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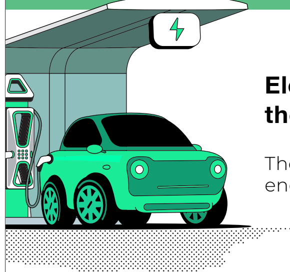

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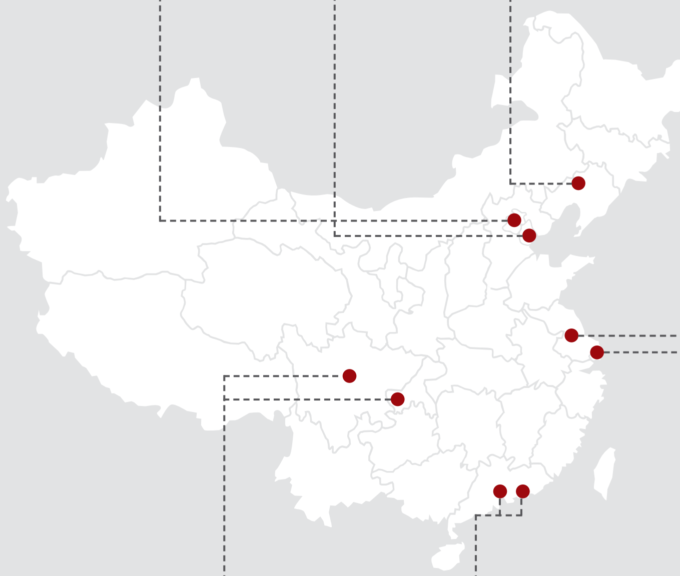

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President's Foreword

European companies as frontrunners of ESG in China

Jens Eskelund

President

European Union Chamber of Commerce in China

Coined less than two decades ago, the term 'ESG', the framework for environmental, social and governance factors, started a trend that looks like it is here to stay. And with good reason.

When first used in a 2004 United Nations report entitled *Who Cares Wins*,[1] the idea was to find ways to better integrate ESG issues in asset management and securities brokerage. The reasoning was simple: companies that manage ESG issues better would also be able to compete more successfully, as they would be more capable of managing risks, anticipating regulatory action or accessing new markets. At the same time, their company value would also benefit from the positive impact that strong ESG performance has on brand and reputation.

When early studies indicated a positive correlation between corporate sustainability and market performance, the growth of ESG investing accelerated.[2] Investors realised that learning about a company's ESG track record can also help them identify the market players that will be best able to adapt to the future. But it is not investors alone who have been pushing more and more companies towards embedding ESG in their corporate strategies. Consumers also increasingly vote with their preference for brands associated with green initiatives or social contributions. Jobseekers look for opportunities at workplaces known for their outstanding corporate culture. And regulators also realise the value of incentivising companies to both protect the environment and promote the development of the society they operate in.

European companies have a special role to play in China in terms of ESG promotion, as they can bring their best practices in sustainability and corporate social responsibility (CSR) established in their home or global operations, and contribute to creating the most suitable regulatory framework through targeted engagement with Chinese authorities. Areas within the ESG framework in which European companies are especially well-placed to foster progress include carbon neutrality, and workplace diversity and inclusion. Recent or upcoming regulation from companies' home and other markets, or from the European Union institutions—particularly in the field of decarbonisation—mean that European firms are often at the forefront of the green transition in China.

To build on this advantage, the European Chamber established its Corporate and Social Responsibility Forum in 2005 as a platform to foster CSR collaboration and co-innovation between Chamber members, Chinese government agencies, professional organisations and local, non-governmental organisations. The forum is now comprised of more than 250 member companies that cover a wide range of corporate functions, such as sustainability/CSR, marketing and communications, public relations, government relations, corporate governance and compliance, human resources, the environment, and health and safety. To learn more about the forum, please scan the QR code to visit the European Chamber's website.

1 *Who Cares Wins: Connecting the Financial Markets to a Changing World?* The Global Compact, United Nations, December 2004, viewed 25th May 2023, <https://www.unglobalcompact.org/docs/issues_doc/Financial_markets/who_cares_who_wins.pdf>

2 Kell, George, *The Remarkable Rise Of ESG*, *Forbes*, 11th July 2018, viewed 25th May 2023, <https://www.forbes.com/sites/georgkell/2018/07/11/the–remarkable–rise–of–esg/?sh=3fc3b9c81695>

Pilot of Social and Sustainability Bonds on China's Inter-Bank Market

Mobilising the bond market for Sustainable Development Goals

by **UNDP China** and **NAFMII**

In 2021, social and sustainability bonds were introduced to the China Interbank Bond Market through a 'panda bond' pilot programme launched by the National Association of Financial Market Institutional Investors (NAFMII), with technical support from the United Nations Development Programme (UNDP). Leveraging global practices, the pilot aims to expand upon the Chinese green bond market to include sustainability issues beyond climate and environment, and open new opportunities to accelerate financing towards the UN's Sustainable Development Goals (SDGs).

Global trends of social and sustainability bonds

Despite the global economic downturn brought on by COVID-19, in addition to conflicts worldwide and their impact on energy and food prices and availability, the collective volume of social and sustainability bonds has grown significantly in recent years. It reached United States dollars (USD) 291.6 billion in 2022,[1] representing a volume increase of 31 times that of 2016.[2]

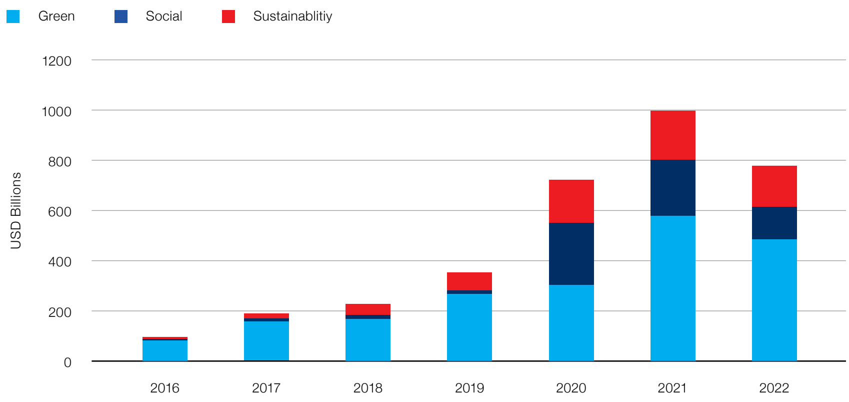
This surge of issuance is partly due to stakeholders' increased attention to social issues, and to the overlap between social and environmental issues. This latter aspect came into sharper focus in 2020, when the pandemic revealed the fragility of our social systems and how our broken relationship with nature carries grave risks for us all. Since then, the combined share of social and sustainability bonds jumped to around 40 per cent of the sustainable bond market,[4&5] which for many years had been dominated by green bonds.

The resilience shown by social and sustainability bonds amidst the market turmoil of the last two to three years is likely to continue, given the growing urgency among governments to deliver on their commitments to the SDGs, as well as rising environmental, social and governance (ESG) awareness among stakeholders.

The pilot programme on social and sustainability bonds in China

To enhance the role of the capital market in support of these national priorities, China has taken a 'top-down' policy-driven approach to boost its sustainable financial market. Among the first key steps were the following:

FIGURE 1. 2016–2022 growth of green, social and sustainability bonds[3]



- In December 2015, the People's Bank of China (PBoC) released a landmark document—*Announcement 39, 2015*—providing guidance for issuing green bonds on the inter-bank market.
- In 2016, the PBoC, along with six other ministries and government agencies, defined the overarching architecture for green bonds, the *Guidelines for Establishing the Green Financial Systems*, followed by a series of policy incentives and regulations targeting the bond market.

These regulatory innovations marked the start of rapid growth in China's green bond market. Since 2016, it has boomed from barely any issuance to an accumulative USD 183 billion (Chinese yuan (CNY) 1.3 trillion) in outstanding volume by 2021.

In light of the positive results and financing gaps in using bond instruments to address environmental issues, it was recognised that the experience should be replicated across wider sustainability areas, like protecting and empowering vulnerable groups such as women and children, those living below the poverty line, and those lacking education or basic services. Therefore, in 2021, the NAFMII launched the Pilot Programme on Social Bonds and Sustainability Bonds, targeting overseas issuers in China's inter-bank market. Bonds under this pilot apply to a wide range of projects, covering environment protection, pandemic prevention, elderly and childcare, facilities for people with disabilities and rural revitalisation, as well as fair access to healthcare and education, among other initiatives.

The design of the pilot took into consideration both domestic practices and international standards. On a conceptual level, the pilot aims to reflect the convergence between the 17 SDGs and China's 14th Five-year Plan. On the technical level, it builds on the NAFMII's existing procedures for bond registration and issuance, while taking reference from the four core elements of the International Capital Market Association Green Sustainability Social Bond principles—use of proceeds, project evaluation and selection, management of proceeds and reporting—external evaluation and certification mechanisms, and a framework issuance mechanism. Under the UNDP's technical assistance,

[1] *Sustainable Debt Global State of the Market 2022,* Climate Bond Initiative (CBI), 2023, viewed 9th May 2023, <https://www.climatebonds.net/files/reports/cbi_sotm_2022_03d.pdf>

[2] Calculated based on data from CBI Interactive Data Platform, viewed 9th May 2023, <https://www.climatebonds.net/market/data/>

[3] Complied by author based on data from Climate Bond Initiative (CBI). The 2016–2021 data is from CBI Interactive Data Platform. Available at: https://www.climatebonds.net/market/data/. The 2022 data is from *Sustainable Debt Global State of the Market 2022*, Climate Bond Initiative (CBI), 2023, viewed 9th May 2023, <https://www.climatebonds.net/files/reports/cbi_sotm_2022_03d.pdf>

[4] Calculated based on data from Sustainable Debt Global State of the Market 2021, CBI, 2022, viewed 9th May 2023, <https://www.climatebonds.net/files/reports/cbi_global_sotm_2021_02h_0.pdf>

[5] For easier comparisons with historical data, the sustainable bond market here only covers green, social and sustainability bonds (GSS bonds) – the majority in volume terms. Other instruments with current limited scale, including sustainability–linked bonds, blue bonds, gender bonds, and so on, are not included in our data analysis.

SDG Finance Taxonomy (China)

Building on the UNDP's global SDG Impact Standards flagship initiative,[7] UNDP China developed the SDG Finance Taxonomy (China). This expands the scope of criteria beyond green to focus on positive social impact and benefitting groups at risk of falling behind.

The Taxonomy adopted a three-level project classification system to fit Chinese market practices. At the same time, it integrated impact indicators and screening criteria aligned with mainstream international principles, such as the Global Reporting Initiative, the international Finance Corporation operating principles for impact investment, and the Global Impact Investing Network Characteristics of Impact Investors, among others.

The Taxonomy was developed as a public good to encourage voluntary market adoption, with the long-term goal of increased regulatory support for standardised reporting and national statistical systems.

the pilot took core elements from the SDG Finance Taxonomy (China)[6] and adopted key principles, including 'Do No Significant Harm', "serving vulnerable groups", and using SDG targets as impact indicators.

Outlook and recommendations

Since the pilot was launched in November 2021, two private companies and a multilateral development bank have issued sustainability bonds. With increasing awareness of broader SDG coverage beyond environmental protection, and the inter-linkages between different SDGs reflected in recent policy discussions such as the "integration between green finance and inclusive finance", interest in social and sustainability bonds is likely to grow. To further scale up the market, three steps have been outlined for consideration for future action:

1. Improve policy support for social and sustainability bonds and create interoperable sustainable finance standards at the global level. China has relatively sound standards and supporting policies for green bonds, which are gradually being aligned with international practices. However, standards for other aspects of sustainable development are needed. Drawing on experience accumulated during the NAFMII's pilot programme, further steps should be taken to build robust standards for social and sustainability bonds, along with market incentives, policy regulations and disclosure requirements.

2. Increase capacity building and technical assistance for issuers to improve impact management and reporting. Compared with green bonds where impact quantification is relatively more mature, impact measurement and disclosure for social and sustainability bonds remains challenging. To tackle this, various international bodies, such as the International Capital Market Association, have already introduced useful methodologies and tools. In support of these, issuers can also refer to the 169 targets of the SDGs and guidance from the appropriate UN bodies when defining impact indicators.

3. Leverage the role of institutional investors, by measures such as encouraging them to take active stewardship and discuss sustainable development factors with issuers, as well as to push issuers to report information relevant to sustainable development; strengthen risk management throughout the whole life cycle (ex-ante, proceeds managing, and ex-post) of the bond; and provide purchasers with information on their entity-level sustainability performance.

Such further steps are vital, for only by ensuring adequate financing for the SDGs can we truly leave no one behind and safeguard life on earth by 2030. The UNDP and the NAFMII stand ready to continue supporting all parties in building a more sustainable, inclusive bond market. EB

Note: This article is abstracted from a UNDP and NAFMII issue brief published in December 2022. To read the full brief, visit: https://www.undp.org/china/publications/issue-brief-pilot-social-and-sustainability-bonds-chinas-inter-bank-market

The **UNDP** works in about 170 countries and territories, helping to end poverty, reduce inequalities and exclusion, as well as protect the planet, in line with the SDGs Together, these efforts aim to ensure that improvements in human wellbeing remain within ecological boundaries. We also help countries to develop policies, leadership skills, partnering abilities and institutional capabilities, as well as build resilience, in order to achieve the Sustainable Development Goals. The UNDP has been working in China for over 40 years, partnering to advance various phases of China's development. The UNDP continues to be at the forefront of initiatives with China both to achieve the SDGs domestically and through China's global cooperation.

