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Journal of the European Union Chamber of Commerce in China

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CARBON NEUTRALITY ACTION
WORKING WITH CHINA TOWARDS 2060

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- Facilitating coordinated efforts among the Chamber's membership
- Working with China to achieve its 2060 carbon neutrality goal

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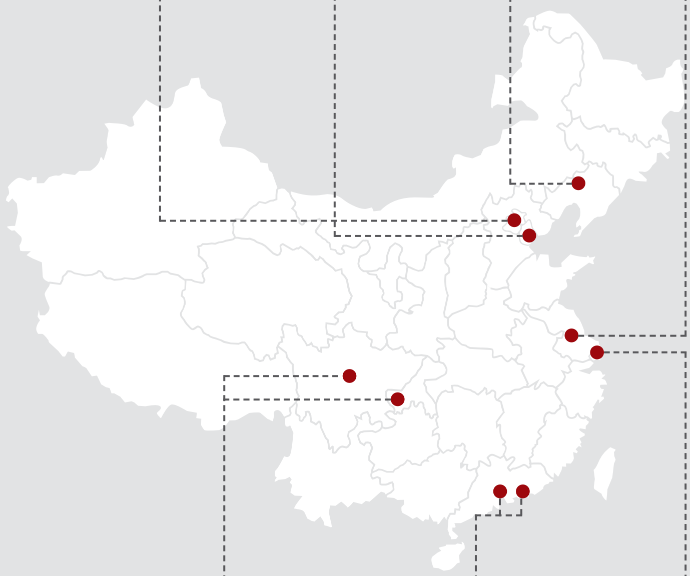

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President's Foreword

What kind of relationship does China want to have with foreign enterprises?

Jens Eskelund

President

European Union Chamber of Commerce in China

Since China initiated its reform and opening up efforts, European companies have been able to thrive in the Chinese market, as its efficient and welcoming business environment provided them with an unmatched value proposition.

However, with confidence about China's growth prospects deteriorating among European companies operating in the country,[1] expectations for investment returns are also being moderated. The conclusion being drawn from China's slowing economic growth is that not everyone will be able to prosper the way they could when the economy was hurtling along at annual growth rates of eight to 10 per cent.

At the same time, the disruptions to supply chains that materialised over the past few years have made companies increasingly risk averse, with improving supply chain resilience one of the top reasons cited in the European Chamber's *Business Confidence Survey 2023* on why some European companies are considering shifting or have shifted investments out of China.[2]

Mixed messaging from the Chinese Government only adds to the sense of uncertainty that is unfavourable for investment decisions. The annual work report delivered by China's outgoing premier, Li Keqiang, at the 14th National People's Congress held in March 2023 highlighted that the government aims to encourage more foreign investment.[3] However, China's push for technological self-reliance in strategic areas continues to restrict foreign businesses' market access.[4]

Topping a growing list of questions over what to expect from the Chinese market is that of what kind of relationship China wants to have with foreign enterprises. Clarity on policy direction and concrete action demonstrating a recognition of the challenges faced by private companies—Chinese or foreign—will do much to change the mood and restore foreign companies' eagerness to continue engaging with China and perhaps even expand their investments in the country.

Some hopeful signals were given at the 10th European Union (EU)-China High-level Economic and Trade Dialogue (HED) in September, co-chaired by European Commission Executive Vice President Valdis Dombrovskis and State Council Vice Premier He Lifeng.[5] The Chamber was in close and regular contact with both the EU Delegation and the Commission in the preparatory stages of the HED and provided input on some of the key challenges experienced by European industry in China – from both a cross-sectoral and a sector-specific perspective. The Chamber welcomes commitments made by the Chinese side to look into issues creating market access barriers for European companies in China, and hopes to see tangible steps taken to address these. We will continue our engagements with stakeholders on both sides to help find a path for strengthening cooperation in areas where it can be fruitful.

[1] *European Business in China Business Confidence Survey 2023*, European Union Chamber of Commerce in China, p. 8, 21st June 2023, viewed 10th August 2023, <https://www.europeanchamber.com.cn/en/publications–archive/1124>

[2] *European Business in China Business Confidence Survey 2023*, European Union Chamber of Commerce in China, pp. 10–11, 21st June 2023, viewed 10th August 2023, <https://www.europeanchamber.com.cn/en/publications–archive/1124>

[3] *Full text: Report on the Work of the Government*, *Xinhua*, 15th March 2023, viewed 28th June 2023 <http://www.china.org.cn/china/2023–03/15/content_85169057.htm>

[4] *European Business in China Business Confidence Survey 2023*, European Union Chamber of Commerce in China, p. 25, 21st June 2023, viewed 10th August 2023, <https://www.europeanchamber.com.cn/en/publications–archive/1124>

[5] *EU calls for greater market access and fair competition at EU–China High–Level Dialogue*, European Commission, 25th September 2023, viewed 26th September 2023<https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4609>

CLIMATE CHANGE IN CHINA

What European businesses need to consider

On 28th July 2023, Typhoon Doksuri made landfall in China's Fujian Province, and continued to make its way up the east coast. It was the strongest typhoon on record to hit Fujian, and in Beijing broke rainfall records that stretched back to Qing Dynasty times – only three weeks earlier the capital had been baking under a heatwave. The typhoon killed at least 80 people on Mainland China, and caused over Chinese yuan (CNY) 110 billion in property damage.[1] Just a month later, on the night of 7th September, Hong Kong endured the most severe hourly rainfall ever recorded in the city, which led to two fatalities, as well as mudslides and sinkholes, while Shenzhen was also inundated, with about 3,000 people evacuated or relocated.[2] Considering the unimpressive report card on progress on the Sustainable Development Goals that was presented at the United Nations General Assembly in New York in September, such unpredictable weather patterns are likely to continue. Therefore, there are several aspects relating to climate change that members of the European Chamber should consider when planning their future operations in China.

