Activist Guide to Sinohydro’s International Corporation Limited’s Environmental and Social Policy Commitments

Sinohydro, a Chinese government-owned enterprise, is the world’s largest dam builder. By its own estimates, it has cornered approximately 50 to 60 per cent of the international dam building market. Since 2009, International Rivers has communicated with Sinohydro on matters relating to overseas dam building and environmental policy development. Along with several external experts, International Rivers made detailed recommendations on environmental and social policy standards that Sinohydro should adopt. We also reviewed several drafts of the environmental policy framework and provided input from our regional offices and Chinese NGOs partners. In addition, International Rivers has used our dialogue to raise civil society concerns and objections to specific projects with Sinohydro involvement.

Throughout our dialogue, we have gained a better understanding of how Sinohydro structures and manages its international operations, the challenges it faces in “going overseas,” and the realities facing its employees in remote locations. Sinohydro too has gained insight into the purpose and role of international NGOs such as ours. We hope that the whole process has helped build understanding, and been a forum for constructive discussion and debate.

Over the past few years, Sinohydro has undergone extensive reorganization and consolidation as part of the Chinese government’s effort to slim down the number of State-owned Enterprises under its control. PowerChina was created by the State-Owned Asset Supervision and Administration Commission in September 2011, combining the then Sinohydro Group and HydroChina Corporation, along with various other small power construction and design firms. In fact, many of Sinohydro’s senior management moved to PowerChina to establish the company.

**Sinohydro International Corporation Limited** (Sinohydro International) was created and is owned by PowerChina. It is responsible for all hydropower construction contracts. **Sinohydro Resources** is PowerChina’s hydropower development arm, responsible for investment projects including the development of overseas hydropower projects.

Typically Sinohydro International Limited engages in turnkey or EPC (Equipment, Procurement and Construction) contracts and construction contracts. Sinohydro Resources is more likely to take on BOT contracts (Build, Own and Transfer Contracts) where the company is
Over the past three years, Sinohydro International Limited’s environmental policy has evolved and was comprised of several documents:

2. Current: Occupational Health, Safety and Environmental Policy Statement (Published April 30, 2013)
3. Current: Sustainable Development Policy (Published June, 2014)
4. Current: Statement of Ethical Principles (Published and dated 3 June, 2014)

The 2011 overarching policy framework document was the most comprehensive of all the documents and outlined Sinohydro’s vision and timeline for environmental policy implementation. However, the policy has not been utilized to date and was made redundant by the company restructuring.

The remaining documents that are currently available on Sinohydro International’s English language website are brief, with little detail on the scope of commitments or on implementation.

International Rivers’ believes that Sinohydro International, as a major international actor in international dam building has international responsibilities and should be held accountable to international standards, specifically those included in the “Policy Framework for Sustainable Development.”

How to Use the Guide

To facilitate the practical use of this guide, Sinohydro International’s policy commitments and standards have been organized under key stages of the project cycle (feasibility study and project development stage, construction and dam operation). Where relevant and appropriate, we have provided a short explanation of what the policy commitment may mean in practical terms or how to determine if the policy commitment has been fulfilled.
Sinohydro International Limited, as a construction contractor is likely to have limited responsibility in the project development stage – with the project location being determined by the Project Developer.

**Environmental Impact Assessments**

As a minimum, all Sinohydro International Limited projects should have an **Environmental Impact Assessment** (EIA) report. Regardless of whether Sinohydro International is the project developer or contractor, Sinohydro International should in practice not start construction without a completed EIA and requisite approvals in place. China’s own environmental impact assessment laws require that EIAs be approved before project construction in China.

Sinohydro International committed to adopting the World Bank and International Finance Corporation’s (IFC) safeguard policies through its 2011 “Policy Framework for Sustainable Development.” This means that communities should have access to all relevant information about the project and its impacts including EIA and Social Impact Assessments (SIA) reports.