The **National Association of Financial Market Institutional Investors (NAFMII)** was founded in September 2007, under the approval of the State Council of China. The NAFMII aims to propel the development of the China OTC financial market, which is composed of interbank bond market, inter-bank lending market, foreign exchange market, commercial paper market and gold market.

As a self-regulation organisation in China, the membership of the NAFMII includes policy banks, commercial banks, credit cooperative banks, insurance companies, securities houses, fund management companies, trust and investment companies, finance companies affiliated with corporations, credit rating agencies, accounting firms and companies in non-financial sectors.

[6] *Technical Report on SDG Finance Taxonomy,* UNDP, 1st June 2020, viewed 9th May 2023, <https://www.undp.org/china/publications/technical–report–sdg–finance–taxonomy>

[7] *SDG Impact Standards,* SDG Impact (n.d.), viewed 9th May 2023, <https://sdgimpact.undp.org/practice–standards.html>

UNPACKING THE FINANCIAL BENEFITS OF ESG

For businesses around the world

by **Walter Lin**

ESG management may be a relatively new concept in some regions, but there are financial benefits to be unlocked no matter where a business exists and operates. In this article, **Walter Lin** of **Sedex** looks at some of the ways that the payoffs from good ESG performance can manifest, and offers tips on articulating these benefits with regional business partners to help win their support for sustainability goals.

ESG: Corporate sustainability by another name

ESG continues to be a high-priority focus area for business, particularly in the United States (US) and Europe, with drivers such as investor interest, consumer expectations and new legislation aiming to promote sustainable business practices. However, as the conversation around ESG matures, debate and complexity are increasing – especially in the US, where ESG has become a political battleground.[1]

This ongoing evolution presents significant challenges for business, both for those already incorporating ESG and those less familiar with the concept. The latter includes many businesses across Asia, where ESG is a less mature yet fast-developing field.[2]

How can companies navigate these challenges, particularly with business partners in Asia?

It helps to understand corporate ESG from a broader sustainability perspective, and recognise that existing initiatives mean many businesses are already working towards improving their ESG performance in some way—whether they use the term 'ESG' or not. Examples include corporate social responsibility programmes, green supply chain initiatives, employee physical and mental wellbeing, and emissions reduction efforts.

More importantly, any business—no matter its size, industry or location—can benefit from good ESG and more sustainable practices.

With supply chain partners' support more important than ever, thanks in part to new laws in several jurisdictions requiring companies to report on sustainability due diligence activities in their supply chains,[3] collaboration is essential to achieving ESG goals.

Articulating the 'win-win' opportunities with business partners and suppliers in China and across the Asia-Pacific region is a powerful way to engage them and secure their support.

The financial benefits of ESG across global regions

Unlock investment opportunities and long-term, sustainable growth

Many investors seek to fund sustainable growth by investing in companies that can demonstrate commitment and progress on ESG areas. This interest is expanding beyond listed businesses and into private investment.[4]

Studies and stock-market analysis also indicate that good ESG supports companies' long-term success, including financial performance,[5] stakeholder trust and a retained 'social licence' to operate.[6]

Win new customers and secure preferential terms

Large companies in key markets (US, Europe) seek business partners and suppliers that will support them with their ESG goals. Companies in major supply industries and regions can be more attractive to new customers through showing clear ESG credentials.

As international buying companies encourage their business partners to improve in ESG areas, some are developing financial incentives for suppliers – such as finance programmes linked to sustainability performance.[7]

Avoid fines by complying with legislation

Sustainability- and governance-related laws around the world come with potential fines for companies that don't comply with them.

For example, over 40 countries have anti-corruption laws, most of which include fines as penalties,[8] while China is just one of several countries where businesses can be fined for contributing to environmental pollution or ecological damage.[9]

Drive operational efficiencies and avoid ESG-risk-related costs

Improved ESG in different areas supports cost savings and other efficiencies. For example, reducing carbon emissions or using water more efficiently in production processes can save on resource costs.

Better health and safety for employees reduces injury-related costs and

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1 For example, see Ross Kerber, Business fights back as *Republican state lawmakers push anti–ESG agenda*, *Reuters*, 24th April 2023, viewed 18th May 2023, <https://www.reuters.com/business/sustainable–business/business–fights–back–republican–state–lawmakers–push–anti–esg–agenda–2023–04–22/>

2 For example, see "*Asia still has a way to go compared to Europe and the US when it comes to ESG adoption" – HSBC Asset Management's Jacqueline Pang*, *Asian Investor*, 16th November 2022, viewed 18th May 2023, <https://www.asianinvestor.net/article/asia–still–has–a–way–to–go–compared–to–europe–and–the–us–when–it–comes–to–esg–ad/482094>; and *A new era for ESG in Asia Pacific*, Goldman Sachs, 28th February 2022, viewed 18th May 2023, <https://www.goldmansachs.com/intelligence/pages/gs–research/gs–sustain–our–analysis–of–apac–esg–regulation/report–new–era.pdf>

3 Such as the recently passed anti–slavery bill in Canada, and the EU's upcoming Corporate Sustainability Due Diligence Directive

4 Patrick Temple–West, *The ESG world is turning more to private investments*, *Financial Times*, 6th May 2023, viewed 18th May 2023, <https://www.ft.com/content/907cfec1–6d9d–45b6–89e0–18bd878ea5c3>

5 For example, see Steve Varley, *How can slowing climate change accelerate your financial performance?*, EY, 2nd November 2022, viewed 18th May 2023, <https://www.ey.com/en_gl/sustainability/how–can–slowing–climate–change–accelerate–your–financial–performance>

6 For example, see section 'Sustainable performance is not possible without social license' in *Does ESG really matter – and why?*, McKinsey, 10th August 2022, viewed 18th May 2022, <https://www.mckinsey.com/capabilities/sustainability/our–insights/does–esg–really–matter–and–why>

7 For example, see drinks business Britvic and fashion company PVH

8 Source: *Guide to Anti–Bribery and Corruption Laws*, CMS, 2021, viewed 18th May 2023, <https://cms.law/en/media/international/files/publications/guides/cms–guide–to–anti–bribery–and–corruption–laws–2021?v=6>

9 Source: *Environmental Law 2022 – China*, Chambers and Partners, 21st October 2022, viewed 18th May 2023, <https://practiceguides.chambers.com/practice–guides/environmental–law–2022/china/trends–and–developments>

absences, while improvements in other social areas can support positive employer-employee relationships, helping to reduce staff turnover. ESG initiatives also come with opportunities to explore new technologies—perhaps in partnership with customers or suppliers—to discover other efficiencies and competitive advantages.

Good performance across sustainability areas also helps companies to avoid potential costs associated with ESG risks – such as disrupted or unstable production, reputational damage and sanctions under legislation.

Tap into market growth and talent opportunities

Studies continue to show consumer support for, spending shifts towards and market opportunities for more sustainable products.[10] Providing these products, or their components, allows a business to tap into these market opportunities.

Demonstrating strong ESG commitments can also help a business to attract and keep top talent, as signs indicate that employees are increasingly keen to work for companies with ESG goals backed by robust sustainability programmes.[11]

The ripple effect: additional business benefits of ESG

Alongside these financial benefits, efforts to improve ESG performance link to lots of other positives:

- Supporting supplier improvement for more robust businesses and supply chains.
- Supporting healthy, stable communities by providing decent work for local people and minimising harm to local areas.
- Building a strong reputation among consumers, customers and other key stakeholders through evident commitment to sustainability.
- Complying with other legislation and reporting requirements – for example, data captured across different ESG areas may also be needed for financial reporting, gender pay-gap reporting, and general operational analysis to identify areas for improvement and greater efficiency.

Companies of all sizes will already hold valuable information relating to ESG areas – such as information on employee gender, reported accidents and injuries, and management practices. A central data ecosystem for ESG data, including information on a company themselves and on their suppliers, supports businesses with all their sustainability-related requirements.

What next? Progressing ESG goals with China-based business partners

Use the following tips to have productive conversations about ESG with business partners and stakeholders in China:

- Increase awareness and understanding of ESG, starting from the beginning where it is a new concept for your business partners. Convert the concept into a message that your business partners will understand—such as using different terms for sustainability-related activities—and highlight the commonalities.
- Connect ESG topics and requirements with what your business partners already do in their daily work, such as human resource management or health and safety measures.
- Work collaboratively – paint the 'big picture', share your vision, and share your company's plans for ESG programmes or commitments. What is your company going to do; what does this mean for suppliers and other business partners?
- Emphasise the shared benefits in making progress together, making it clear that you understand how your business partners play an important role in enabling your company to reach your ESG goals.
- Provide support for the business partners who need it. Can you provide training, or share your own best practice; for example, to help your suppliers calculate their own carbon emissions? Consider ways to connect business partners that can help each other, by sharing best practice on what they already do well or investing in sustainable solutions together.

By emphasising the shared benefits, building joint initiatives, and enabling regional business partners to make improvements, your company can create powerful support for your own and wider ESG goals.

Walter Lin is managing director for Asia at **Sedex**, a leading technology company providing data, insights, tools and services to empower sustainable supply chains globally. Their platform and solutions, which include the SMETA audit, are designed to support businesses to manage and improve their ESG performance and meet their supply chain sustainability goals. The company has six offices globally, including in Shanghai and London, and works with many globally recognised brands such as Reckitt, Mengniu Dairy, Nestlé, Molson Coors, and Barclays. Their network comprises nearly 75,000 businesses around the world, with thousands in China

[10] For example, see *Consumers care about sustainability – and back it up with their wallets,* McKinsey and NielsenIQ, 6th February 2023, viewed 18th May 2023, <https://www.mckinsey.com/industries/consumer–packaged–goods/our–insights/consumers–care–about–sustainability–and–back–it–up–with–their–wallets>

[11] For example, see the European Investment Bank's most recent *Climate Survey*, March 2023

Why the ESG Reputation of Your Company Matters

by **Martin Lee**

Recently, amid all the talk about how employees (especially millennials and Gen Z staffers) are looking for a better work-life balance, flexible work schedules, and more meaningful work when selecting employers, another acronym has quietly entered the mainstream – ESG. In this article, **Martin Lee** of **Pacific Prime** shares the ins and outs of ESG, why it matters to your company, and how your company can win hearts by scoring high in this department.

What is ESG?

ESG is an abbreviation for environmental, social and governance, which is a collection of standards that consumers, investors and corporations use to assess a company's sustainability and ethical influence.

The 'environmental' component focusses on the company's impact on the environment. Factors such as carbon footprint, waste management and natural resource consumption are considered when assessing this aspect. Interestingly, while previously companies used to be able to brag if they attained carbon neutrality, the bar has now been raised. The new standard is 'carbon negative', meaning the company is removing more carbon dioxide from the atmosphere than it emits.

The 'social' component evaluates the company's influence on society, taking into account issues such as labour practices, employee rights, diversity and inclusion, and community involvement.

Finally, the 'governance' aspect focusses on the company's internal systems and structures, including board and executive diversity, corporate transparency, executive compensation, and gender and racial equity.

The concept of ESG came about in response to the growing awareness of the need for environmentally and socially responsible practices in the business world. Companies with good ESG scores are believed to be more resilient, more sustainable, and therefore more attractive to investors.

Why your company's ESG reputation matters

A company's ESG standing is significant for multiple reasons.

Primarily, ESG factors are gaining importance among investors who seek companies that manage their sustainability and ethical practices well. Companies with a solid ESG reputation will thus find it easier to attract investors and achieve sustained growth year after year.

A good ESG reputation can also result in an improved brand image and customer loyalty. Consumers—particularly those of the younger generation—are increasingly mindful of the environmental and social impacts of their purchasing decisions, and prefer products and services from companies that align with their values. A business that takes environmental stewardship, social responsibility and ethical governance seriously is likely to win over customers invested in these issues.

Furthermore, a good ESG reputation can help attract quality employees, because it is ultimately in their interest to work for a company that promotes people based on work performance and sound judgment, rather than a slew of other factors that should have no relevance on this score but sadly often do; for example, family connections.

ESG factors are gaining more significance in regulatory compliance as well. Governments and regulatory bodies are introducing policies to promote sustainable and ethical practices. Companies that do not treat ESG factors with the seriousness they deserve could face the risk of violating regulations, leading to financial and reputational penalties.

How your company can improve its ESG score

There are a number of measures that companies looking to improve their ESG scores can pursue. Six of them are listed here:

1. Embrace sustainable practices

Implementing sustainable practices can help companies reduce their environmental impact, save costs and comply with regulations. Your company can do this by using renewable energy sources, minimising waste, doing what it can to reduce greenhouse gas emissions, and working with environmentally friendly supply chains.

2. Foster diversity and inclusion

Companies that prioritise diversity and inclusion throughout their organisation can create a more inclusive work environment, enhance employee engagement and attract a diverse pool of talent. To that end, a company can implement inclusive recruitment and retention policies, provide training and development programmes, and put in place initiatives to address subconscious bias.

3. Improve corporate governance

Corporate governance procedures can be updated to ensure transparency and integrity in company operations. Strong governance practices can prevent corruption and unethical behaviour while increasing accountability. This may involve measures to promote transparency in financial reporting, executive compensation and board composition, as well as the independence and prevention of conflicts of interests of board members in decision-making.

4. Prioritise employee health and safety

Companies can prioritise employee health and safety by implementing initiatives aimed at preventing injuries and illnesses, promoting good mental health and the availability of relevant resources. Above all, employees' rights and welfare must be zealously guarded.

5. Support local communities

Your company should seek to become a contributing member of the local community in which it operates. It can provide support to disadvantaged groups, contribute to infrastructure development, and promote education, health and the general well-being of the local community. By supporting sustainable local communities, your company can build trust with stakeholders, while also fostering a more favourable business environment.

