and plant and their products for commercial trade that are forbidden by the CITES, enterprises shall submit the import permit issued by the competent authorities responsible for endangered species import and export in the country of origin. When re-exporting the imported endangered wild animal and plant and their products, enterprises shall also submit the import cargo declaration to the Customs as well as the import permit endorsed by the Customs.

5. Investment Activities

5.1 Fundamental requirements

Chinese enterprises involved in overseas forest products trade shall comply with related legal requirements to apply the authorities in the host country for the permit, and follow strictly the permitted method and procedures of investment to establish solely owned enterprises or joint ventures, or carry out acquisition and merger. They should not carry out their business beyond the permitted boundary. Chinese enterprises should gain a full understanding of natural, economic and political environment of the host country via various

channels before making any investment, respect local cultural and religious norms, abide by the labor requirements, fulfill the corporate social responsibility, and comply with all the related legal requirements in the host country.

5.2 Requirements on Investment Form

5.2.1 Understand the requirements of responsible authorities in the host country on investment form, and apply to the authorities for the permit in accordance with laws, and carry out business strictly in line with the permitted form of investment.

5.2.2 Solely owned enterprises that are newly established shall comply with the laws and regulations in the host country, and meet the regional and sectoral requirements on organizational structure, investment amount, land use, corporate management, labor and employment, community responsibility, and the others. The joint ventures should also conduct the friendly negotiation with their partners in the host country in terms of corporate management and comply with the laws and regulations on joint venture, in addition to abiding by the above mentioned requirements. For the multinational acquisition and merger, Chinese enterprises should know if the host country has the legal provisions on allowing foreign capitals to acquire and merge local enterprises, especially on merging strategic corporation and share right control.

5.3 Investment Risks Control

5.3.1 Reasonably take advantage of the preferential policies on investment in the host country. Chinese enterprises involved in overseas forest product investment should know the preferential policies on investment and their dynamics on the basis of the full understanding of the investment policies in the host country, in order to actively utilize the incentive regional or sectoral policies to make investment in the sectors as the host country encourages, and make a full use of the preferential policies developed by the host country in taxation, financial and fiscal terms.

5.3.2 Choosing the reliable business partners with tremendous strength in the host country is the key to the success of investment projects in overseas forestry business. If the investment is solely made by Chinese enterprises, enterprises should retain consultants who are familiar with local laws and regulations to help coordinate with government

departments and local enterprises, avoid as large as possible the potential political, economic and legislative risks during the investment, and make the preventive measures against these risks.

5.3.3 Staff sent overseas by Chinese enterprises should ensure their legal rights and interests and prevent safety risks, develop in advance and initiate the contingency plan under the support of government, and gain the knowhow of seeking supports from local government and Chinese embassy there and seeking the protection from laws.

6. Ecological Environmental Protection

6.1 Fundamental Requirements

Chinese enterprises should not impose negative impacts on community and the periphery ecological environment when engaging in overseas forest product trade and investment. They are supposed to take the mitigation measures to reduce the impacts on ecological environment, promote the low-carbon and green economy, implement the sustainable growth strategy and achieve the win-win situation of corporate benefits and environment protection in compliance with the related laws and regulations in the host country and in consistence with the concepts of environmentally-friendliness and resources saving.

6.2 Environment Protection

6.2.1 The trade and investment activities of enterprises should be conducted based on the understanding of and abiding by the laws and regulations on environment protection in the host country. The investment and business projects should be implemented in accordance with the legal requirements by the host country and apply for the environment permissions from the local government.

6.2.2 Workplaces and sites for workshop building should be selected and built in compliance with the related requirements in the host country. The solid, liquid and gas wastes as well as the noise generated by timber processing projects should meet the remission standards and requirements by the local environment authorities.

6.2.3 Enterprises should establish a sound training system for environment protection, and provide staff with proper education and training programs regarding environment, health and production safety. This will enable the staff know and get familiar with the legal requirements on environment protection in the host country, grasp the knowledge of hazardous waste disposal, environmental accident prevention and other environment issues, and improve their legal awareness and environment protection consciousness.