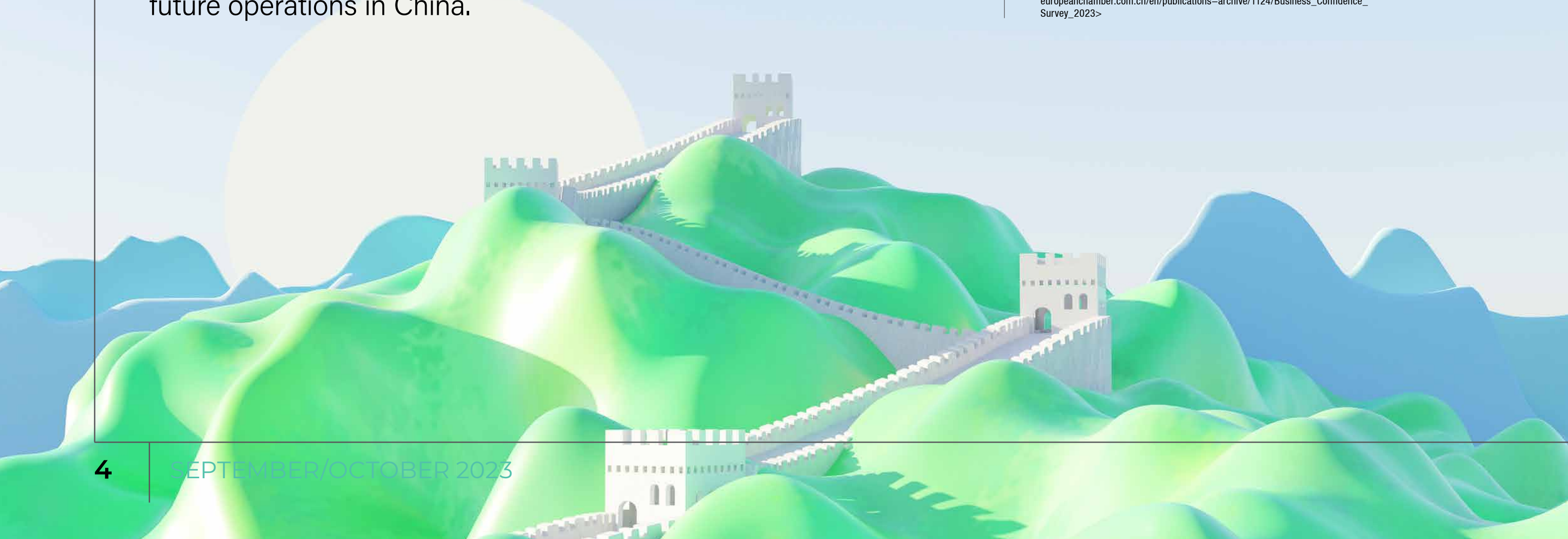
Extreme weather events cause loss of lives, damage to property and infrastructure, disruptions to business and travel plans, and forced evacuations or relocations. Barring the damage to property, European Chamber member companies unfortunately already experienced these phenomena in 2022 and early 2023 due to 'zero-COVID' lockdowns and the abrupt lifting of all restrictions before the population had built up immunity. While the impact of individual extreme weather events is unlikely to last as long as some of the 2022 lockdowns, the financial fallout from 2022 can act as a harbinger of life under climate change. Records were also broken in the European Chamber's *Business Confidence Survey 2023*, as 30 per cent of respondents reported financial losses—three times as many as the year before—and 62 per cent reported missing out on business opportunities, an increase of 20 percentage points year-on-year and the highest on record.[3]

Another foretaste of climate change was force-fed to many members during the summers of 2021 and 2022, when power cuts disrupted business operations and in several cases led to forced shutdowns. These blackouts were due to a combination of drought affecting hydropower supplies, heatwaves ramping

[1] *FACTBOX: Impact of floods in China after Typhoon Doksuri, Reuters,* 11th August 2023, viewed 22nd September 2023, <https://www.reuters.com/world/asia–pacific/impact–floods–china–after–typhoon–doksuri–2023–08–11/>

[2] Chris Buckley, *Storms Deluge Hong Kong and Other Southern Chinese Cities, The New York Times*, 8th September 2023, viewed 22nd September 2023, <https://www.nytimes.com/2023/09/08/world/asia/china–hong–kong–floods.html>

[3] *European Business in China Business Confidence Survey*, European Union Chamber of Commerce in China, 21st June 2023, viewed 24th September 2023, <https://www.europeanchamber.com.cn/en/publications–archive/1124/Business_Confidence_Survey_2023>

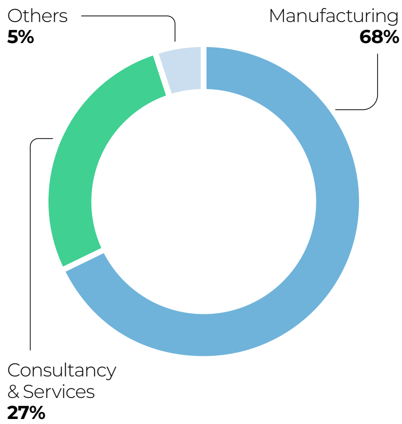


up air conditioning usage and electricity demand, and the transition to greener sources of power impacting energy security. While some businesses were able to buy diesel-operated power generators, this had a knock-on effect on their ability to decarbonise efficiently. Others were able to move their operations to night or weekend shifts, when demand for electricity was off-peak.[4]

Extreme weather events also lead to government advice to stay at home, and often the relocation of populations in areas at risk. For over two-thirds of the readership of *EURObiz*—composed of the European Chamber's member companies—working from home or a hotel room is not a viable option. Manufacturers in the path of storms may find that all or some of their workforce is unable to travel to the plant, and the availability of short-term casual workers may also be affected. If enterprises try to organise their workforce to stay onsite—as many resorted to during COVID lockdowns—power cuts will again be an issue, while the risk of flooding may completely scupper any such plans. An enterprise's industry may become their lifebelt – whether or not they are considered vital for the Chinese economy and worth diverting the worst of the floodwaters away from.