6. Engage business partners

You can provide incentives to your business partners to focus on ESG themselves. For example, when inviting tenders, your company can include as a requirement a report bearing an independent auditor's signature on the tenderer's ESG initiatives. Later on, in the tenderer selection process, one criterion can be the tenderer's demonstrated commitment to ESG.

While one company may seem too little to change anything, it can still set off a wave that eventually will become big enough to get suppliers to rethink their priorities.

Pacific Prime is an important strategic base for the global development of the Pacific Prime Group. The group has a history of more than 20 years, focussing on private health insurance and employee benefits. It has served over 1.5 million individual customers and more than 5,000 corporations in 180+ countries and regions. Pacific Prime Group currently has 1,000+ employees in 12 offices worldwide. Services provided include insurance services, insurance intermediary services, risk management, risk consulting and health management services.

Pacific Prime is one of the few wholly foreign-owned insurance intermediaries in China. Headquartered in Shanghai, Pacific Prime has offices in Beijing, Guangzhou and Shenzhen.

Voluntary Carbon Markets at a Crunch Time for the Climate Crisis

Will governmental VCM schemes be a game-changer?

by **Luyue Tan**

Climate change is not new; it's just that in recent decades it has become a hot topic in society. Approximately 400 years before the Intergovernmental Panel on Climate Change (IPCC)—the United Nations body responsible for assessing the science related to climate change—was launched, William Shakespeare's plays predicted a climate crisis. Pulling back to today, despite the anthropogenic skeptics and the paradox over whether renewables' 'green' energy is as clean as it seems, the global temperature rise, extreme weather events and climate risks are things we cannot avoid. As efforts to combat climate change intensify globally, **Luyue Tan** of the **London Stock Exchange Group** looks at the potential role of voluntary carbon markets (VCM).

Carbon pricing – a key solution to climate change

Climate adaptation and mitigation is in the spotlight, though people may not realise how this is taking place in everyday life, or that VCMs do not only take place in far-off distant lands. Green protestors are trying their best to raise public awareness of the need to stop polluting and combat climate change, grabbing news headlines by damaging art masterpieces to call for a change of behaviour to a low-carbon lifestyle. Efforts are being made on many fronts, such as the German scientists that trained cows—animals notorious as high greenhouse gas emitters—to use a designated toilet.[1] Consumers are also taking steps, from food carbon-footprint calculation to going vegan, and only buying secondhand clothes or airplane tickets that have added offset credit fees.

However, this is not enough. Looking at the bigger picture, the bottom-up approach, starting from consumers, links corporations and the decarbonisation of industries by nation. However, it remains to be seen how countries' nationally determined contribution (NDC) climate pledges stack up as climate risks—such as heatwaves and global temperature rises—become more frequent. It seems evident that support from carbon pricing and climate finance will be needed alongside consumer pressure for us to reach our carbon neutrality goals. The aim of a price on carbon is to incentivise emission reductions, and it is an efficient tool for boosting global climate ambitions and mitigation, from both the NDC compliance and voluntary green financing and decarbonisation approaches.

What are VCMs and why do they matter?

Carbon markets are a framework for trading carbon credits. Companies or individuals can use carbon markets to purchase credits from entities that have reduced or removed greenhouse gas emissions from the environment. A carbon credit is equal to "one tonne of carbon dioxide or the equivalent amount of a different greenhouse gas reduced, sequestered or avoided. When a credit is used to reduce, sequester, or avoid emissions, it becomes an offset and is no longer tradable."[2] The transactions in a VCM are conducted between entities on a voluntary basis, rather than as part of a state-run compliance emission trading system (ETS).

What governments choose to authorise in terms of carbon reduction determines the claims companies can legally make as to achieving their corporate targets. If watchdog groups and environmental organisations remain vigilant, corporates can be held to account for misleading or even lying to shareholders and the public about their climate impact.

A *Guardian* article in early 2023 questioned the use of carbon credits in VCMs – whether such credits are merely "greenwashing", and could even be harmful to our planet.[3] The VCM system is currently at a crossroads, as many participants do not fully follow international and national guidelines and regulations. If implemented well, national regulations could serve as a basis for producing standardised carbon credits, both for achieving NDC targets and decarbonisation, and voluntary purposes such as labelling, environmentally friendly financing and meeting market needs.

Governmental VCM schemes – how they can be a game-changer

Indeed, government purchasing programmes could also indirectly boost integrity and reliability in the burgeoning VCM for emission removals. Government policies are key to regulating the market, setting benchmarks and standardising the VCM market, while building up market confidence.

On 11th May,, the European Parliament approved draft legislation banning EU companies from relying solely on carbon credits to make climate-related claims. The rules also aim to ban environmental claims that are based solely on carbon offsetting schemes. This comes as the EU looks to counter greenwashing and

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1 *Cows toilet trained to reduce greenhouse gas emissions*, *BBC*, 14th September 2021, viewed 29th May 2023, <https://www.bbc.co.uk/news/world–europe–58552651>

2 *What are carbon markets and why are they important?*, United Nations Development Programme, 18th May 2022, viewed 30th May 2023, <https://climatepromise.undp.org/news–and–stories/what–are–carbon–markets–and–why–are–they–important>

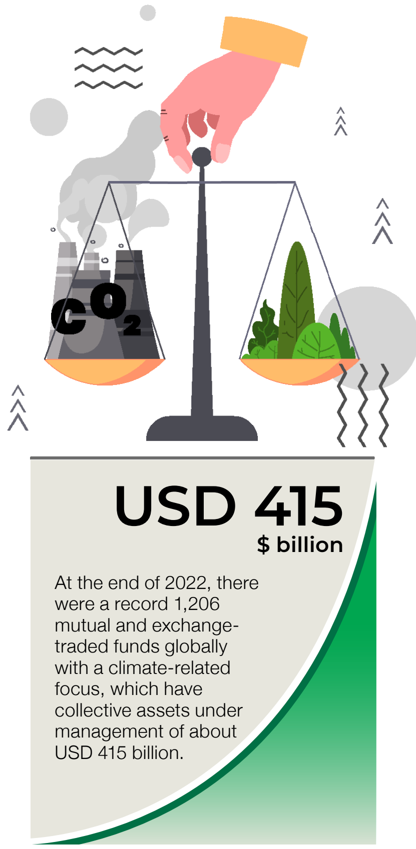
3 Patrick Greenfield, *Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows, The Guardian*, 18th January 2023, viewed 30th May 2023, <https://www.theguardian.com/environment/2023/jan/18/revealed–forest–carbon–offsets–biggest–provider–worthless–verra–aoe>

misleading environmental claims by targeting companies in Europe that make what it calls “unsubstantiated, unclear, ambiguous and misleading” environmental claims. The main objective of this law is to prohibit the use of terms like ‘environmentally friendly’, ‘natural’, ‘biodegradable’, ‘climate neutral’ or ‘eco’ without detailed evidence, in order to help consumers make better-informed choices. The motion received 544 votes for the legislation, with 18 against it and 17 abstentions.[4]

The global race to certify removals is gathering speed. The European Commission published its proposal for the EU’s Carbon Removal Certification Framework (CRCF) in late 2022, putting Europe in the lead in carbon removal policy design. Carbon removal has a distinct role in global climate mitigation policies, but there is a lack of robust monitoring, reporting and verification rules for many removal activities. Given that the CRCF would apply across Europe, this can enhance harmonisation in a field that is still becoming increasingly fragmented.

The EU needs a trustworthy system to quantify removals so that it can achieve climate neutrality by 2050 and net negative emissions thereafter. It is only possible to scale up what can be quantified, and the scale-up of removals needs to be done especially carefully: as a complementary climate mitigation tool alongside heavily prioritised steep cuts in emissions. By building on the CRCF proposal, the EU can establish a world-leading removal certification framework that could be used as a blueprint globally.

In China, the Chinese certified emissions reduction (CCER) national scheme is scheduled to relaunch this year after being suspended in 2017. A month-long open call for CCER methodologies officially ended on 30th April, meaning regulators will now be evaluating the proposals and eventually approving new methodologies under which CCERs can be issued.



Apart from CCERs, China has witnessed a boom in recent years in regional offsets. However, as with the global VCM, offset quality and greenwashing emerged as key concerns. The CCER scheme is unique in this regard, as it is linked with China’s ETS and has a better and stricter framework of credit issuances that examine the offsets’ additionality and environmental-friendliness.

With more government offsets in the pipeline, and developments in negotiations on Article 6—which governs carbon markets—of the Paris Agreement, we can see how VCM markets can be a game-changer in tackling the climate crisis.

Hammering out climate finance and capital markets’ roles

To avoid tragedy on the scale of *Hamlet*, it is high time we act today, instead of waiting for disaster to strike. The main consideration is how to price the scarce ‘resource’ in climate change—the limited GHG emissions in the atmosphere—and regulate it in a highly efficient way so as to avoid greenwashing. Meanwhile, the power of capital is being underestimated in blueprints for the green transition and low-carbon emissions, considering how demand for climate-related finance has surged in recent years. Using carbon funds to support the required genuinely green projects under clear policy guidelines in a global sustainable development framework will be crucial for successfully alleviating climate change.

Finding the right climate strategy is important for companies, especially the market giants. Gaining financial growth while producing through green and climate-friendly methods was once a paradox, but, with the support of consumers for eco-friendly measures, it has since shifted to a win-win scenario.

At the end of 2022, there were a record 1,206 mutual funds and exchange-traded funds globally with a climate-related focus, up from 950 at the end of 2021, according to the financial services firm Morningstar. The funds have collective assets under management of about United States dollars (USD) 415 billion. If these are used to support other carbon pricing tools, they can brighten the gloomy outlook of limiting the global temperature rise and of humans surviving the unavoidable climate crisis.

As the old Chinese idiom goes: “Untying the bell (on the tiger’s neck) requires the person who fastened the bell”. The environmental and climate crisis generated by the capital markets should also resolved by the capital itself. Eb

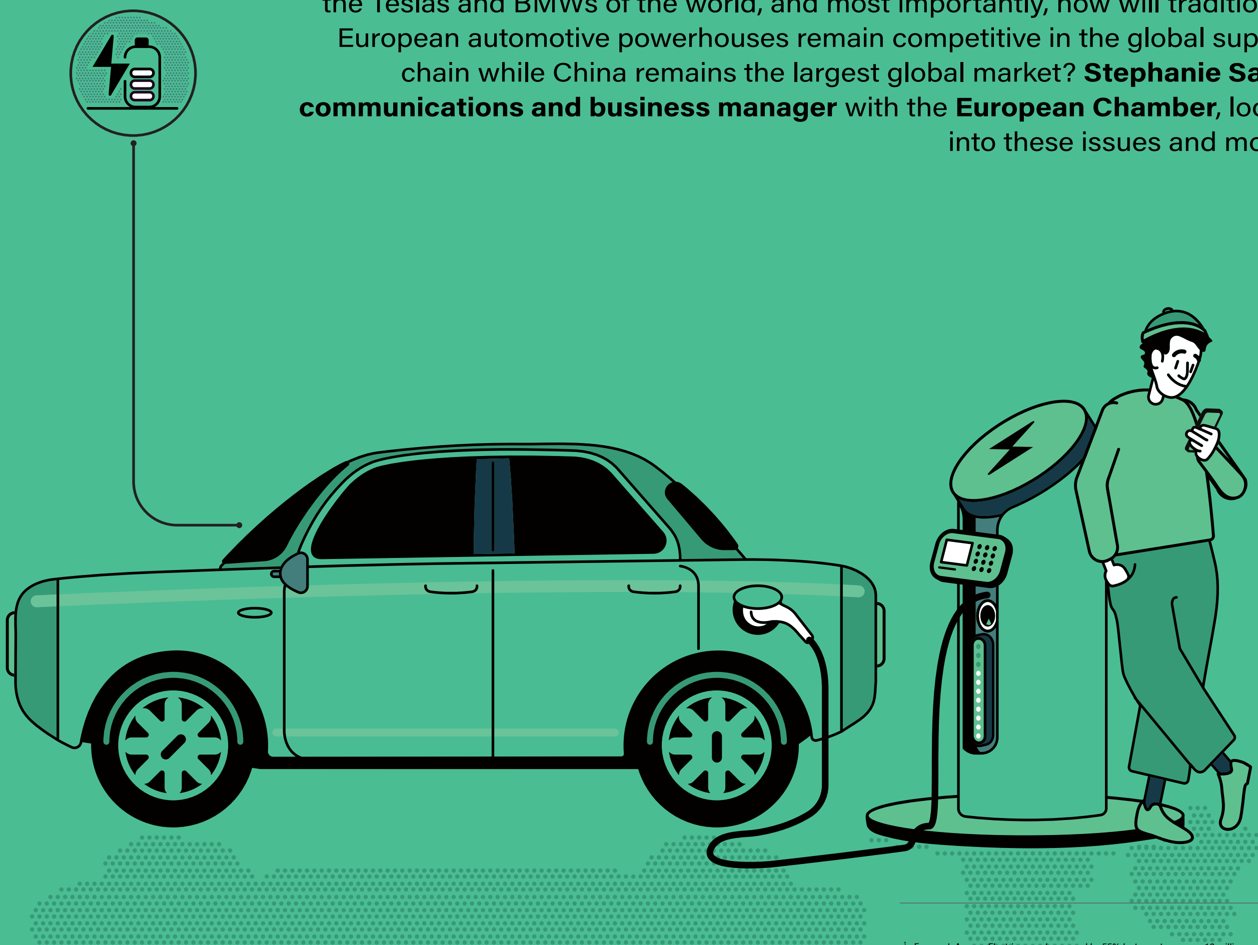
[4] *Parliament backs new rules for sustainable, durable products and no greenwashing, European Parliament*, 11th May 2023, viewed 30th May 2023, <https://www.europarl.europa.eu/news/en/press–room/20230505IPR85011/parliament–backs–new–rules–for–sustainable–durable–products–and–no–greenwashing>

[5] Eve Tamme, *EU Enters The Race For Carbon Removal Certification, Inside Climate Policy*, viewed 30th May 2023, <https://evetamme.com/2022/11/30/eu–enters–the–race–for–carbon–removal–certification/>

The future of new energy vehicles
by ***Stephanie Sam***

ELECTRIFYING THE ROAD

After more than a decade of development, China's electric vehicle (EV) industry is now at the forefront of the world's 'EV revolution', experiencing exponential growth since 2020. But a recent slump in car sales, largely due to the expiration of a government subsidy programme at the end of 2022, has led to a full-blown price war in the world's largest car market to clear out inventories before stricter national emissions standards take effect in July 2023.[2] As strong Chinese contenders emerge on the global EV market, what speedbumps can be foreseen for the growth of the new energy vehicle (NEV) industry? How do Chinese NEVs compare to the Teslas and BMWs of the world, and most importantly, how will traditional European automotive powerhouses remain competitive in the global supply chain while China remains the largest global market? **Stephanie Sam, communications and business manager** with the **European Chamber**, looks into these issues and more.