6.2.4 Enterprises, with an eye on the possible environment accidents and risks, should develop the contingency plan against environment accidents and other emergencies in line with the nature, characteristics and possible hazardous outcomes of environment accidents, and establish a mechanism to report and communicate with local government, environment monitoring agencies, the public that may be affected, and the headquarter in China. The contingency plan should contain the organization setup and responsibility, prevention and early-warning mechanism, response procedures, emergency support and post-recovery and reconstruction. Enterprises are encouraged to organize the rehearsal based on the plan and make timely adjustments to the plan. Enterprises are also encouraged to buy the environment and pollution liability insurance and take other means to disperse the environment accident risks in a rational way.

6.2.5 Enterprises are encouraged to actively get involved in and support local public activities on environment, extend the environment protection concepts and set up a good environmental image of enterprises.

6.3 Biodiversity Conservation

6.3.1 Trading and investment activities should be carried out in compliance with the legal requirements in the host country to protect the rare, threatened and endangered animal and plant species and their habitats that are under the specific protection of the CITES and of the host country. Enterprises should not carry out the inappropriate purchase and investment activities.

6.3.2 Trading activities should be carried out to strictly control and monitor the introduction and evasion of exotic species and avoid the negative ecological outcomes.

6.3.3 Enterprises should consider prudently the ecological niche of their investment areas, and prioritize the on-site protection measures with the cooperation of local government and communities to reduce the negative impacts on local biodiversity. As for the negative ecological impacts brought on by investment activities, enterprises are encouraged to restore the ecological environment in light of the legal requirements in the host country and the general practices in the sector.

7. Community Development

7.1 Fundamental Requirements

It is advocated that enterprises respect the religious belief, cultural tradition and ethnic customs of local communities and people in the host country, ensure the legitimate rights and interests of labors, provide the neighboring residents with training, employment and re-employment opportunities, promote the coordinated development of local economy, environment and society, and carry out the cooperation on the basis of mutual benefits when carrying out trading and investment activities.

7.2 Rights of Residents

7.2.1 Forest product trade and investment should benefit in a long run the sustainable development of local forest resources, and benefit the healthy development of local economy and achieve the mutual benefits and win-win situation between enterprises and local residents.

7.2.2 When carrying out forest product trade and investment activities, enterprises should take full account of the rights and interests of local residents, and take proper measures to avoid the direct or indirect violation, threat and undermining of the legitimate ownership or use right of local residents on forest and other resources.

7.3 Community Development

7.3.1 Actively participate in the local public activities, and provide the training, employment and other social services for the forest area and the neighboring residents as large as possible.

7.3.2 Enterprises should publicize the contents, progress and management activities of their investment in forests to local residents if necessary, get enterprise well known among residents, set up a good image and improve their reputation.

7.3.3 Respect the customary right of local people. Enterprises are advised to set up a communication and dialogue mechanism based on their corporate social responsibility to proactively boost the connections and exchanges with local communities and social groups involved. Besides, enterprises are suggested to resort to discussions, hearings and other means in line with the legal requirements in the host country to listen to the views and suggestions regarding the impacts made by the projects and business activities on the local communities, with the aim to get friendly along with local people.

Annex :

- A. Policies on sustainable forest products trade and investment by Chinese enterprises
- B. Laws, regulations and policies on timber trade and investment in China's main timber trading partners
- C. Table of focal points responsible for timber trade and investment in China's main timber trading partners
- D. Related international conventions, agreements and declaration
 - 1 . Convention on Biodiversity
 - 2 . Vienna Convention for the Protection of the Ozone Layer
 - 3 . Non-legally binding forest instruments
 - 4 . UN Framework Convention on Climate Change
 - 5 . International Convention for the Protection of New Varieties of Plants
 - 6 . Convention on the Conservation of Migratory Species of Wild Animals
 - 7 . Convention on International Trade in Endangered Species of Wild Fauna and Flora
 - 8 . Convention on Wetlands of International Importance Especially as Waterfowl Habitat
 - 9 . The International Convention for the Protection of Birds
 - 10 . Agreement Concerning Cooperation in the Quarantine of Plants and their Protection against Pests and Diseases
 - 11 . International Tropical Timber Agreement
 - 12 . Rio Declaration on Environment and Development
 - 13 . Agreement on the Protection of Migratory Birds and Their Habitats