

Myanmar Foreign Investment Tracking Project Response from CITIC

Sector: Conglomerates

Region of HQ: China

SEZ: Kyaukphyu

(This is part of our effort of [tracking the human rights policies of companies in Myanmar's special economic zones](#), under our [Myanmar Foreign Investment Tracking Project](#).)

- 1. Does your company have investments or operations in Myanmar or is it seriously considering investing or operating there? If so, please provide information on the nature of these investments or operations, and what geographic areas and communities they will affect.***

CITIC Group is leading two International Consortiums to participate in the Kyauk Phyu Special Economic Zone(KPSEZ) Projects, which was the first international open-tender large scale infrastructure project organized by Myanmar Government, to choose developers for investment, construction and operation of the Project. CITIC Group formed two consortiums and participated in the open tender processes and later was awarded both of the KP SEZ Industrial Park Project (IP) and Deep Sea Port Project (DSP) on Dec. 30, 2015. Currently CITIC Consortiums are negotiating contracts with Myanmar authorities and waiting for the designation of local companies to form project joint ventures. CITIC Group has not yet started any investments in Myanmar.

According to Myanmar news report, the Myanmar Union Parliament approved the KPSEZ geographic demarcation on December 29, 2015. The total demarcation areas is about 4289 hectares, with the IP project covers about 2446 hectares, and the DSP project covers about 607 hectares (Made Island port about 370 hectares, and Yanbye Island port about 237 hectares).

The following is a detail description of the Project:

To develop KPSEZ, Myanmar Government hired Singapore CPG consultants, compiled Request for Proposal (RFP) documents and then invited tenders all over the world in line with international practice on Sept. 29, 2014.

CITIC Consortiums consist of internationally-renown companies, including Thailand Charoen Pokphand Group, China Harbor Engineering, China Merchants (International), TEDA Investment, and Yunnan Construction Engineering Group for DSP and IP projects. With PwC and Singapore Jurong Consultants Pte Ltd as consultants, CITIC Consortiums participated in the tender process and submitted proposals.

On 13 January 2015, KP SEZ Bidding Evaluation and Awarding Committee (BEAC) confirmed that CITIC Consortiums were selected as "Preferred Bidders" for both DSP and IP projects. On Dec. 30, 2015, BEAC formally announced CITIC Consortiums as bid winners for both DSP and IP projects.

CITIC Consortiums will form project joint ventures together with Myanmar local enterprises for the development and operation of DSP and IP projects. The projects will be implemented under Myanmar Special Economic Zone Law published in 2014 by Myanmar Government.

Industrial Park is planned for 1,000 hectares and will be built in three phases. The planned industries in Industrial Park include textiles & garments, construction materials processing industries, food processing industries, and marine supply & services industries as labor intensive industries, and also technology & capital-intensive industries.

The DSP project consists of the Made Island and Yanbye Island terminals, with a total of 10 berths. It also includes freeways and a bridge connecting the Industrial Park and Deep Sea Port. The DSP Project will be constructed in 4 phases, with construction duration of 20 years. After the completion of the project, the expected annual capacity of the DSP will be 7.8 million tons of bulk cargo and 4.9

million TEU containers. As container throughputs increase, the DSP may be updated to the complete container terminals, with the annual capacity of 7 million TEU containers

The guiding principles of the delivery plan includes three key components for a successful partnership: PEOPLE, PROSPERITY, and PLANET (PPP).

PEOPLE

The SEZ will create jobs for the local community, provide training, create new business opportunities, and improve the overall living standards.

CITIC plans to establish the CITIC BN Vocational School and provides a one year vocational training program for students from local low-income families. Each year, 100 students of 16 to 20 years old will be trained to be skilled workers and then work for companies in KPSEZ after graduation.

CITIC launched a "Village Fund Program" last year and provided the amount of \$1.5million to 50 local villages to create business opportunities and aim for improving local villagers' overall living standards.

As soon as learning Myanmar flood disaster occurred in July 2015, CITIC dispatched a working group to Myanmar providing first aid services. CITIC delivered relief supplies valued at 300,000 USD to flood-affected areas for local communities. Meanwhile, CITIC deployed a helicopter to flood affected areas offering free air freight services, valued at 150,000 USD.

PROSPERITY

Technical supports for traditional fishing and agricultural modernization will build long-term partnerships with the local community and business. The concept "Made in Myanmar" will be strongly promoted.

Throughout the 50 years' concession period, with all the conditions proposed in the RFP and bidding documents were satisfied, the Deep Sea Port and the Industrial Park will bring significant growth in annual GDP and tax income for Myanmar.

PLANET

As shown in bidding documents, CITIC Consortiums will engage leading international firms joined by local experts to work as a third party to independently carry out Environmental Impact Assessment ("EIA") and Social Impact Assessment ("SIA") for the KPSEZ Projects according to relevant Myanmar laws and the recent promulgated "Environmental Impact Assessment Procedures". Such work will be openly monitored by the general public.

During the development of the KPSEZ Projects, the project companies will continue to engage independent international consultants to audit the environmental and social impacts on a continuous basis. The audit report will be timely released to the public.