[1] Frangoul, Anmar, *Electric car sales surged by 55% last year to surpass 10 million, and China led the way: IEA, CNBC,* 26th April 2023, viewed 14th May 2023, <https://www.cnbc.com/2023/04/26/electric–car–sales–surged–by–55percent–in–2022–to–hit–over–10–million–iea.html>

[2] *China to implement stricter vehicle emissions standards from July 1, Reuters,* 9th May 2023, viewed 14th May 2023, <https://www.reuters.com/world/china/china–implement–stricter–vehicle–emissions–standards–july–1–2023–05–09/>

Climate policy in the driver's seat

Driven by ambitious targets set under its 2030 Climate Target Plan for reducing greenhouse gas emissions by 55 per cent by 2030, and subsequent 'Fit for 55' legislation requiring all new vehicles in Europe to be zero-emission by 2035,[3] the European Union (EU) has made a strong push for the transition to cleaner modes of transportation, including NEVs.

Such government incentives and environmental regulations, alongside consumer demand, are driving the NEV market in Europe. Generous schemes, including tax credits and subsidies, have been offered by many European governments for the purchase of NEVs. In terms of preferential taxation, Norway in particular is miles ahead of other nations, waiving import duties and car registration taxes for EVs in addition to imposing heavy taxes on purchases of conventional cars that rely on fossil fuels. Some EU Member States—such as The Netherlands and Sweden—have implemented zero or low-emission zones that regulate access to urban areas based on emissions of motorised vehicles, and other pioneering efforts to incentivise NEV adoption.[4]

Meanwhile, European consumers are increasingly aware of the environmental impact of their transportation choices, leading to a surge in demand for cleaner vehicles that has prompted automotive manufacturers to invest in NEV development to meet Europeans' needs and preferences. Germany is the largest and fastest-growing EV market in Europe, with almost 39 per cent of total sales, while the Scandinavian nations of Norway and Sweden have the highest EV share of overall passenger vehicle sales.[5] With advancements in technologies such as batteries improving performance, efficiency and safety, and a well-developed network of charging infrastructure, European automotive manufacturers have set standards that helped establish the region as the global leader in the NEV industry.

55 PER CENT

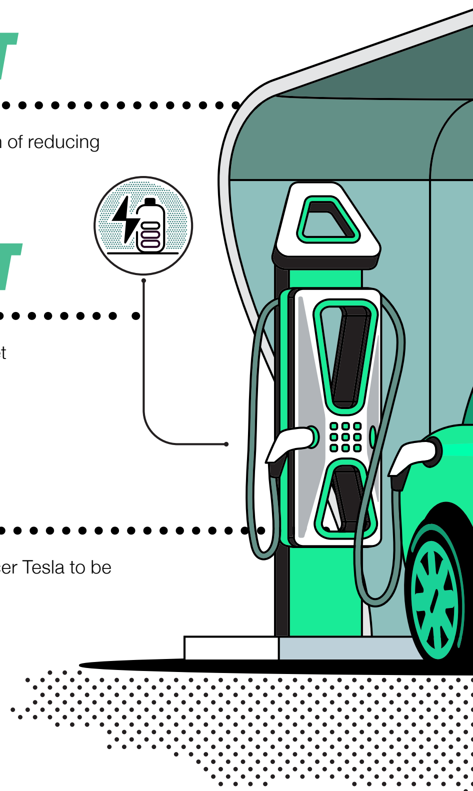
Europe set targets under its 2030 Climate Target Plan of reducing greenhouse gas emissions by 55 per cent by 2030

39 PER CENT

Germany is the largest and fastest-growing EV market in Europe, with almost 39 per cent of total sales.

#1 IN 2022

Chinese automaker BYD outsold leading NEV producer Tesla to be crowned the 'world's largest EV-maker' in 2022



The race to stay relevant

The traditional dominance of the automotive sector by European powerhouses like Volkswagen and Audi makes China's recent prominence in the NEV industry a little surprising. There are around 450 registered EV firms in China,[6] two thirds of which were only registered from 2018–2020.[7] Chinese manufacturer BYD outsold leading NEV producer Tesla to be crowned the 'world's largest EV-maker' in 2022. Although the title may be contested, once both fully electric vehicles as well as plug-in hybrids (PHEVs) are counted, BYD's growth trajectory cannot be trivialised given its combined sales figures of 1.86 million, selling 911,000 EVs and 946,000 PHEVs globally.[8]

For Chinese consumers, pandemic-induced economic woes have made the cheaper, locally produced EVs more attractive than imported or foreign models like Tesla. However, that's only one side of the story. Strong electric car sales in China have also been underpinned by significant financial support from the Chinese Government for both manufacturers and buyers, with major investment in research and development (R&D) and strict regulations on carbon emissions, as well as a quota system for NEV production.

Despite the end of subsidies by January 2023, China's EV market is expected to continue growing due to the increase in consumer interest. Other incentives remain, including the extension of the 10 per cent sales tax exemption until the

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[3] *Zero emission vehicles: first 'Fit for 55'deal will end the sale of new CO_2 emitting cars in Europe by 2034*, European Commission, 28th October 2022, viewed 14th May 2023, <https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6462>

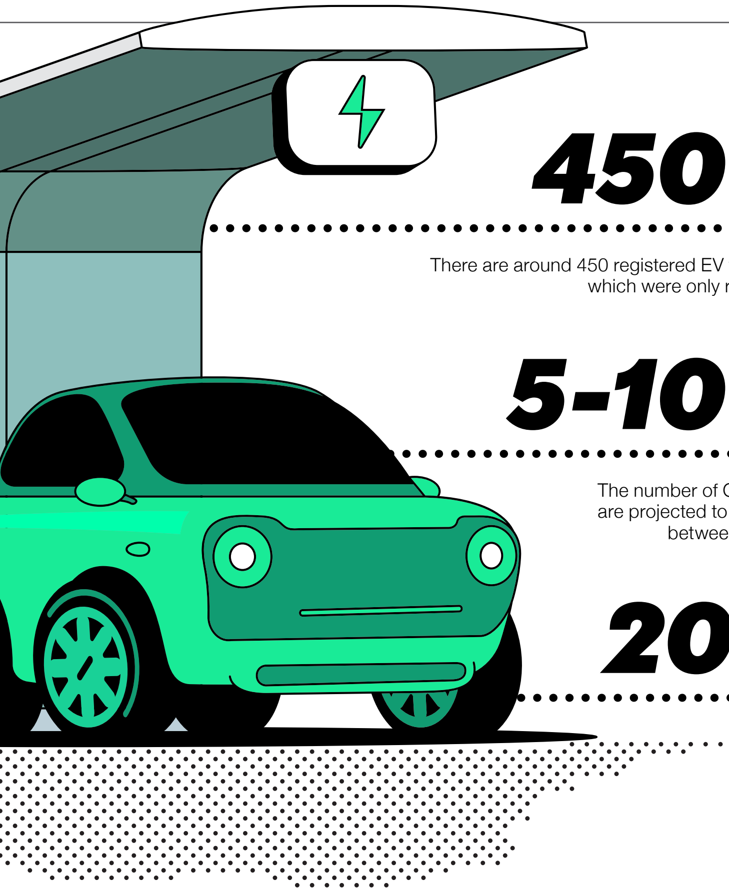
[4] *Global EV Outlook 2021: Policies to promote electric vehicle deployment,* International Energy Agency, viewed 12th May 2023, <https://www.iea.org/reports/global–ev–outlook–2021/policies–to–promote–electric–vehicle–deployment>

[5] Mukherjee, Abhik, *Berlin Factory Takes Tesla to Top Spot in Europe EV Sales as Chinese Brands Gain Ground,* Counterpoint, 14th March 2023, viewed 14th May 2023, <https://www.counterpointresearch.com/zh–hans/europe–ev–sales–q4–2022/>

[6] *Sales of New Energy Vehicles in December 2020*, China Association of Automobile Manufacturers, 14th January 2021, viewed 15th May 2023, <http://en.caam.org.cn/Index/show/catid/34/id/140.html>

[7] CK Tan, *China's EV industry braced for shakeout as prices plunge, Nikkei Asia,* 5th May 2023, viewed 13th May 2023, <https://asia.nikkei.com/Business/Business–Spotlight/China–s–EV–industry–braces–for–a–shakeout–as–prices–plunge>

[8] Ren, Daniel, *BYD beats Tesla in 2022 EV sales, as the world's No 1 electric car seller vindicated Warren Buffett's bet, South China Morning Post*, 3rd January 2023, viewed 12th May 2023, <https://www.scmp.com/business/china–business/article/3205388/byd–beats–tesla–2022–ev–sales–worlds–no–1–electric–car–seller–vindicated–warren–buffetts–bet>



450 FIRMS

There are around 450 registered EV firms in China, two thirds of which were only registered from 2018–2020.

5-10 FIRMS

The number of Chinese electric car-makers are projected to shrink from "around 200 to between 5-10 in the coming years"

2023/12

Hainan will be the first province to ban sales of gasoline and diesel-fuelled cars by December 2023

end of 2023 as part of China's efforts to boost post-zero-COVID consumption.[9] Another boost to consumer confidence is China's focus on improving charging station accessibility, with the number of infrastructure facilities nearly doubling in 2022.[10] The country's large middle-class consumer base, strong local supply chains and industrial clusters for components like batteries and electric motors, and large manufacturing capacity has given it a competitive advantage. Coupled with prioritisation of R&D, this has allowed Chinese automotive manufacturers to improve the performance, range and affordability of their NEVs to make them comparable with premium foreign competitor's products.

Speed bumps ahead

Projections that the number of Chinese electric-carmakers shrinking from "around 200 to between 5-10 in the coming years"[11] indicate the approach of domestic market saturation, after which only the cream of the crop will remain. This clear-out will coincide with increased competition from foreign car-makers, such as BMW and Volkswagen, who plan to launch electric models for the China market. Meanwhile, Chinese manufacturer Nio is planning European expansion with new sedan models in a bid to diversify and minimise risk.

For European players aiming to get a slice of the China pie, mandatory data localisation and cybersecurity concerns are causing dilemmas for R&D, making foreign companies reluctant to bring their core technologies to China. At the same time, the size of the market, strong demand and fast pace of commercialisation, which characterises China's R&D ecosystem, means that if European automotive manufacturers do not get involved, they risk falling behind.

Meanwhile, the United States-China 'chip war' has raised concerns about supply chain security, future development and production costs in the automotive industry. A potential semiconductor shortage poses a significant threat to the NEV industry as many vehicles rely heavily on advanced chips for functions such as battery management, power control and connectivity.

An electric future

While it is clear we are heading in the right direction, the road towards complete electrification of the automotive industry is long and paved with fierce competition. The Shanghai International Automobile Industry Exhibition in April 2023 showcased how rapidly China is adopting the necessary transformative technology – not only to satisfy local demand for more affordable yet high-tech models, but also to compete globally. However, the rush to slash prices in the largest car market indicates an imminent slowdown, and decreased certainty of profitability along the global automotive value chain for 2023. Meanwhile, although China has not gone to the EU's policy extremes of banning combustion engine sales (yet), Hainan will become the first province to ban sales of gasoline and diesel-fuelled cars by 2030[12]–a clear indicator that the authorities are contemplating doing the same in other jurisdictions. On the EU side, while there is a sustained momentum for EVs among consumers, European carmakers will need to adopt a more aggressive R&D strategy if the bloc wants to continue to have a seat at the global NEV table.

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[9] Jiang, Mengnan, *China ends electric vehicle subsidies,* China Dialogue, 12th January 2023, viewed 13th May 2023, <https://chinadialogue.net/en/digest/china–ends–electric–vehicle–subsidies/>

[10] *China's NEV charging infrastructure facilities nearly double in number in 2022, Xinhua*, 14th February 2023, viewed 15th May 2023, <https://english.www.gov.cn/archive/statistics/202302/14/content_WS63eadb09c6d0a757729e6b8d.html>

[11] CK Tan, *China's EV industry braced for shakeout as prices plunge, Nikkei Asia,* 5th May 2023, viewed 13th May 2023, <https://asia.nikkei.com/Business/Business–Spotlight/China–s–EV–industry–braces–for–a–shakeout–as–prices–plunge>

[12] Yeung, Jessie & Deng, *Shaun, Chinese island plans to ban sales of fossil fuel–powered vehicles by 2030, CNN*, 16TH May 2023, <https://edition.cnn.com/2022/08/25/energy/hainan–fossil–fuel–vehicles–ban–intl–hnk/index.html>

10TH MAR.
SHANGHAI

Shanghai Chapter shares members' concerns with Shanghai Vice Mayor Hua Yuan

The first Shanghai Government Dialogue of 2023
Photo: European Chamber

On 10th March, the European Chamber hosted its first Shanghai Government Dialogue of the year. Shanghai Chapter Vice Chair Holly Lei led a delegation of Advisory Council member companies to highlight issues faced by European businesses operating in the city to Shanghai Vice Mayor Hua Yuan. Other government representatives included the Shanghai Commission of Commerce, the Shanghai Development and Reform Commission, the Municipal Finance Bureau and the Municipal Exit and Entry Administration.