For those employees who can work remotely and endured centralised quarantine during COVID, they will already be familiar with the stress of getting their family relocated and the ensuing difficulties of working from a hotel room with all their loved ones in

EURObiz Audience Composition by Sector



the same small space. The logistics of being relocated to and fro will inevitably mean the loss of manpower hours, and employees hit by damage to their property and belongings will need to take time off to deal with the clean-up. Going forward, human resources (HR) departments may need to consider allowing compassionate leave for the fallout from extreme weather events, just as many employers in China are now allowing additional leave for employees from single-child families to support theie parents as they age.

For both businesses and individuals, insurance policies will have to be carefully checked to see if damage from natural disasters is covered. As extreme weather events become more frequent, premiums to provide coverage for any impact may become unaffordable, or brokers may pull out of more risk-prone areas, as has happened in some parts of California following several consecutive summers of destructive wildfires.

There are additional climate change-related considerations that HR departments will need to grapple with in the near future. For enterprises that engage in work outdoors, their employees will increasingly need protection during heatwaves/cold snaps, while indoor workers will need appropriate temperature-controlled work environments to ensure productivity remains high. Employees with health conditions are also more likely to be vulnerable to the effects of climate change, and may require more tailored health insurance/well-being programmes. The range of conditions officially considered as disabilities may also need to be advocated on with the government.[5]

COVID lockdowns played havoc with supply chains over the past three years. In China, this was particularly troublesome for European Chamber members involved in manufacturing, a third of whom report importing critical components for which they cannot find alternatives, and a quarter of whom can find alternatives but which are of lower quality.[6] Extreme weather events can also impact supply chains; for example, floods in Slovenia in August 2023 led to temporary closures of car manufacturing factories across Europe, as not a single "European car is manufactured which does not incorporate at least one component originating from Slovenia".[7]

Along with the aspects discussed here, there are many other factors relating to climate change that will become increasingly important for businesses to take into account. For instance, the European Union's Corporate Sustainability Reporting Directive and Carbon Border Adjustment Mechanism will both require companies to step up their environmental, social and governance-related compliance, as will growing pressure from consumers and supply chain partners. The European Chamber is assisting our members on this front, with 20 per cent of the 1,058 recommendations in our *Position Paper 2023/2024* relating to decarbonisation.[8] In the coming years, we will continue to advocate on this issue in order to support our members deal with the ramifications of climate change in China.

[4] *Energy Transition Challenges: Exploring facts and outlook of the power shortages in South China, EURObiz*, July/August 2021, viewed 22nd September 2023, <https://www.eurobiz.com.cn/energy–transition–challenges/>

[5] For more details on policies relating to disabilities in the workplace, please see the *Human Resources Working Group Position Paper 2023/2024*, European Union Chamber of Commerce in China, 20th September 2023, <https://www.europeanchamber.com.cn/en/publications–archive/1147>

[6] *European Business in China Business Confidence Survey*, European Union Chamber of Commerce in China, p. 19, 21st June 2023, viewed 24th September 2023, <https://www.europeanchamber.com.cn/en/publications–archive/1124/Business_Confidence_Survey_2023>

[7] Peter Crush, *Slovenia's floods cause car supply chain problems across Europe*, Supply Management, 15th September 2023, viewed 24th September 2023, <https://www.cips.org/supply–management/news/2023/september/slovenias–floods–cause–car–supply–chain–problems–across–europe/>

[8] *European Business in China Position Paper 2023/2024*, European Union Chamber of Commerce in China, 20th September 2023, <https://www.europeanchamber.com.cn/en/publications–position–paper>

Future-proofing Buildings for Climate Change

With a particular focus on coastal areas

by Nora Zhang

Climate change is a global challenge that affects every aspect of our lives, including the built environment. Buildings are not only sources of greenhouse gas (GHG) emissions, but are also vulnerable to the impacts of climate change, such as extreme weather events, a rise in sea levels, flooding, heatwaves and droughts. These effects can cause significant damage to buildings and infrastructure, disrupt essential services and supply chains, increase operational and maintenance costs, reduce property values and revenues, affect human health and well-being, and increase social inequalities and conflicts. In order to mitigate these impacts, buildings and urban areas are now increasingly being future-proofed for climate change. In this article, **Nora Zhang** of **TERAO** looks at the importance of future-proofing buildings in China's populous coastal areas.

