

5.4. Environment, Health and Safety

(RC)

Introduction

The protection of your employees should take a high priority: Not only the common sense but also legal reasons make this pretty obvious. At the same time, the enforcement of environmental protection is increasing: Not following up with these topics accordingly might lead to harsh punishments and penalties.

Most companies use a combination of implementing rules in the working contracts, in the employee- and safety handbooks as well as regular safety trainings. Additionally, it makes sense to define one person responsible for Environment, Health and Safety who is responsible – and capable – for definition and enforcement of the internal rules.

Environment

China in the past has been known for not really taking too much care about environmental protection. This changed dramatically in the last years and in general a business should evaluate the following points at the current situation:

Emissions:

Air pollution has been a big topic and the air quality has been increasing dramatically. Emissions have to be controlled and some products are outright forbidden. When purchasing equipment, ensure that they match the allowed emission levels.

Waste

Some production processes use materials that leave waste after the production. Ensure that this waste is in level with the required levels and handled properly.

Forbidden materials and gases

Some materials and gases are outright forbidden and therefore should not be used during production or in the final products.

Product Classification

For some products there are quotas on the used materials concerning recyclability which either make products forbidden or classify them in different categories, e.g. depending on the used materials or by the electricity used or emissions they cause. Not only is a corresponding label required on the product but also customers increasingly care about these classifications.

Health

By Chinese law an employer is obligated to ensure the safety of their employees. Especially in production processes but also in the office environment.

In general, local companies are obligated to implement security rules and might be checked for their implementation for or latest when there is an accident the company will be required to demonstrate proof that the implemented rules have been fulfilled sufficiently.

The company should be at least be able to proof:

- All employees have attended regular safety trainings
- Safety regulations are in place and the employees have been made aware about them
- Employees did not receive any damage during working at the company
- The company has made reasonable efforts to ensure the health and safety of the employee, including a reasonable budget

Safety

While health focusses mainly on possible risks for the health of a single person, safety is more a general concept that should protect life, equipment and safety of the companies possessions.

Some points to consider:

- Fire safety: Fire safety is a big topic and fire extinguishers and other fire-fighting equipment as required by local regulations have to be considered.

- Protection against Hazards: Depending on your operating, protection equipment like shoes and clothes might be required and these should be given to the staff for free.
- Relief after accidents: In case an accident happens, relief tools should be provided easily accessible, e.g. First Aid Kits should be placed in easily reachable places or emergency showers if you are handling chemicals in your processes.
- Safety against theft: To ensure that no employees start to enrich themselves by stealing company resources, regulations should be in place, video surveillance might be considered at least for critical areas and checks of leaving employees might be an additional measure to think about.

Local authorities also might require regular documentations about safety measures taken and can react with penalties if their requirements are not being followed.

Considerations for Implementing the rules

- Local authorities might come to check your implementation of environmental, health and safety topics more often than you might wish for.
- The requirements can be different in every region. Be sure to have a localized strategy, also exchanging experience with companies in the same region might be beneficial.
- Some local governments might even implement a policy that you have to report weekly about all of the safety measures that you set up, proven by signature. Signing this document might become an automatism for your management personnel – somehow disproving the actual point of making serious efforts.

6. Financial Management

Financial Management brings its very own challenges, especially if you are used to financial issues in combined currency areas like the European union.

The challenges within financial management can be mostly attributed to the following challenges:

- China is a controlled currency area, meaning that the “State Administration for Foreign Exchange” (SAFE) is checking all inbound and outbound foreign currency transactions for validity
- China has a special invoice system based on “Fapiao” that have to be purchased and have a high risk of being faked
- Taxation is a subject that is always changing and can be challenging
- Transfer pricing is a hot topic: The tax authorities will try to prevent “unfair” transfer of profits out of China
- If you are not used to Cross-Border Business, you might be unfamiliar with implications by changing exchange rates.

Last but not least you should be aware that – by nature – responsible managers will by tendency try to optimize local benefits and/or try to control local risks. They often do not consider the perspective of the group – due to this reason, I also added a small chapter about profit repatriation considering different methods to get profits back to the investor legally.