29TH MAR.
NANJING

Nanjing Position Paper presented to Jiangsu Governor Xu Kunlin

A European Chamber delegation with Jiangsu Governor Xu Kunlin at Jiangsu Provincial People's Government buildings
Photo: European Chamber

On 29th March 2023, [former] President Jörg Wuttke, along with Nanjing Chapter Chair Andreas Risch, Vice Chair Shan Jianhua, [former] board member Gu Jiandang and General Manager You Haiyan, met with Xu Kunlin, governor of Jiangsu. Governor Xu welcomed the delegation and highlighted the important role European business plays in Jiangsu's economy. [Former] President Wuttke briefed the governor on the Chamber's January Brussels Tour and the key findings of the *Nanjing Position Paper 2023/2024*.

11TH APR.
SOUTH CHINA

Chamber holds exclusive dialogue with Guangdong Government

A European Chamber delegation with representatives of the People's Government of Guangdong Province
Photo: European Chamber

On 11th April, a Chamber delegation led by [former] President Wuttke, consisting of members of the Chamber's executive committee and Advisory Council, as well as South China Chapter board and staff, met with Zhang Yurun, deputy secretary general (SG) of the People's Government of Guangdong Province. [Former] President Wuttke briefed Deputy SG Zhang on European investment projects taking place in Guangdong, as well as issues relating to European Union (EU)-China trade and investment ties. Other topics discussed included key points of the *European Business in China Position Paper 2022/2023*, support for the growth of small and medium-sized enterprises in Guangdong, talent attraction and development, and carbon neutrality. Deputy SG Zhang recognised the concerns raised, emphasised Guangdong's position at the forefront of opening and reform and said that it will continue to welcome and support foreign business development locally.

13TH APR.
SOUTHWEST CHINA

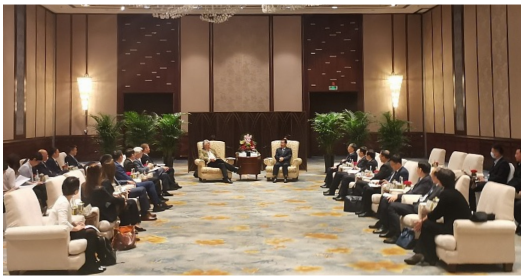
Chamber meets Meishan City Party Secretary Hu Yuankun

Representatives from the European Chamber with Meishan City Party Secretary Hu Yuankun
Photo: European Chamber

On April 13th, [Former] President Wuttke, [then] vice presidents (VPs) Massimo Bagnasco, Jens Eskelund and Carlo D'Andrea, Secretary General Adam Dunnett and Southwest China Chapter General Manager Sally Huang met with Meishan City Party Secretary Hu Yuankun. The two sides engaged in a constructive discussion, with the Chamber delegation voicing members' concerns relating to Southwest China's business environment, climate change, carbon neutrality, the service industry and the status of individual income tax deductions for foreigners.

20TH APR.
BEIJING

Chamber explores collaboration with Qingdao

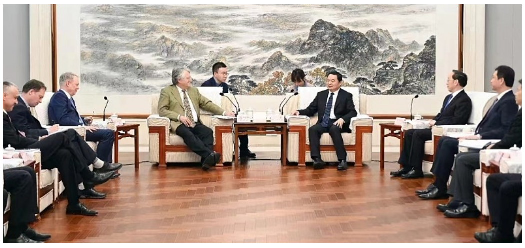


A European Chamber Delegation with government officials from Shandong Province
Photo: European Chamber

On 20th and 21st April, [former] President Wuttke and VP D'Andrea led a business delegation to Qingdao, Shandong Province, and met with several local government officials. These included Mr Lu Zhiyuan, deputy party secretary of Shandong Province and party secretary of Qingdao, Mr Zhao Haozhi, mayor of Qingdao, and Mr Zhao Shengcun, vice mayor of Qingdao. [Former] President Wuttke introduced the key findings of the *European Business in China Position Paper 2022/2023* and spoke on how adopting some of the report's 967 recommendations could help improve China's business environment and attract global investment. VP D'Andrea introduced the Chamber's Carbon Neutrality Action initiative, and stressed that European businesses are eager to work closely with the Chinese Government and Chinese businesses to assist China in achieving carbon neutrality.

28TH APR.
SHENYANG

Chamber meets Liaoning Party Secretary and Governor



[Former] President Wuttke talking to Provincial Party Secretary Peng Hao
Photo: European Chamber

On 28th April, [former] President Wuttke led a delegation of representatives from the Chamber's Shenyang Chapter to meet with Liaoning Provincial Party Secretary Hao Peng and Liaoning Governor Li Lecheng. The discussion covered the status of EU-China trade relations, promoting foreign direct investment in Liaoning, improving the province's business environment and the internationalisation of Shenyang, among other topics. Party Secretary Hao affirmed the Chamber's role as an independent voice of European business, and in linking government and foreign companies through dialogue and collaboration. [Former] President Wuttke stressed that the Chamber would continue to work to outline the needs of European business operating in the region and to help Liaoning achieve its economic potential.


European Business in China
BUSINESS CONFIDENCE SURVEY 2023
Rebuilding after the storm
Scan the QR code to download the report.

Since China abruptly ended its 'zero-COVID' strategy in late 2022, Chinese officials have been on a charm offensive in an attempt to restore the country's allure as an investment destination. However, as the results of the *Business Confidence Survey 2023* illustrate, this will be no easy task. The deterioration of business sentiment that has taken place over the last three years has been significant and cannot be reversed overnight.

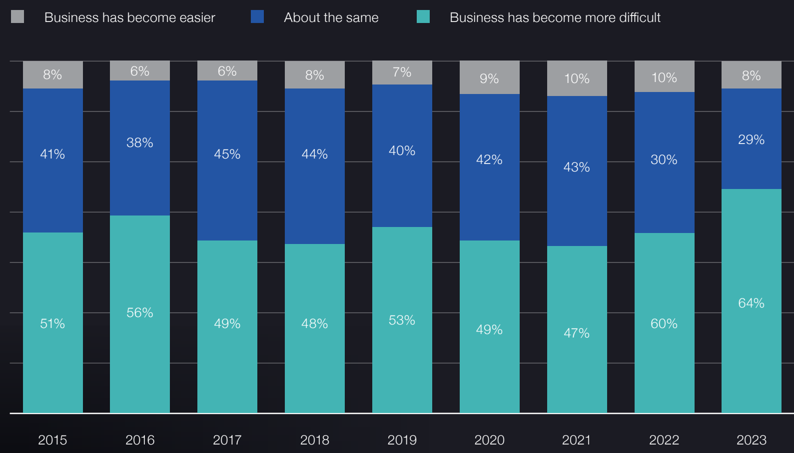
European companies have already shifted some China investments overseas: 11% of respondents—the same number that said they were *considering* shifting some existing investments from China a year ago—report they have done so; and a tenth of Chamber members have already relocated, or plan to relocate, their Asia headquarters (HQ) away from the country. With business running on cycles, these investments are not likely to return any time soon.

Faced with growing risks and a more volatile operating environment (64% of respondents reported that doing business in China become more difficult in 2022), European companies are reassessing how many eggs to keep in their China basket. While few are leaving the country altogether, there is a 13 percentage point (pp) year-on-year (y-o-y) decrease in the proportion of respondents that rank China as a top-three destination for future investments (55%, the lowest figure on record). In addition, 53% of respondents have no plans to expand their China operations in 2023.

Long-standing challenges persist and continue to weigh on business confidence. Market access and regulatory barriers remain widespread, with 62% of respondents (+20pp y-o-y) reporting having missed business opportunities in 2022 as a result. Marginal progress was made in some areas, including in the number that

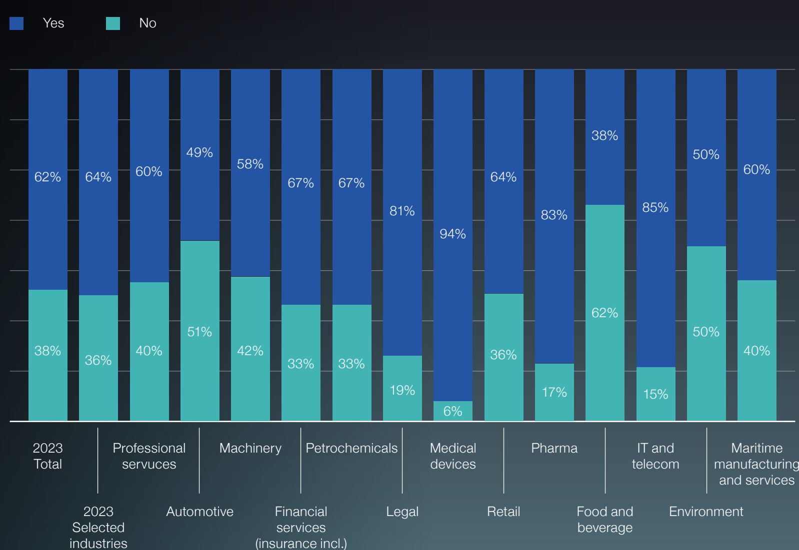
TWO THIRDS REPORT DOING BUSINESS IN CHINA BECAME MORE DIFFICULT

How has your industry's business environment changed over the past year?



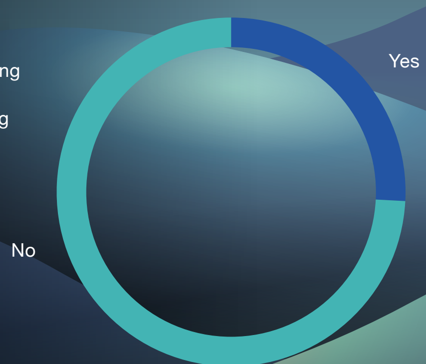
MEMBERS FACE MARKET ACCESS AND REGULATORY BARRIERS ACROSS THE BOARD

Has your company missed business opportunities in Mainland China as a result of market access restrictions or regulatory barriers?



MORE THAN A QUARTER NOTE CONSUMER DEMANDS BECOMING MORE POLITICISED

Have you experienced challenges stemming from customer demands becoming more politicised?



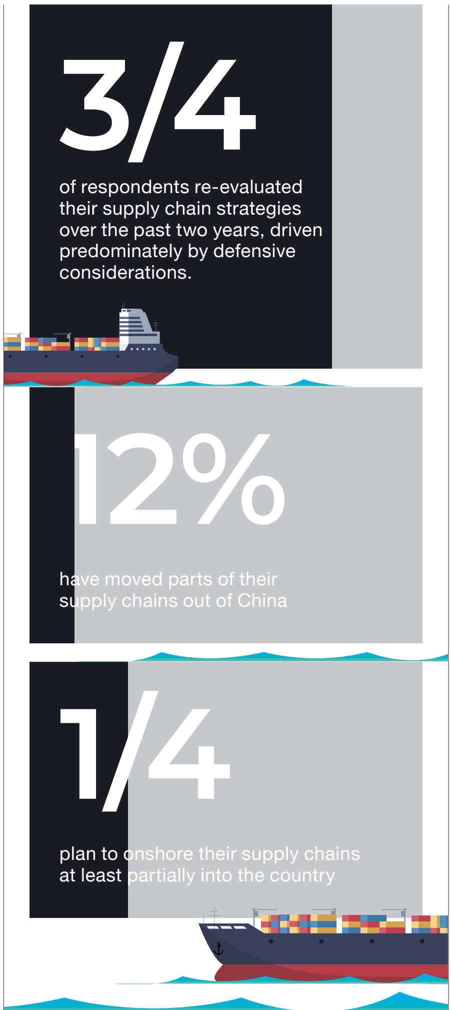
reported a level playing field between foreign and Chinese enterprises (+7pp y-o-y). However, backwards steps were taken elsewhere. There were increases in the number that reported both experiencing market closing (+5pp) and being compelled to transfer technology (+3pp) compared to the 2022 survey.

Politics also continues to impact business. Nearly six out of 10 (59%, +9pp y-o-y) respondents reported that the business environment in China became more politicised over the past 12 months, and a quarter have faced challenges stemming from consumer demands becoming politicised. These include conflicting calls to maintain/cease operations in politically sensitive regions of China, and requests to produce goods containing either no China- or no US-made components. Russia's invasion of Ukraine has also changed how many view the China market, forcing businesses to consider if/how they may be impacted by an escalation of tensions in the Taiwan Strait.

As a result of China's more challenging and unpredictable business environment, European companies' investment and operational strategies are being adjusted accordingly. There is now an increasing focus on making operations more durable, through localisation or diversification of supply chains, as opposed to capturing greater market share.

Three out of four respondents re-evaluated their supply chain strategies over the past two years, driven predominately by defensive considerations. A sizeable proportion are taking steps to decouple their China supply chains from the rest of world: while 12% have moved parts of them out of China, a quarter plan to onshore their supply chains at least partially into the country.

With new and forthcoming European and United States legislation set



to compel many companies to demonstrate greater transparency in their China operations—a challenge given it is not possible to conduct independent, third-party audits in the country—and with businesses having to carefully monitor a growing list of sanctions and export controls, the trend of supply chain diversification and divestment is likely to intensify.