How climate change affects buildings in coastal areas

Coastal areas are home to more than half of the world's population and account for a significant share of the global economy. However, they are also among the regions most exposed and vulnerable to the impacts of climate change. According to the Intergovernmental Panel on Climate Change (IPCC), coastal areas are projected to experience more frequent and intense storms, higher sea levels, increased coastal flooding and erosion, saltwater intrusion and changes in precipitation patterns.[1]

These impacts can have serious consequences for buildings in coastal areas, depending on their location, design, construction, use and maintenance. Some of the potential effects include:

- **Typhoons:** These are intense tropical cyclones that can bring strong winds, heavy rain, storm surges and coastal flooding. Typhoons can damage buildings by causing structural failures, roof collapses, window breakages, water infiltration and mould growth. They can also disrupt power supply, communication networks and transportation systems.
- **Heavy rain:** This can cause flash floods, landslides and soil erosion that can undermine the foundations and stability of buildings. Heavy rain can also increase the moisture content and humidity levels in buildings, leading to deterioration of materials and indoor air quality.
- **Heatwaves:** These are periods of abnormally high temperatures that can increase the cooling demand and energy consumption of buildings. Heatwaves can also cause thermal stress and discomfort for the occupants, affecting their health and productivity. Moreover,

[2] *Climate change widespread, rapid, and intensifying – IPCC*, IPCC, 9th August 2021, viewed 13th September 2023, <https://www.ipcc.ch/2021/08/09/ar6–wg1–20210809–pr/>

heatwaves can exacerbate the urban heat island effect, which is the phenomenon of higher temperatures in urban areas compared to rural areas due to human activities and the lack of vegetation.

- **Strong winds:** These can exert high pressure and force on buildings, especially on tall or slender structures. Strong winds can cause vibrations, deformations or cracks in buildings, or even their collapse. They can also damage external elements such as cladding, facades, balconies and solar panels.

What is future-proofing buildings and how important is it in China?

Future-proofing buildings is the process of designing and constructing buildings that can cope with the current and future impacts of climate change, while minimising their environmental footprint and enhancing their social and economic benefits. Future-proofing buildings can help reduce greenhouse gas emissions, improve energy efficiency, enhance occupant comfort and health, and increase resilience to natural disasters.

According to a report by the World Bank, China has the largest population living in low-elevation coastal zones (LECZs), which are areas less than 10 metres above sea level. The report estimates that by 2050, more than 145 million people in China will be living in LECZs, accounting for 11 per cent of the country's population. Moreover, China has the second-largest gross domestic product (GDP) at risk from coastal flooding in the world, with an estimated annual loss of United States dollars (USD) 79 billion by 2050.[2]

Future-proofing buildings is especially important in China, where rapid urbanisation and economic growth have led to a huge demand for new construction. By some estimates, almost half of the world's construction will take place in China in the coming decade. Therefore, China needs to ensure that its buildings are sustainable and can meet the future needs of its people and the planet.

Key concepts and principles of future-proofing buildings

Future-proofing buildings involves applying a holistic and integrated approach that considers the entire life-cycle of buildings, from planning and design to construction and operation to renovation and demolition. Revolving around the concepts of climate adaptation and climate mitigation, future-proofing buildings requires adopting a multi-scale perspective that considers the interactions between buildings and their context, such as the site, the neighbourhood, the city and the region. Furthermore, future-proofing buildings entails incorporating a participatory and inclusive process that engages all relevant stakeholders, such as owners, developers, designers, contractors, operators, users, regulators and communities.

Some of the key concepts and principles of future-proofing buildings include:

- **Climate risk assessment:** This is the process of identifying and evaluating the potential hazards and impacts of climate change on buildings and their occupants and users. Climate risk assessment helps to prioritise the most urgent and relevant adaptation measures and strategies for each building project.

[2] *China: Country Climate and Development Report*, World Bank, October 2022, viewed 20th September 2023, <https://openknowledge.worldbank.org/server/api/core/bitstreams/35ea9337–dfcf–5d60–9806–65913459d928/content>

- **Climate-responsive design:** This is the process of designing buildings that respond to the local climate conditions and optimise their performance in terms of thermal comfort, energy efficiency, water conservation, indoor air quality and natural lighting. Climate-responsive design also involves using passive design strategies, such as orientation, shading, ventilation, insulation and landscaping, to reduce the reliance on mechanical systems and enhance the adaptability of buildings to changing weather patterns.

- **Low-carbon construction:** This is the process of constructing buildings in a way that minimises their GHG emissions and environmental impacts by using low-carbon materials, technologies and practices. Low-carbon construction also involves reducing waste generation, recycling and reusing materials, and implementing green procurement policies.

- **Resilient operation:** This is the process of operating buildings that can withstand and recover from the shocks and stresses of climate change by ensuring the continuity and quality of essential services and functions, such as power, water, communication, transportation and security. Resilient operation also involves implementing plans for preventive maintenance, emergency preparedness and contingency to cope with potential disruptions and damages.

- **Adaptive renovation:** This is the process of renovating existing buildings that can improve their performance and functionality in response to changing needs and expectations of occupants and users, as well as to evolving climate conditions. Adaptive renovation also involves enhancing the flexibility and modularity of buildings to allow for future modifications and expansions.

How to apply future-proofing building concepts and principles in China?

There is no one-size-fits-all solution for future-proofing buildings, as each building project has its own specific characteristics, challenges and opportunities. However, some of the general steps and recommendations for applying future-proofing building concepts and principles in China include the following:

- Conduct a comprehensive climate risk assessment for each building project, using reliable and updated data and tools, such as the Climate Change Risk Assessment Tool (CCRA) developed by China's Ministry of Housing and Urban-Rural Development and the World Bank.

- Follow the relevant national and local standards, regulations and guidelines for climate-resilient and low-carbon building design and construction, such as the *Technical Guidelines for Climate-resilient Building Design (GB/T 51366-2019)* and the *Green Building Evaluation Standard (GB/T 50378-2019).*

- Apply the best practices and lessons learned from existing projects and initiatives that demonstrate successful examples of future-proofing buildings in coastal areas, such as the Sponge City Programme, the Low-carbon City Programme, the Eco-City Programme and the Green Building Innovation Park.