Strict sewage and waste discharge standards will be enforced to protect Myanmar environment. A policy of Recycle, Reuse and Replace will be adopted throughout all aspects of the construction and operations.

- 2. Do you have policies and procedures in place to prevent your business activities or investment from contributing to human rights abuse and social conflict in Myanmar (including, for example, human rights due diligence measures)? If you have human rights policies and procedures regarding investing or operating in Myanmar, are you willing to share them for posting on our website? If so, please send them as a Word or PDF file, or, if available, as a hyperlink.***

CITIC Group respects local people's rights in every country. According to Myanmar government's RFP requirements, CITIC Consortium will establish a project JV arranged by Myanmar government and its designated Myanmar companies. After JV is established, JV will timely organize resources to set up relevant policies and regulations on protection of human rights, and will be able to share and publish the materials on your website.

As our statement aforesaid in reply to Question 1, with the masterplan for the KPSEZ and the development plan proposed by CITIC Consortiums, the successful development of Kyauk Phyu Industrial Park and Deep Sea Port projects will promote economic and social development of Myanmar, and improve unemployment rate and the local people's livelihoods.

3. If you do not yet have human rights policies and procedures in place, do you have plans to develop them? If so, what efforts are you currently engaged in or plan to engage in on this regard?

We have started relevant researches to collect and study the human rights laws and regulations in Myanmar. Meanwhile, we also contacted International Organizations Myanmar offices, including UNDP, UNIDO, HPA (Health, Poverty Action), MCRB (Myanmar Center for Responsible Business), OXFAM, ICJ, ERI(Earth Rights International), and established communication channels with these organizations.

After the Project JV is set up, it will establish related policies and regulations based on international and local standards and regulations.

4. Will the policies and procedures described in Question 3 (if any) apply to the company's related entities in Myanmar, including but not limited to subsidiaries, subcontractors and other business partners? And is the company willing to disclose the names of these related entities?

CITIC Consortiums consist of internationally-renowned companies, including Thailand Charoen Pokphand Group, China Harbor Engineering, China Merchants (International), TEDA Investment, and Yunnan Construction Engineering Group for DSP and IP projects. CITIC Consortiums will form project joint ventures together with Myanmar local enterprises for the construction and operation of the projects.

5. Have you undertaken environmental, social, health, and/or human rights impact assessments, as well as a strategic environmental assessment, on your project or investment? If so, are you willing to share the results of these assessments for posting or linking on our website?

As shown in bidding documents, CITIC Consortiums will engage leading international firms joined by local experts to work as a third party to independently carry out Environmental Impact Assessment ("EIA") and Social Impact Assessment ("SIA") for the KPSEZ Projects according to relevant Myanmar laws and the recent promulgated "Environmental Impact Assessment Procedures". Such work will be openly monitored by the general public.

During the construction period of the KPSEZ Projects, the project company will continue engaging independent international consultants to audit the environmental and social impacts on a continuous basis. The audit report will be timely released to the public.

The Project JV has not been established, so no works of EIA and SIA has been done. The EIA and SIA results will be shared with you after the assessments completed.

6. Does your company have policies and procedures in place to address each of the following areas?

- a. Land and housing rights (including eviction, resettlement, compensation, among others)**
- b. Labour rights (including freedom of association and collective bargaining, living wages, workplace health and safety, child labour, forced labour, discrimination, among others)**

It is clearly provided in the Project RFP issued by Myanmar Government that the Myanmar Government is fully responsible for land requisition and resettlement of the local inhabitants. We hope that the Myanmar Government will fulfill such responsibilities in open and transparent manners and will reach fair and reasonable consensus with the local inhabitants on the issues of compensations for land acquisition and resettlements.

About labor rights, we are studying requirements by various international organizations and local authorities, such as United Nations and Myanmar organizations. When starting construction and operation, project JV will establish policies and procedures to address above issues.

7. Do you have policies or programs in place for information-sharing and consultation with communities affected by your investment or operations? If so, please provide further information about these policies or programs.

CITIC Group has not started investments or operations. After project JV launched, JV will set up relevant policies and inform you.

Myanmar government and CITIC Group value information sharing with project local communities. On January 2016, KPSEZ Management Committee delegation visited Kyauk Phyu and held face-to-face meetings with local residents to discuss local people's concerns. CITIC Consortium representatives were invited to attend these meetings. Based on the feedbacks received from these meetings, the majority of local people, including government officials, monks, and business owners welcome the KPSEZ Projects and support the projects.

Recently, Chinese Embassy in Myanmar, Kyauk Phyu County and CITIC Group are preparing to form a communication mechanism with local representatives, which will include regular meetings to share information.

8. Do you have mechanisms in place to address local peoples' grievances related to your investment or operations? If so, please provide information on these mechanisms, including contact information of personnel or department in charge.

Currently CITIC Group has not started investing or operating. After project launched, JVs will set up relevant departments and policies, and let you know.

9. Who should communities or civil society groups contact if they have questions or concerns about your investment or operations in Myanmar? Please provide their contact information

CITIC Group values communication with local people and communities. Ms. Michelle Liang Minyan will be the contact person for possible concerns. Here is my contact information:

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