In tandem, the exodus of foreign nationals continued throughout 2022. One in six respondents report having no foreign nationals working in their China operations, a figure that jumps to 21% for SMEs. This has been accompanied by an erosion of soft infrastructure vital for maintaining a vibrant foreign community in China, with many international schools and medical clinics subsequently closing.

These factors all come at a considerable cost, with members reporting a reduced transfer of know-how, communication difficulties and even a need to defer investments. The disconnect between company HQs and China operations risks further damaging confidence in the China market, precipitating a negative cycle of disengagement. They are also challenging the efficiency of multinational companies' traditional operating models, as businesses are pushed to localise and create divergent systems for China and the rest of the world, often at great expense.

Nevertheless, despite mounting challenges, it would be premature to rule out China's ability to respond. Two-thirds report they would be willing to increase their China investments if market and regulatory barriers were removed. There also remains huge scope for strengthening European Union (EU)-China ties in areas such as trade in services, which is significantly below its potential.

China could benefit enormously from taking further steps to make its business environment more favourable to private enterprises, much as it did by implementing previous market-orientated economic reforms. At the same time, European companies are forging ahead in strategically important areas, such as decarbonisation, and can be key partners to facilitate China's carbon neutrality goals, if given the chance.

With China now 'reopening' following three years of isolation, its leadership has the opportunity to demonstrate that recent pro-business promises are more than just words. Deepening cooperation with the international business community in China could help to swiftly restore the Chinese market's efficiency, reliability and predictability, and provide a strong foundation for sustainable, long-term economic recovery. Eb

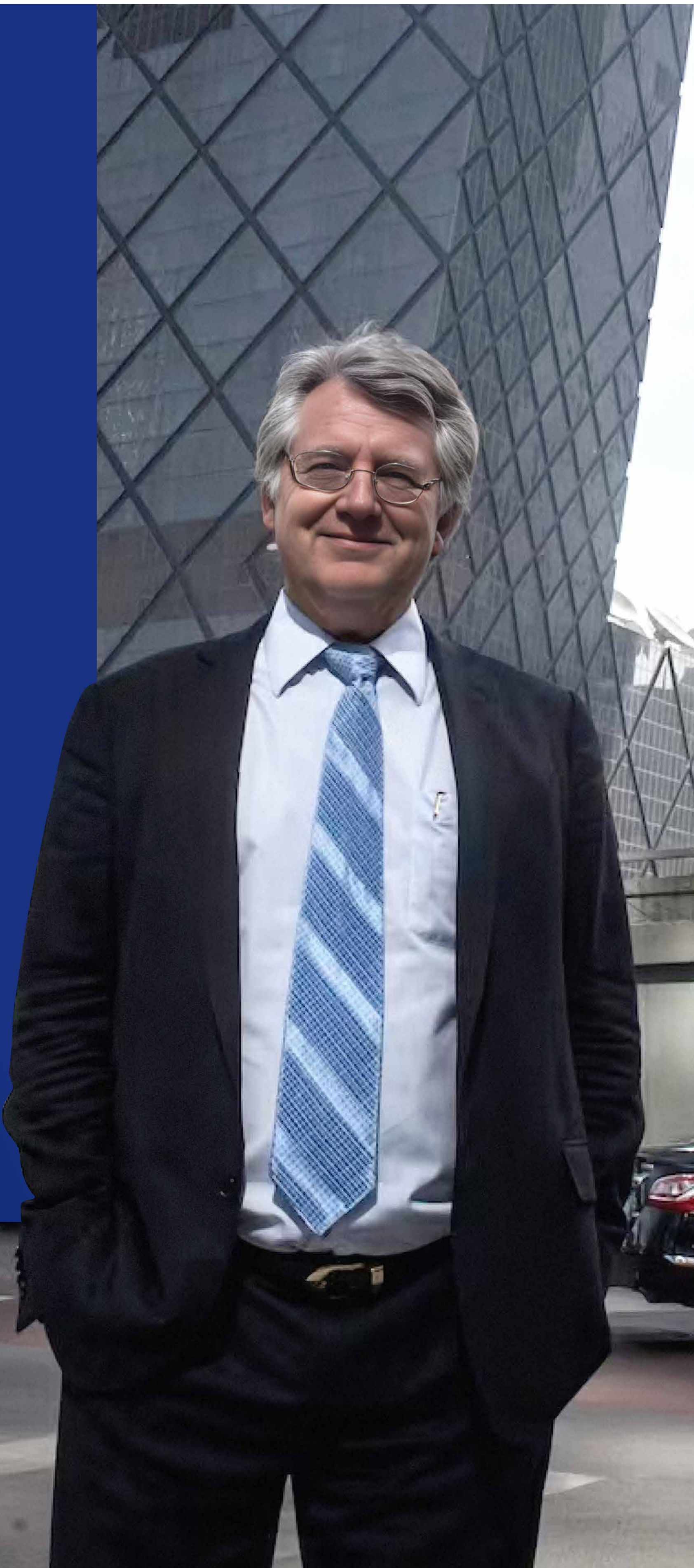
END OF AN ERA

EXIT INTERVIEW WITH JÖRG WUTTKE

Jörg Wuttke has just stepped down as president of the European Chamber, after serving a third and fourth term back-to-back, all while balancing an enormous workload and dividing his time between Chamber tasks and his day job as the head of BASF in Beijing.

In an interview hosted by the European Chamber's podcast, *China Dispatches*, he looked back over his prolific work at the Chamber. Here are some excerpts from that interview.

The podcast episode with the full interview is available on the Chamber's social media platforms.



As one of the founding members of the European Chamber and president for several terms during its 23-year history, you have witnessed the Chamber grow from an idea into an organisation representing over 1,700 members across China. What aspects of the Chamber's work are you most proud of?

I think that the area we can be most proud of is the national voice that we have created. We are a nationwide chamber with nine offices in seven chapters. And I think we have definitely made our voice heard nationwide through our local position papers. We were taking baby steps again and again in the right direction, engaging with local governments and media, and leading the local chapters to speak up. So we are not just 'Radio Beijing'.

I'm most proud about the fact that this is the most unified chamber. I spent four terms at the steering wheel, and it has been an incredible ride.

Could you give some examples on where the Chamber moved the needle the most?

Besides making lots of noise, producing many pages, I think we actually get things done.

In late 2016, capital transfers were impaired. I didn't see any resolution, and letters to the relevant authorities were left unanswered. I went public in the *Financial Times* and ended up on page one. The next day I had my appointment, and six weeks later, the problem was resolved.

We also tried really hard to change the 'zero-COVID' policy. We went public in a very strange manner: our letter got leaked. It was a social media hit at the time, garnering a lot of attention. It was also very much welcomed by a couple of interlocutors in certain ministries who said, "Great, you kickstarted a policy debate." While we did move the needle, it took Omicron to take over the country in December 2022 for a real shift to happen. But sometimes you lose, sometimes you win.

In your capacity as president, you had several meetings with key interlocutors from both the European Union (EU) and China. What was your process for preparing for these high-level meetings?

A meeting like the one I had in May 2022 with the [former] Premier of China, Li Keqiang, takes 20 years to prepare for. It takes credibility, accountability and relevance. I think the authorities have realised that we are noted in the big cities of China, that we have traction with members, that we are extremely engaging with media. We matter, we are on the radar – and I think that's really the precursor for getting these appointments.

Why do you think we have been able to maintain such good access to both the Chinese and European authorities?

Because we are 'fact-rich'. We come out with a 430-page-long position paper, and we get things right. And sometimes what we say might be uncomfortable for Chinese interlocutors and strange for Chinese media – or even for some of our members. When we are pointing at issues, some of the reaction we get is: "How can you be so critical?" But I think it is also clear to everyone that we don't just highlight problems to look smart or to try to make China look less smart. Simply put, our message is that China should not become complacent, and that China actually has the ability to get better. But you cannot get better

> “I am going to spend more time with my wife… I’ll find more time to listen to music or go to concerts late in the evening, now that I don't have to get up at 5:30 every morning.”

by only getting praise for what you have achieved already. You can only get better by addressing the shortcomings.

You’re also very well known for your engagements with media. What strategy did you follow as president?

My friends would say that maybe I have a very high vanity level and I have a constant need to find my name printed in the papers. While there might be some truth to this, being accessible is also a way to keep the media engaged with us. Journalists know that they can call me up on my mobile phone – and often it’s these three- to five-minute-long phone-calls that will inform their reporting. So you need to be candid and authentic, and you also need to convince journalists that it is something they can sell to their editor.

It is also important to understand that media engagement is not totally lopsided. It is very often my media contacts that are the first to share certain news with me. They are also, in many ways, my coaches and my trusted partners, whose feedback I rely on to get my messaging right.

You have also been a big supporter of our events. Can you recall a Chamber event or guest speaker that left a particularly strong impression on you?

Events sometimes get under your skin. To me, one of the most memorable ones was when we had Sidney Rittenberg tell his life story to a ballroom full of people. Rittenberg, an American, was among those who actually did the Long March with Mao Zedong. There is an iconic picture of the two of them standing side-by-side on the veranda looking down on Tian’anmen Square. And he was also imprisoned in China for years, as he was accused of collaborating with anti-communist forces. Him recounting the story of his life really got under your skin.

Another event I remember very clearly because I was in absolute panic took place in Brussels. Bo Xilai and Peter Mandelson were in the audience. I was the keynote speaker, and I had prepared slides but, for whatever reason, the staff at the Commission put up the wrong slide deck. As a speaker, you depend on these slides. It was especially the case here, as I didn’t take notes along. When I saw that nothing was working, I decided to keep talking in the most colourful language possible to get the message across, while trying to recall what I actually wanted to say. Mind you, to recall what you wanted to say when you are full of adrenaline, and you have two ministers looking down at you, is not an easy feat. I was possibly sweating profusely by the time I got this over with and sat down thinking, “Jesus Christ, how was that perceived?” And I remember that Mandelson came to me and said it was the most astounding speech he had ever heard outside the House of Commons, because I made it happen without the slides, all impromptu. I must say that getting praise from a such a master of eloquence as Peter Mandelson really made my day.

What does the future hold for you now that you are relieved of your Chamber duties, including 6am media interviews and back-to-back meetings with government officials?

I must really thank my own company, BASF, for being the partner and the supporter that it has always been in all these 10 years on the frontline.

As hard as it might sound, it was clear that I have to do my job first, especially that it was my job that I got paid for. This sometimes left very awkward timing for my tasks. I would get up very early in the morning, and while in the evenings I tried to be at home for dinner with the boys, afterwards I had to go back to my job again. It was a massive workload.

My family certainly was affected, and especially so over the last three years as we had no real vacation. Our only option was to vacation in China, but staying in the same time-zone meant that some pressing task would always come up. So first of all, I am going to spend more time with my wife.

I will finally also start to read more books than I buy. I have a bit of an overload back home. I will also find the time to have a whiskey in the evening, because long hours meant that you had to remain sober. And jazz. I love jazz, it’s my inspiration. I’ll find more time to listen to music or go to concerts late in the evening, now that I don’t have to get up at 5:30 every morning.

Changing of the Guard

European Chamber 2023 election results

The European Chamber held elections for its Executive Committee and local chapter boards from 11th April to 24th May 2023.

The elections for the Chamber's president, three vice presidents and treasurer took place during the national Annual General Meeting (AGM), held in hybrid format in Beijing on 24th May. Jens Eskelund was elected to serve as president.

President Eskelund, who has lived and worked in China for 25 years, is chief representative for Maersk in Greater China and Northeast Asia. He has served two terms as vice president of the European Chamber—from 2019 to 2021 and from October 2021 to May 2023—as well as State Representative, and has also been actively involved with the Chamber's working groups since the Chamber's inception, including as chair of the International Liner Shipping Sub-working Group (formerly the Maritime Working Group). He has also served as both board member and chair of the Danish Chamber of Commerce in China.

Bruno Weill was re-elected as European Chamber vice president, with Miguel Montoya and Stefan Bernhart both being elected to serve as vice presidents for the first time. Xiaobo Zhang was re-elected as treasurer. Members of the Shanghai, South China and Southwest China chapters had previously elected Carlo D'Andrea, Klaus Zenkel and Massimo Bagnasco as their respective chairs, all of whom will also serve as national vice presidents.

The AGM also marked Jörg Wuttke's 10 years at the helm, in three separate stints, as president of the Chamber. Jorge Toledo Albiñana, ambassador of the European Union to China, delivered a speech on Mr Wuttke's legacy.

The States Representatives were selected by the Supervisory Board on 25th May, with Gianni Di Giovanni, Renato Roldão and Peter Ling-Vannerus the successful candidates.

President

Jens Eskelund, Maersk

Vice Presidents

Stefan Bernhart, Volkswagen

Miguel Montoya, KPMG

Bruno Weill, BNP Paribas

Treasurer

Xiaobo Zhang, TotalEnergies

States' Representatives

Gianni Di Giovanni, Eni

Peter Ling-Vannerus, SEB

Renato Roldão, ICF

Nanjing

The local board elections for the Nanjing Chapter were held on 27th April, with the following results.