- Seek technical and financial support from various sources and programmes that promote and facilitate future-proofing buildings in coastal areas, such as the China Climate Change Partnership Framework, the Global Facility for Disaster Reduction and Recovery, the Green Climate Fund and the International Finance Corporation.

Conclusion

Future-proofing buildings for climate change, particularly in coastal areas, is a vital and urgent task for China, in order to protect its people, assets and environment from the current and future impacts of climate change, as well as to support its sustainable development and green transition. As our planet faces escalating environmental challenges, it is incumbent upon us to prioritise both climate adaptation and mitigation strategies in the construction and maintenance of buildings along vulnerable coastlines. Future-proofing buildings requires applying a holistic and integrated approach that considers the entire life-cycle of buildings, adopting a multi-scale perspective that considers the interactions between buildings and their context, incorporating a participatory and inclusive process that engages all relevant stakeholders, and applying both general concepts and principles and specific ones that are most suitable for each building context. By doing so, China can create a built environment that is comfortable, safe, healthy, efficient and durable for its occupants and users, as well as for the surrounding communities and ecosystems.

TERAO is a global building sustainability engineering consulting company involved for 30 years in energy efficiency, carbon emission and green building engineering, as one of the pioneers of energy-saving and sustainable buildings. TERAO operates on the whole building life cycle, from design (green building specifications, carbon emissions calculation and reduction, energy efficiency design and calculation, among others) to operation and maintenance (energy/carbon audits, comfort improvement, certifications in operation, among others).

OVERCOMING INERTIA

In climate tech investing

by **Emma Cox, Will Jackson-Moore, Leo Johnson** and **Tarik Moussa**

In the wake of COP27—the most recent annual United Nations summit on climate—people are reflecting on a year in which climate action has fallen short of ambition. PwC's latest Net Zero Economy Index analysis—an indicator of the progress members of the Group of 20 (G20) countries have made in reducing energy-related carbon emissions and decarbonising their economies—found that the global rate of decarbonisation declined to just 0.5 per cent annually over the past 12 months,[1] far below the 15.2 per cent rate that society now needs to limit warming to 1.5° Celsius above pre-industrial levels, as set out in the 2015 Paris Agreement. With a shrinking window for action, it is more crucial than ever to accelerate innovation. But, as this article by **Emma Cox, Will Jackson-Moore, Leo Johnson** and **Tarik Moussa** from **PwC** asks, has recent financing for technology to combat climate change—commonly referred to as 'climate tech'—met the urgency of the challenge?

[1] *Net Zero Economy Index 2022*, PwC, 2022, viewed 18th September 2023, <https://www.pwc.co.uk/services/sustainability-climate-change/insights/net-zero-economy-index.html>

The answer is mixed. On the one hand, there are reasons to remain optimistic:

- In the face of their first real test over the past decade, climate tech markets have shown encouraging resilience. Against a background of war in Europe, inflation and a sharp correction in the capital markets, there was potential for investor confidence to crumble, as it had in the notorious boom-and-bust era of cleantech a decade ago. Critically, it did not: in fact, eight in 10 investors surveyed in 2023 plan to increase their investment in environmental, social and governance (ESG) products over the next two years. And the investors interviewed remain optimistic about the outlook for the market.

- Comparing climate tech to the wider market backs up this story. Climate tech's share of investment in 2022 hovered at historic highs, even taking into account a natural softening after a strong 2021 and a retreat in special purpose acquisition companies (SPAC) activity.

On the other hand, there are also reasons for concern:

- Compared with a bumper investment year in 2021, 2022 saw a steady drop in overall investment levels.

- The volume of critical early-stage funding required to scale up the next wave of climate tech success stories is trending in the wrong direction. The deficit in funding and the decline in the number of deals for early-stage start-ups that are looking to scale up—first identified in 2022—appear to be deepening.

- Investment is still not aligned with carbon impact, reflecting an inefficient market for investing in climate outcomes.

What is climate tech?

Climate tech is defined as technologies that are explicitly focussed on reducing greenhouse gas (GHG) emissions or addressing the impacts of global warming. Climate tech applications can be grouped into three broad, sector-agnostic groups, those that: directly mitigate or remove emissions; help us adapt to the impacts of climate change; or enhance our understanding of the climate.

The term 'climate tech' is purposely broad to reflect the wide range of technologies and innovations being used to address GHG emissions and the array of industries in which they are being applied. The data underpinning the analysis set out in this article includes venture capital and private equity investment into start-ups.

A cyclical slowdown in climate tech investing?

The contraction of venture capital investments in climate tech may reflect the kind of cyclicality seen elsewhere in corporate deal-making—a natural decline after a period of significant growth. Much of the surge in climate tech investment in 2021 can be attributed to a handful of megadeals facilitated through SPACs. Although many investors at the time were positive about the impact of SPACs in improving liquidity, they were sceptical about whether SPACs would remain a major contributor to investment in the medium term. Interestingly, this maintenance of investment levels has been in defiance of economic headwinds and a recent slowdown in the overall venture capital market.

Demand gets turbocharged

While venture investment in climate tech may have slowed, wider investment into the net-zero transition—including technology—signals increasing demand. These macro trends are coming both from the public sector, where policy support is creating an enabling environment for climate tech start-ups, and from the private sector, which continues to ratchet up demand for net-zero solutions.

On the public-sector side, policymakers appear increasingly to appreciate the connections among climate security, energy security and economic security. Indeed, many public-sector climate initiatives are communicated in terms of economic growth first and foremost, rather than being primarily driven by ESG considerations. This approach enables policymakers to shore up public support because of volatile economic conditions, and not just in spite of them.