Once affected communities and civil society groups have a copy of the EIA report, it is important to examine the quality of the EIA. To determine whether the EIA is sufficient, it may be helpful to see whether the EIA addresses the following issues:

- Has the EIA sufficiently addressed all areas of the environment and identified all likely or possible environmental impacts?
- Does the EIA document baseline conditions?
- Have the impacts been assessed in the project area (planned and unplanned activities) and have associated facilities (e.g. roads and quarries) been included in the EIA?
- Have cumulative environmental impacts been assessed?
- Have appropriate experts been engaged to assist in conducting the EIA?
- Has the report been independently reviewed?
- Has there been sufficient consultation with relevant stakeholders (local communities, NGOs and government officials)? Has the developer responded adequately to stakeholder concerns raised during the EIA process? Have community concerns been incorporated?
- Does the EIA report contain recommendations on appropriate mitigation measures to offset negative social and environmental impacts?
Public Consultation and Disclosure of Information About Project Impacts

Sinohydro International Limited has committed to ensuring that there is an effective forum for two-way and open communication between the local community and the company.

As noted above, Sinohydro International has adopted IFC’s Performance Standards as part of its community relation’s policy, which requires Sinohydro International to ensure that affected communities have access to relevant information and documents (including EIA and SIA reports) about the project.

Resettlement and Displacement

In the majority of cases, the host country government or dam developer will be responsible for the resettlement. However, the IFC’s Performance Standard on Land Acquisition and Involuntary Resettlement makes clear that if the government resettlement standards and capacity fall below IFC standards, then the company is required to prepare a supplemental resettlement plan to ensure that policy commitments are met.

Grievance and Complaints Mechanism

Sinohydro International Limited has committed to establishing a grievance mechanism on all projects to enable issues and complaints to be raised, addressed and resolved. International Rivers sees this as one of the most important policy developments. The Grievance and Complaints mechanism offers a means for community concerns to be raised and addressed. However, creating the right model for such mechanisms will be difficult, particularly given the number of countries and cultures that Sinohydro International operates in. Sinohydro International is also responsible for ensuring the affected communities are aware of the mechanism and how to use it.

Cultural Heritage

Sinohydro International Limited has committed to avoiding damage to cultural heritage sites. This may mean that during the project design phase, options that avoid impacting cultural heritage are investigated and developed, and competent professions are engaged to assist with identification and consultation with the local community. In addition, Sinohydro International has committed to protecting World Heritage Sites in its Statement of Ethical Principles.

Sinohydro International has committed to consulting with local communities to identify and find ways to best protect cultural heritage. In accordance with the IFC safeguard policies, Sinohydro should also
seek to maintain the community’s access to cultural heritage sites during the construction and operation of the dam.

**Project Implementation and Construction Phase**

*Compliance with Local Laws and Regulations*

Sinohydro International Limited should have acquired all necessary permits and approvals.

*Environmental Impacts*

In line with the global hydropower construction industry, Sinohydro International Limited has committed to establishing an Environmental Management System (EMS) at all project sites to mitigate any environmental impacts during project construction. The EMS should anticipate and mitigate environmental impacts during project construction and should be established before construction commences. Sinohydro International has committed to providing regular updates to stakeholders on the company’s progress in implementing the objectives set out in the EMS. An example of an EMS is not being implemented is uncontrolled waste and pollution from construction activities.

*Resettlement and Community Development Activities*

Once a resettlement action plan is adopted, the host country government and the project developer (which may or may not be Sinohydro) are responsible for the implementation of the action plan during the preparation and construction phases. Even though Sinohydro International Limited is not the project developer, Sinohydro International may still be responsible for complementary activities to ensure that its resettlement and community policy commitments are met. During the implementation of the resettlement action plan, the local community should receive ongoing reports on the implementation of the resettlement action plan and updates on efforts to address key areas of community concern.

*Grievance and Complaints Mechanism*

As noted above, Sinohydro International Limited has committed to establishing a grievance mechanism on all projects to enable issues and complaints to be raised, addressed and resolved. Sinohydro International is also responsible for ensuring that the impacted communities are aware of the mechanism.

*Emergency Incidents or Accidents*

Sinohydro International Limited has committed to informing local communities about any significant incidents or accidents that may impact on them. For example notification should be clearly marked on
community notice boards and readable in local languages. Communities should be aware of and have input into the notification process should an accident or emergency situation occur.

**Project Completion and Dam Operation**

*Site Rehabilitation*

Once construction has concluded, Sinohydro International Limited has committed to restoring the impacted land and environment to a state as close to its initial condition as possible.

**Additional**

*International Standards*

Bank Information Center, Quick Reference Guide to World Bank Safeguard Policies

World Bank Policies on Resettlement and Environmental Assessment


*Chinese Standards*

China Export Import Bank’s Policy is available at http://www.internationalrivers.org/node/2523


Additional information about China’s global role in dam building see New Great Walls (Second Edition)