Chair

Andreas Risch, Fette Compacting (China)

Vice Chair

Jianhua Shan, BASF-YPC Co Ltd

Board Members

Alessandro Brenda, Marposs (Nanjing) Automation Co Ltd

Florian Hobelsberger, Diehl Controls (Nanjing) Co Ltd

Frank Redecker, REACH Talent Consulting (Xuzhou) Co Ltd

Shanghai

The Shanghai AGM took place on 18th May, where the following candidates were elected to the board for the next two years:

Chair

Carlo Diego D'Andrea, D'Andrea & Partners

Vice Chairs

Jens Ewert, Deloitte China

Holly Lei, Covestro

Board Members

Charles Billard, Sanofi China

Roberto Donà, International Business School Suzhou, Xi'an Jiaotong-Liverpool University

Felix Hess, Siemens China

Francis Liekens, Atlas Copco China

Shenyang

Elections for the board of the Shenyang Chapter took place on 28th April, when the following were elected to serve for the next two years:

Chair

Erich Kaiserseder, Conrad Shenyang

Board Members

Sebastian Bittner, GG Cable

Diane Chen, Shenyang New World EXPO

Stephane Gonnetand, Dalian ODC Marine Manufacture Co Ltd

Robert Kuessel, BMW Brilliance Automotive

Matt Sullivan, Trench High Voltage Products

South China

The South China Chapter's AGM took place on 11th April in Guangzhou, where the chapter's leadership was elected for the next two years:

Chair

Klaus Zenkel, Imedco Technology (Shenzhen) Co Ltd

Vice Chairs

Fabian Blake AMS Products Assembly (Foshan) Co Ltd

Gianluca Giorgi, ES Automation Consulting Ltd

Board Members

Aaron Finley, Deloitte

Blandine Cressard, Residence G Shenzhen

Chris Gassner, SZMuri

Joanna Ye, Mazars Guangzhou

Southwest China

The local board elections for the Southwest Chapter took place on 13th April 2023 in Chengdu, returning the following results:

Chair

Massimo Bagnasco, Progetto CMR (Beijing) Architectural Design Consultants Co Ltd

Vice Chairs

He Donglin, Siemens Ltd China Chengdu Branch

Leo Zhang, Sika (China) Ltd

Board Members

Raquel Ramirez, RR Consulting

Paul Sives, Proton Products Chengdu Ltd

Dieter Vanonckelen, Md Business Management (Chengdu) Co Ltd

Jessica Wu, IvyU Limited

Tianjin

The Tianjin AGM was held on 12th May, where the following were elected to the board for the next two years:

Chair

Christoph Schrempp, Airbus (Tianjin) Delivery Centre Ltd

Vice Chair

Bernd Averes, Volkswagen Automatic Transmission (Tianjin) Co Ltd

Board Members

Massimo Dinelli, Weilburger Coatings (Tianjin) Ltd

Jiangang Gao, Schlote Automotive Parts (Tianjin) Co Ltd

Cindy Zheng, WAGO Electronic (Tianjin) Co Ltd

NANJING POSITION PAPER 2023/2024

Recommendations to boost Jiangsu's and Nanjing's international reputations

In its *Nanjing Position Paper 2019/2020*, the European Chamber's Nanjing Chapter noted significant progress in the local government's approach to engaging with the European business community. Since then, local officials have continued to work with the chapter to address member concerns. This engagement has proved invaluable, but took place under unfortunate circumstances. Highly restrictive COVID-19 measures disrupted member companies' operations to varying degrees from early 2020 to early 2023. The necessity of addressing emergent issues, in order to maintain continuity of business operations to the greatest extent possible, meant that both the city's and Jiangsu Province's internationalisation efforts have taken a back seat over the past few years.

The COVID-19 pandemic has both created new and exacerbated old challenges, making doing business in Jiangsu more difficult. China's persistence with its 'dynamic-zero' COVID policy, well after most other countries had reopened and learned to coexist with the virus, has seriously damaged investor confidence. While the focus in China has now shifted towards more pragmatic pandemic management, many of the problems that resulted from the country's initial approach will persist if left unaddressed.

Long-term international travel restrictions and unpredictable lockdowns created significant barriers to doing business. In addition to the fear that such measures will be reimposed in the event of a future public health crisis, an environment in which abrupt policy changes and inconsistent implementation of rules are the norm is not conducive to making investment decisions. The Nanjing Chapter believes that working with the local business community to develop policies that will allow operations to continue under such circumstances, and making sure that clear and transparent channels of communication are maintained, would enable government authorities to begin the process of rebuilding investor trust in the region.

Historically, Jiangsu's internationalisation efforts often took the form of promotional materials and events designed to showcase the province's openness. Unfortunately, these methods have proved inefficient, as they did not improve either the quality of life for foreign nationals or the ease of doing business for European companies. Solving basic problems related to liveability and doing business would be a more effective way forward. While many of Jiangsu's cities have a reputation for being relatively well-developed, there are still many aspects that hold them back from becoming globally competitive. They lack many of the required features, such as an established financial sector and a globally recognised innovation ecosystem. Characteristics like these cannot be created by a government, but rather develop as the result of continued market opening, improved governance, a diverse community and a business environment that guarantees rule of law.

While several international economies have recently introduced new visa policies to attract developing talent from abroad—some even do not require a job offer, as with Hong Kong's Top Talent programme and the United Kingdom's high-potential individual visa—Jiangsu's work permit and residence policies are uncompetitive and confusing for foreign nationals and their employers. Improving communication and clarity about application requirements and procedures, while also trialling initiatives that attract developing talent, would make the province far more attractive as a place to work and live. Nanjing in particular would be well advised to take advantage of its high concentration of universities by encouraging international students to stay and work after graduation. Taking tangible steps to make foreign nationals already in the province feel more welcome would make Jiangsu more attractive and strengthen internationalisation efforts. At times, pandemic measures led to foreign nationals unfortunately being singled out based on their nationality. It is important that future policies are not implemented in a way that leads to such discriminatory treatment.

An additional challenge for foreign nationals living in China is the growing reliance on digital applications for carrying out day-to-day activities. A significant number of mobile phone-based public and private systems, including platforms for local services, only support users that have Chinese resident identity (ID) cards. The Nanjing Chapter proposes addressing this by creating uniform standards for collecting information across all platforms and mandating its use in both the public and private sectors.

Identification is a major challenge for foreign nationals in China. Holders of the Chinese 'green card' should theoretically face fewer problems than residents that only use passports, but sadly that is rarely the case. Permanent residence (PR) ID card holders continue to have trouble accessing basic services without their passport. This could be remedied by the Jiangsu Government clearly communicating that green cards must be universally accepted as a legitimate form of identification, and by issuing identification cards to all foreign residents.

In line with recommendations featured in the *Nanjing Position Paper 2019/2020*, Nanjing has made significant improvement in terms of its treatment of small and medium-sized enterprises (SMEs). However, there are some areas in which SMEs still struggle to get the support they need. The transition to green energy is an example that the Nanjing Chapter hopes can be rectified.

European companies are at the forefront of decarbonisation, with many having made globally binding pledges to achieve carbon neutrality well in advance of China's 2060 target. This means that access to green energy is an increasing necessity for them. Unfortunately, member companies report a disorganised and confusing green energy purchasing experience in Jiangsu, and even have trouble documenting how much green energy they have used. This would be best remedied through the implementation of a combination of measures that give companies more control over energy purchasing and provide them with clearer guidance on Jiangsu's plan for green energy adoption. The Nanjing Chapter is recommending the creation of agreements with other provinces to allow firms to directly purchase their own green energy, modelled after the system adopted in several southern provinces.

Environmental, health and safety inspections have become an additional challenge for Chamber members. Companies and regulators share a fundamental goal of achieving safe operations, but differing ideas about how best to do this create challenges. The length and frequency of inspections, as well as differing standards in Europe and China, are the primary reasons for this. The situation could be improved by better coordination between government bodies, as well as by establishing a board of arbitration to review expert recommendations before they become requirements.

Adopting policies that make daily life and doing business more convenient for foreign nationals, while also addressing functional concerns that affect business operations, would go a long way to restoring investor confidence in Jiangsu. Although the COVID-19 pandemic has created significant challenges, China will remain a key destination for European investment for years to come. The Nanjing Chapter believes the recommendations provided in this paper will provide Jiangsu with the tools it needs to become more competitive with other regions in China and drive towards a more international future.

To download the *Nanjing Position Paper 2023/2024*, scan the QR code.

#BECAUSE OFUS

Protecting Pharmaceutical IP in China's Drug Procurement

Coordinated Governance

As the independent voice of European business in China since 2000, the European Chamber actively participates in China's legislative process and our advocacy activities are widely recognised by the Chinese authorities.

We launched our #becauseofus campaign in 2019 to show our gratitude for the joint advocacy efforts of all stakeholders: governments, think tanks, member companies and our own working group and desk managers. In *EURObiz* in 2023, we will present some examples of our successful advocacy work.

In this edition, we look at **how the European Chamber encouraged China to protect pharmaceutical IP in drug procurement.**

Background

The protection and enforcement of intellectual property (IP) rights at all stages of the pharmaceutical life cycle—from research and development, commercialisation and market access to procurement—is critical for protecting and incentivising pharmaceutical innovation, and bringing new medicines to patients and society.

In the 2022 #BecauseofUs series, we explained China's introduction of patent term extension and patent linkage mechanisms in June 2021, and how they can protect pharmaceutical IP during the regulatory process.

However, during China's drug procurement process, patent infringement of originator drugs (those that are newly developed and subsequently patented) still exists. And when infringement occurs, the patentee lacks a fast channel to defend their rights and quickly end violations.

In recent years, members of the European Chamber's Pharmaceutical Working Group have noted that a number of generic drugs have been approved in China while the patent of the compound of the originator drug was still under protection. Some of the approved generic drugs went on to be listed in the provincial drug-bidding platform, had sales activities carried out, and were submitted for national reimbursement drug list (NRDL) inclusion, all of which are clear patent-infringing actions.

The process of stopping patent infringement involves multiple government agencies, including the National Healthcare Security Administration (NHSA), which oversees drug procurement and market access, and the China National Intellectual Property Administration (CNIPA), which oversees IP matters. As there is a lack of coordination between departments, companies facing infringement have to go through a lengthy and difficult process when trying to defend their rights.

The absence of a fast and coordinated channel to end infringement could lead to serious damage of the legitimate rights of multinational innovator drug companies, and subsequently lower their investment confidence in China.

Advocacy actions

The European Chamber Pharmaceutical Working Group has been advocating on this issue since 2020—following the introduction of the volume-based procurement system in 2018/2019—calling for coordinated measures of IP protection during China's drug procurement process.

In December 2020, the working group sent an advocacy letter to the NHSA outlining its concerns over IP protection. In February 2021, a response letter from the NHSA on their work mechanism was received. On 26th August 2021, Pharmaceutical Working Group representatives met with the NHSA to discuss this matter. The NHSA then communicated about the issue with the CNIPA, and provided feedback to the working group. In mid-2022, the working group submitted briefing notes and recommendations to the CNIPA on enhancing cross-departmental IP protection mechanism.

Throughout the course of advocacy on this issue, the European Chamber Pharmaceutical Working Group regularly communicated with the Chinese authorities, and highly appreciates the timely responses and feedback received.

This issue was also addressed in the 2021/2022 and 2022/2023 editions of the *European Business in China Position Paper*.

Advocacy Success

On 30th December 2022, the NHSA and the CNIPA jointly issued the *Opinions on Strengthening the Protection of Intellectual Property in the Field of Centralised Drug Procurement*, introducing a coordinated IP protection framework for the drug procurement process, including drug listing on provincial tendering platforms and volume-based procurement. This measure allows drug procurement agencies to remove, exclude or cancel the bidding eligibility of infringing products.

This is an important step towards a pro-innovation business environment for all players in the pharmaceutical industry.

Originator drug companies are greatly encouraged by the new measure, and now anticipate good cross-ministry and cross-department collaboration to ensure its smooth implementation by both central and local authorities.

Looking forward

For the next steps, the working group calls on China to:

- Implement, at both central and local levels, the new measure for strengthening IP protection during China's drug procurement process.
- Continually optimise the measure during its implementation.
- Recognise, moving forward, applications for NRDL inclusion by a patent-infringing generic as an infringement activity, and adopt a similar coordinated IP protection mechanism for NRDL inclusion.

Media Watch

Chamber's views on 2023 Two Sessions sought by media

China's 2023 Two Sessions were held between 4th–11th March, with several media outlets reaching out to the Chamber for comments on the outcomes. *The Economist*, the *SCMP* and the *Financial Times* all interviewed [former] President Wuttke on China's new leadership, with a focus on Li Qiang's appointment as China's new premier. [Former] President Wuttke said that while Li had demonstrated good business acumen during his time as the Communist Party Secretary of Shanghai, he would likely face a difficult start as premier due to headwinds facing the Chinese economy and the fact that he had not shadowed his predecessor, Li Keqiang. The Chamber's thoughts on China's economic prospects were sought by a plethora of domestic media outlets, including *CGTN* and the *Global Times*. Speaking on *CGTN*, [then] Vice President (VP) Jens Eskelund noted that while the end of zero-COVID was positive, the government should now prioritise achieving quality sustainable growth rather than breakneck increases in gross domestic product.

Tianjin Position Paper makes media splash

On 10th March 2023, the Tianjin Chapter launched the *Tianjin Position Paper 2023/2024*. Chapter Chair Christoph Schrempp presented the paper at a media event, and was also interviewed by *Tianjin TV* and the *SCMP*. Four original media mentions were recorded within 24 hours of the report's publication. The *SCMP* highlighted the Chamber's suggestion that concentrating on developing its flagship industries—aviation, biomedicine, manufacturing and robotics—would better allow Tianjin to capitalise on its comparative advantages. *Xinhua* ran an article on how EU companies are increasingly focussing on reliable access to green energy and meeting environmental, social and governance objectives when evaluating investment destinations, an area where Tianjin has room for improvement.