There have been recent moves in China that could benefit climate tech start-ups. For example, China has invested heavily in its net-zero transition, spending United States dollars (USD) 266 billion (approximately Chinese yuan (CNY) 1.6 trillion) on the deployment of low-carbon technologies in 2021.[2]

Climate tech is defined as technologies that are explicitly focussed on reducing greenhouse gas (GHG) emissions or addressing the impacts of global warming.

[2] *China Is the Growth Engine of World's Low–Carbon Spending, BloombergNEF,* 18th February 2022, viewed 18th September 2023, <https://about.bnef.com/blog/china–is–the–growth–engine–of–worlds–low–carbon–spending/>

China has invested heavily in its net-zero transition, spending USD 266 billion (approximately CNY 1.6 trillion) on the deployment of low-carbon technologies in 2021.

As this spending deepens the country's supply chain for minerals that are critical to the net-zero transition, start-ups that focus on solutions such as battery technology and electric vehicles gain a competitive advantage.

Meanwhile, the private sector has turned its focus to the 'time value of carbon' – how to balance near-term net-zero levers while also developing solutions to mitigate emissions in the long term. For the latter, initiatives such as the First Movers Coalition and Frontier have emerged to strengthen the demand signal for climate tech solutions, which is allowing investors to fund the scaling up of emerging start-ups. Investors expect these initiatives to drive increased investment and growth in climate tech.

An inefficient market for investing in climate outcomes

Public- and private-sector initiatives might each be bringing in more investment dollars, but to meet the increasingly urgent net-zero climate goals, additional finances need to be focussed on two areas: early-stage funding and technologies with the highest potential for reducing emissions.

The first challenge is around the number and total value of small deals, typically at the earliest stages of funding, which have been declining since the start of 2021. The trend is troubling, because, although levels of dry powder remain high, it is unclear how investment might be deployed effectively without a stronger pipeline of early-stage funding for climate tech start-ups. As one fund manager mused in an interview, it may soon become apparent that there are not enough high-quality start-ups coming through from early rounds of funding for later stage funds to deploy all the money raised. This gap between initial, pre-seed funding and series A and B levels is termed the 'valley of death' for early-stage start-ups. Why this gap exists requires further investigation.

The second challenge is around impact, which can be looked at from two angles: a sector view and a technology view. At the sector level, the flow of investment into climate technology is still not in proportion to each sector's contribution to the flow of GHGs into the atmosphere. However, there are signs of modest improvement.

A comparison of technological maturity with emissions-reduction potential—or forward-looking climate impact—reinforces an image of a market that is not yet efficient at meeting climate objectives. Solutions such as food waste technology and carbon capture and removal remain comparatively underfunded, for a multitude of reasons. To keep Paris Agreement goals within reach, an enabling environment would support more funding towards technologies that have the highest potential to lower emissions and that are sufficiently advanced to have an immediate impact on emissions.

Conclusion

As society grapples with how to halve emissions by 2030, more discussion is needed on the solutions and structural transformation required for a fair and just transition. Greater investment in climate tech is needed, and not just at the top level, but with a better spread across sectors and solutions, as well as different start-up sizes and technological maturity levels, and especially in areas that can have the greatest impact over the shortest period. This year's contraction in investment is certainly reason for concern, particularly due to the impact it will have in the longer term—but there are signs that investors, policymakers and other stakeholders remain eager to pick up the pace.

PricewaterhouseCoopers (PwC) is a leading global professional service provider with the purpose of building trust in society and solving important problems. With offices in 152 countries and almost 328,000 people, PwC is among the leading professional services networks in the world. PwC helps organisations and individuals create the value they are looking for, by delivering quality in Assurance, Tax and Advisory services. PwC has made a worldwide commitment to achieve net zero greenhouse gas (GHG) emissions with a 2030 goal. The PwC network will work with its clients to support their efforts, contribute to public policy developments in support of net zero and decarbonise our operations and supply chain through Science Based Targets initiative (SBTi)-validated near-term targets

Risk Assessment

IP strategies for European 'cleantech' SMEs in China

China is the fastest growing market for wind and nuclear power generation, and is investing heavily in exploring alternative, renewable means of addressing its immense energy needs. Developing the cleantech sector has become a major government priority. With a large potential cleantech market, and strong government support for the development and adoption of new clean technologies, China presents great opportunities for European cleantech small and medium-sized enterprises (SMEs). However, as illustrated here by the **China IP SME Helpdesk**, the more competitive the market gets, the more essential it becomes for cleantech companies to strategically manage, protect and leverage their intellectual property (IP).

Is bringing technology to China to access the Chinese market worth the IP risk?

China's large cleantech market potential means that cleantech businesses cannot risk losing a strategic foothold in China by waiting to act. Cleantech businesses that choose to start working with China need to understand that while good execution, effective management and access to financing is critical to maintaining a competitive advantage, protecting cutting-edge technology is equally important. Although technology transfer can be structured in a way that minimises IP risk, additional preparation and measures directed at the IP environment in China need to be considered by cleantech businesses with China aspirations.[1]

What does it mean to have an IP strategy?

The cleantech industry is diverse to the point of being difficult to define, and, not surprisingly, IP strategies will differ markedly

[1] Further information on IP protection in technology transfers can be found in other China IPR SME Helpdesk materials on their website: <https://intellectual–property–helpdesk.ec.europa.eu/regional–helpdesks/china–ip–sme–helpdesk_en>

for different cleantech businesses. How IP fits into the overall business strategy will depend on whether the business is a start-up or already well-established. and also whether the technology itself is new and untested in the market, or mature and off-patent (technology that is no longer protected by patent). Different businesses will use IP to achieve different business objectives; for example, to maximise revenue generation by monetising their IP portfolio through licensing, increasing opportunities for partnerships and cross-licensing or barring new entrants into the market.

For example, a manufacturer of wind turbine components might consider focussing efforts and resources towards obtaining patent protection of component designs (a design patent) because infringement of counterfeit components can be easily demonstrated and proven in court. They may then also focus on budgeting sufficiently for enforcement campaigns to actively identify counterfeiters. On the other hand, a cleantech business that has developed a biomass on-site power generation system for livestock farms, and is looking to license the technology to farms across China, may want to obtain patent protection and explore ways to 'black box'—i.e. to withhold or keep secret—key parts of the technology. This could be done by supplying specialised equipment or by having a trusted contractor perform the installation because the technology will need to be taught to and practised by the licensee.

Developing an IP strategy

Developing an IP strategy requires interfacing with all parts of your business, including operational leaders, legal advisors and development teams. As a first step, a cleantech business should conduct an IP audit by identifying and cataloguing all the IP it owns. The next step is to link every piece of IP with a revenue stream, product, development goal, risk and/or strategic target. A close look at the market and competitors should be conducted. Core technology should be identified, and strategies developed on how best to exploit it. The business should then look at how it is capturing and managing IP, and whether additional steps need to be taken to secure and protect it (including resolving ownership issues and reviewing policies related to the notification of the creation of inventions to the employer by the inventor, and the rewards for the creation of patentable inventions). Internal policies for protecting trade secrets and confidential information, and for dealing with third parties, should also be developed.

Developing an IP strategy is an involved process that can be difficult for cleantech SMEs to devote resources to. One helpful strategy is to start small. Make a list or spreadsheet of the IP the business has and add to it over time. Slowly expand on this list, drawing connections to relevant parts of the business.

A well-articulated and comprehensive IP strategy will help a cleantech business answer questions such as:

- "How does IP help my business achieve its goals?"
- "To whom can I give certain information about my business and inventions?"
- "How much should I spend to develop my patent portfolio?"
- "Should I obtain a patent to new technology that is not part of my core business?"
- "Should I protect an invention as a patent (registered) or as a trade secret (unregistered)?"
- "What IP should I choose to license and what IP should I sell?"
- "Should I sue my competitor for infringing my IP?"

Note: The text for this article is extracted from the China IP SME Helpdesk's comprehensive guide, *IP Strategies for EU 'Cleantech' SMEs in China*, which contains further details on how to build a cleantech patent portfolio; agreements and dealing with partners; trademarks and branding; and licensing and sale of IP, among other aspects.

CHINA
IP SME HELPDESK

The **China IP SME Helpdesk** supports SMEs from European Union (EU) Member States and from countries participating in the Single Market Programme1 to protect and enforce IP rights in or relating to China, Hong Kong, Macao and Taiwan, through the provision of free information and services. The Helpdesk provides jargon-free, first-line, confidential advice on IP and related issues, along with training events, materials and online resources. Individual SMEs and SME intermediaries can submit their IP queries via email (question@china-iprhelpdesk.eu) and gain access to a panel of experts, in order to receive free and confidential first-line advice within three working days. The China IP SME Helpdesk is an EU initiative.

To learn more about the China IP SME Helpdesk and any aspect of IP in China, please visit our online portal: https://intellectual-property-helpdesk.ec.europa.eu/regional-helpdesks/china-ip-sme-helpdesk_en

Giving Green a Chance

Climate change mitigation will alter global trade

by **Aaron Finley** and **Vanessa He**

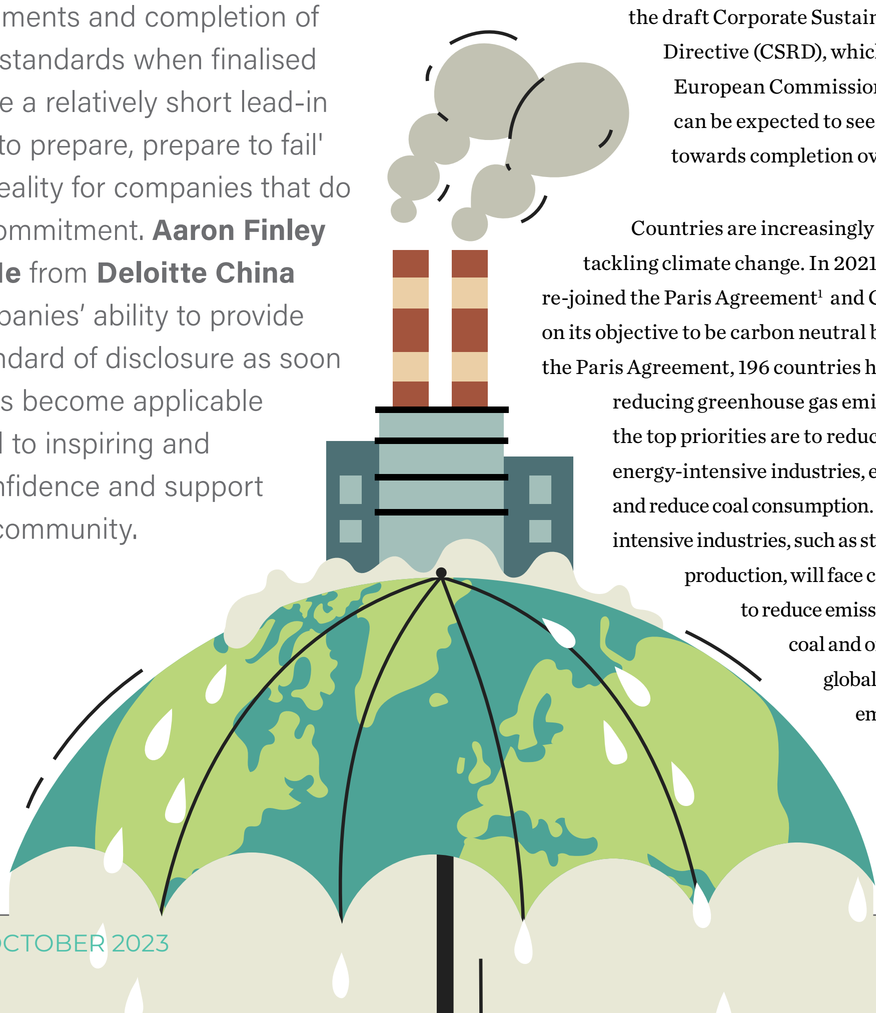
The demand from investors and other stakeholders for a comprehensive corporate reporting framework, including sustainability reporting, will drive the programme for completion of standards over the coming months. Companies must commit time and resources to develop their knowledge of and familiarity with current developments and completion of standards. The standards when finalised are likely to have a relatively short lead-in period. 'Failure to prepare, prepare to fail' will become a reality for companies that do not make the commitment. **Aaron Finley** and **Vanessa He** from **Deloitte China** argue that companies' ability to provide the highest standard of disclosure as soon as the standards become applicable will be essential to inspiring and maintaining confidence and support in the investor community.