[Then] VP Eskelund speaking to *CGTN* on the Two Sessions
Media: *CGTN*
Date: 5th March 2023

From wooing Tesla to Xi's right-hand man: Li Qiang's road to China's premiership

Beijing's new number two known for cultivating business ties as Shanghai party boss before imposing sweeping lockdown

Finsnvisl Times article quoting [former] President Wuttke on Li Qiang's prospects
Media: *Finsnvisl Times*
Date: 11th March 2023

Economy / China Economy

Chinese port city Tianjin loses its allure as EU firms demand a 'spirit of enterprise and innovation'

Article by the *SCMP* on Tianjin losing its allure
Media: *SCMP*
Date: 10th March 2023

Technology

Xi's Tech Self-Reliance Push Leaves Europeans Wary of China R&D

- European firms grow hesitant about investments, survey shows
- Responses come as China pushes for more self-reliance in tech

By Bloomberg News
April 21, 2023, 6:30 AM UTC

Article by *Bloomberg* on how European firms view doing R&D in China
Media: *Bloomberg News*
Date: 21st April 2023

[Former] President Wuttke being interviewed by *Bloomberg* on Macron's/ von der Leyen's visits
Media: *Bloomberg TV*
Date: 7th April 2023

Chamber comments on von der Leyen and Macron visits

On 5th April, European Commission President Ursula von der Leyen and French President Emmanuel Macron visited China. Ahead of her arrival, von der Leyen delivered a widely publicised speech in which she called for Europe to "de-risk" its relationship with China. Several media outlets asked the Chamber to comment on her remarks. In an interview with *Bloomberg*, [Former] President Wuttke noted that the EU's goal is not to decouple from China, but rather to reduce its critical dependences on the market while also seeking to deepen engagement in other areas. The question of whether EU-China Comprehensive Agreement on Investment is likely to be ratified soon was also a hot topic following the visits. Speaking to *CNBC*, [then] VP Eskelund expressed his doubts on this, noting that unless China can demonstrate that it is taking action to address European grievances, it is highly unlikely that the EU will be willing to review the agreement.

Chamber and MERICS launch China's Innovation Ecosystem: The Localisation Dilemma

On 21st April, the European Chamber, in partnership with the Mercator Institute for China Studies (MERICS), published *China's Innovation Ecosystem: The Localisation Dilemma*, the second of a trio of research reports on the country's research and development (R&D) ecosystem. A total of 26 journalists joined the report's official launch event, and five others participated in an embargoed roundtable session held on 14th April. Nine original media mentions were recorded on the launch day, with another five coming in the week that followed. Coverage predominately focussed on the importance that European businesses attach to doing R&D in China, as well as how a range of regulatory barriers, geopolitical factors and market considerations were leading different companies to adopt different approaches.

Nanjing Position Paper garners widespread coverage

On 27th April, the Nanjing Chapter launched the *Nanjing Position Paper 2023/2024*, outlining how Jiangsu can reach its full potential as an international investment destination through simple changes to its internationalisation, green energy adoption and environmental health and safety policies and regulations. The paper was presented by Nanjing Chapter Chair Andreas Risch, who was joined by [former] President Wuttke for a Q&A session. The report gained strong domestic coverage, with 13 original media mentions recorded within 48 hours of publication, including by *CGTN*, *Xinhua* and *Jiangsu Economics*. Particular attention was paid to how Jiangsu policymakers could improve the liveability of the region and make the province more attractive to foreign investment.

Economy / Global Economy

China's eastern powerhouse of Jiangsu urged to make foreigners 'feel welcome' to woo talent

- European Union Chamber of Commerce in China position paper showed China's strict zero-Covid policy measures detracted from the region's international push
- Officials must improve work permit and residence policies, as well as training public employees to 'make foreign nationals feel welcome in the community'

Article by the *SCMP* on the *Nanjing Position Paper 2023/2024*
Media: *SCMP*
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Events Gallery

BEIJING, 9TH MARCH 2023

Recent Legislative Developments in China's Export Control Regime and Enterprise Cross-border Compliance Management

- In the past, export control was only concerned with an administrative procedure of declaring and obtaining certificates, but now it has become elevated to a legal level, especially when it comes to dual-use items.
- The draft Foreign Relations Law highlights the right to take anti-sanction and restrictive measures against acts that endanger China's sovereignty, security and development interests, which may impact enterprises' compliance operations.
- In practice, Customs have been the main law enforcement force in export control, especially in terms of investigation and punishment, but the Ministry of Commerce may become more involved in future.

BEIJING, 18TH APRIL 2023

Debrief on EU Chief Von der Leyen, French President Macron Joint Visit to China

- There needs to be a European voice conveyed jointly on key issues, including the war against Ukraine, climate change, food security, biodiversity, sustainable development, among others.
- President Von der Leyen has highlighted that we are not aiming for decoupling, but we are aiming for de-risking, having learned from the war in Ukraine and its consequences on energy supplies that Europe cannot afford to be dependent on a single country for critical raw materials and supplies.
- The European Union's (EU's) position on the One China policy has not changed; any non-peaceful action in the Taiwan Strait on Taiwan would be extremely disastrous.

SHANGHAI, 28TH APRIL 2023

Cross-Border Data Transfers: Carving Out Safe Business Success in China

- In the era of global digitalisation, data security is essential for businesses, especially for those operating in different geographical markets.
- For European small and medium-sized enterprises (SMEs) to expand into China, it is imperative to understand the practical steps to take to follow the regulations, avoid compliance pitfalls and ensure the lawful, reasonable, and effective use of data.
- European SMEs can take advantage of the work done to be compliant with European legislation to boost their compliance with the Chinese regulation.

SHANGHAI, 9TH MAY 2023

Europe Day Reception 2023

- The Europe Day celebrations returned to an in-person format in 2023, after Shanghai's citywide COVID lockdowns forced the 2022 event to take place online.
- While research and innovation are central to the 'Made in China 2025' strategy, there is increasingly an emphasis on a small 'r' and big 'D' to mitigate exposure to a growing list of risks.
- The European Union (EU)-China trade deficit has continued to widen year on year; 2022 marked the highest recorded trade imbalance, fuelling the growing rhetoric of EU economic reliance on China.

TIANJIN, 28TH MARCH 2023

End-to-End Supply Chain Diagnosis Analysis and Solutions

- Despite attending training on supply chain management, some companies found it hard to put their knowledge into practice.
- The workshop discussions helped them propose more imaginative ideas and form concrete measures that can be implemented.
- Breaking the information silo and forming supply chain collaboration and end-to-end management—including internal departments and parties located overseas—can effectively save inventory costs, improve customer satisfaction and win new clients.

NANJING, 27TH APRIL 2023

Annual General Meeting and Position Paper 2023/2024 Launch

- Jiangsu, with its excellent manufacturing reputation, has a unique opportunity to become the chosen destination for new investments by actively resolving international businesses' concerns.
- Clear and transparent guidelines, as well as consistent implementation of policies that make it easy for all companies to approach issues in a predictable way, would lead to greater efficiency.
- Major achievements of the Nanjing Chapter in 2022 include: 11 local new members; 15+ government meetings; and 80+ events with over 800 participants.

SOUTHWEST CHINA, 13TH APRIL 2023

Annual General Meeting: Board Election

- The Southwest China Chapter held 54 events in 2022, with over 1,000 guests in total attending.
- The chapter also released its latest position paper in 2022, which garnered a lot of both media and local government attention.
- In 2023, the chapter plans to further develop its presence in cities and provinces surrounding Chengdu and Chongqing.

SHENYANG, 14TH APRIL 2023

Equity Management and Inheritance of Family Businesses

- A succession plan establishes an orderly transfer of the management and ownership of the business to new managers and owners.
- It helps to avoid liquidation of the business, takes tax treatment and other anticipated expenses into consideration, and allows incorporation of the family's non-tax objectives.
- The key issues family businesses need to consider when succession planning are: 1) plan for the business and plan for the family; 2) prepare the next generation adequately; and 3) hiring from outside the family.

Advisory Council News

Photo: Boehringer Ingelheim

Boehringer Ingelheim Consanas (Chengdu) Rehabilitation Medical Centre officially launched

18th February 2023 – Global leading biopharmaceutical company Boehringer Ingelheim and the Wenjiang District Government in Chengdu jointly unveiled the Boehringer Ingelheim Consanas (Chengdu) Rehabilitation Medical Centre in Chengdu Medical City of Sichuan Province. The Consanas (Chengdu) Rehabilitation Medical Centre is committed to providing stroke rehabilitation services based on German gold-standard services, and help to improve stroke rehabilitation treatment levels in Sichuan Province and West China.

Stroke has become the leading cause of death and disability in Chinese adults, with high incidence, disability, mortality, recurrence and accompanying economic burden. In recent years, the Chinese Government has been advocating on the importance of stroke prevention and management. Chengdu's *14th Five-year Plan for Bio-economic Development* proposed "Three Medical" as key government priorities to strengthen core industries of high-end medical care, biomedicine and high-end medical devices.

bp and Uber team up on driver charging as EV momentum builds

31st March 2023 – bp and Uber have announced a new global mobility agreement that will see the companies work together to help accelerate Uber's commitment to become a zero-tailpipe emissions mobility platform in Europe, the United States (US) and Canada by 2030 and globally by 2040. The agreement, thought to be an industry-first between a ride-hailing platform and an integrated energy company,

Photo: bp.com

will see the companies use their global footprints to help drivers transition to EVs by providing access to reliable and convenient charging, including at ultra-fast speeds.

Uber aims to have 100 per cent of rides on the platform in EVs, micromobility or public transit by 2040; bp's ambition is to become a net zero company by 2050 or sooner, and to help the world get to net zero.

Uber and bp will initially focus on collaborating in a number of key markets including Europe, the US and the United Kingdom to support Uber's 2030 targets, with other countries including Australia and New Zealand to follow. Regional teams from the two companies will now work together to offer drivers on Uber's platform bespoke access to bp pulse's high speed charging network, including special offers.

International Media Day: Michelin presents the tyre market's evolution and its plants transformation

13th April 2023 – Michelin chose its industrial facility in Cuneo, Italy—the largest car tyre factory in western Europe and one of the most modern—to organise the first edition of its International Media Day, devoted to two strategic transformations for the Group: the tyre markets' evolution in the face of new requirements from drivers, manufacturers, and global warming; and the plants' transformation in the face of new human, technological, and environmental challenges.. On this occasion, Michelin highlighted its environmental commitment, in particular its goal of achieving 100 per cent sustainable materials in its tyres by 2050.

Michelin took a new step forward recently by unveiling two tyres approved for road use, one for cars and the other for buses, containing 45 per cent and 58 per cent sustainable materials, respectively. This world premiere is a concrete illustration of Michelin's ability to reach its ambitious 2050 goal. They herald the technologies for future mass production models by 2025. These advances made possible by Michelin's expertise in materials, its research and development power, and its partnerships with innovative startups, will benefit all of the Group's products.

Photo: sap.com

SAP to embed IBM Watson AI into SAP solutions

2nd May 2023 – SAP and IBM announced that IBM Watson technology will be embedded into SAP solutions to provide new artificial intelligence (AI)-driven insights and automation to help accelerate innovation and create more efficient and effective user experiences across the SAP application portfolio.

SAP will use IBM Watson capabilities to power its digital assistant in SAP Start, which provides a unified entry point for cloud solutions from SAP. With SAP Start, users can search for, launch and interactively engage with apps provided in cloud solutions from SAP and SAP S/4HANA Cloud. New AI capabilities in SAP Start will be designed to help users boost productivity with both natural language capabilities and predictive insights using IBM Watson AI solutions built on IBM's trust and transparency and data privacy principles.

New digital assistant capabilities in SAP Start will be extended across SAP solutions to help answer diverse questions for managers and employees. By automating and speeding up common tasks, the capabilities are designed to help unlock employee productivity to focus on more strategic work.

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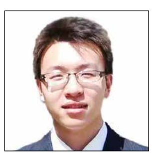

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The chairs and vice chairs are responsible for carrying out the working group's overall leadership through hosting working group meetings, leading advocacy meetings, co–leading on the annual *Position Paper*, recruiting new members and representing the group in front of media.

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China Carbon Neutrality Investors Map

7
SUB-SECTORS
Covered in circular economy & renewable energy

18x17
DATA MATRIX
Presenting business models, policy environment, development needs, SDG indicators and risk factors

8
STEPS
Globally coherent standardized methodology

56
NATIONAL PLANS
Mapped against the 17 SDGs

570
POLICY DOCUMENTS
Analyzed from national and provincial governments

116k
PRESS RELEASES
Screened for additional data mining

Strict inclusion and exclusion standards

Rigorous desk research & Stakeholder consultation

Identified sweet spots between development needs and policy focus

Close reference from the SDG Finance Taxonomy (China)

Natural Language Processing (NLP), Artificial Intelligence & Big data

devlop-ment impact | market potential | risk factor | enabling factor

Four dimensions of supporting data points for each IOA

Target Audience & Application

Financial institutions & investors

Ex-ante: decision-making tool
Ex-post: tool for risk management, stewardship, and impact disclosure

Companies & project owners

Capacity building tool,
Information disclosure tool

Policy makers, industry associations, think tanks, & civil society

Diagnostic and analytical tool to identify development obstacles in policy gaps, market infrastructure, risk factors, etc.

A whole life-cycle toolkit for strategy, decision making, tracking, and disclosure to provide valuable impact intelligence for all stakeholders

Click here to check all the IOAs

excel

website

Circular Economy

Water Utilities and Services
- Sewage treatment
- Tap water production & supply
- Smart water management and services

Waste Management
- Treatment of industrial hazardous wastes
- New energy based sanitation equipments

Renewable Energy

Electric Utilities & Power Generators
- Smart meters
- UHV construction
- Electric vehicle charging facilities

Solar Technology and Project Developers
- N-type solar cells
- Distributed photovoltaic power stations
- Buildings and Integrated Photovoltaic (BIPV)

Biofuels
- Waste fat biodiesel

Wind Technology and Project Developers
- Offshore wind power
- Large wind turbine manufacturing
- Wind turbine bearing manufacturing
- Carbon fiber materials

Fuel Cells and Industrial Batteries
- The construction and operation of battery swapping stations
- The recycling and reuse of waste batteries

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