Investors demand information

Investors say they currently cannot readily use companies' sustainability disclosures and find themselves having to reconcile different company reporting to gather information needed for decision-making on a comparable basis. Over the past decade, a number of bodies have produced nearly a dozen major reporting frameworks and standards, which businesses have the discretion to apply as they see fit. This has escalated demand for a comprehensive corporate reporting framework, to include both financial reporting and sustainability reporting on an interconnected basis.

Regulators and standard-setters are responding. Of particular note is the establishment of the International Sustainability Standards Board (ISSB) announced at COP26 in November 2021. The ISSB operates under the oversight of the International Financial Reporting Standards Foundation, and aims to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions. In March 2022, the ISSB published drafts of its first two standards on general disclosure requirements and on climate-related disclosure requirements.

In 2022, Europe saw the publication of drafts of the European Sustainability Reporting Standards (ESRS) on foot of the draft Corporate Sustainability Reporting Directive (CSRD), which was published by the European Commission in April 2021. Both can be expected to see substantial progress towards completion over the coming months.



Countries are increasingly committed to tackling climate change. In 2021, the United States re-joined the Paris Agreement[1] and China doubled down on its objective to be carbon neutral by 2060.[2] Under the Paris Agreement, 196 countries have committed to reducing greenhouse gas emissions.[3] For many, the top priorities are to reduce emissions in energy-intensive industries, electrify transportation and reduce coal consumption. As a result, energy-intensive industries, such as steel and aluminium production, will face considerable pressure to reduce emissions. Demand for coal and oil may fall, reducing global exports of these high-emitting goods. In the long run, nearly every industry may face higher costs owing to emissions.

As countries move toward their Paris Agreement goals, the flow of goods around the world could change dramatically. For this article, we will focus on the effects of the proposed carbon border adjustment tax in the European Union (EU) and the nearest-term policy responses to that tax.

The EU readies a carbon border adjustment tax

Before we examine how a carbon border adjustment tax in the EU will affect international trade, we need to establish how the adjustment will likely work. A carbon border adjustment tax should be set to equalise the price of carbon produced in the EU with that implicit in its imports. There are large operational hurdles for this to happen. First, the EU needs to know the price of carbon for that good in the exporting country. Second, the EU will need to know how much carbon was emitted in the production of that good. This latter issue is particularly tricky, as it would require monitoring production outside of EU borders. Exporters with lower carbon prices and higher-emitting production processes will face the highest tax rates. Conversely, exporters with higher carbon prices and lower carbon-emitting processes should receive at least some discount on the tax.[4]

Setting a border adjustment on energy-intensive goods will reduce the EU's demand for such imports as their after-tax price would increase for EU buyers. In the short run, this should increase the balance of trade—as EU imports fall—and the value of the euro relative to these energy-intensive exporters. Because the EU is a large economy, this will initially lead to an oversupply of energy-intensive goods in the rest of the world, pushing exporters to lower prices. The fall in prices is expected to raise the demand for these goods from non-EU countries that do not have a carbon border adjustment tax or similar policy, thereby offsetting at least some of the export decline to the EU.[5]

Reactions from the rest of the world

While the EU's climate policies are multilateral in principle, they are unilateral in practice. How the rest of the world reacts will largely determine how trade flows develop once the carbon border adjustment tax is in place. Assuming it takes some time for other countries to catch up to the EU's climate policies and carbon prices, EU exports may face downward pressure. In 2019 alone, the EU exported iron and steel worth more than euro (EUR) 32 billion and aluminium worth more than EUR 16 billion. The US, Turkey and China are some of the largest recipients of these goods.[6] Until these countries implement their national carbon-pricing initiatives, they may switch to cheaper and higher-polluting alternatives, or they could implement countervailing duties on EU exports to pressure the bloc to lower or remove the tax.

As the US and other countries work to reduce their own emissions, global oil and coal consumption will fall further, with fewer opportunities for carbon leakage. However, widespread carbon pricing is expected to make oil export declines uneven. Most economies are highly dependent on these resources and, unless they can diversify away from those resource exports, they'll face serious economic challenges.

The EU's proposed carbon border adjustment tax demonstrates how climate-related policies can quickly become trade policies. As Europe and the rest of the world reduce emissions, exporters of energy-intensive goods will likely have to grapple with lower prices in the short-term and potentially significantly softer demand in the long-term. New export markets will be made available to countries that can effectively lower the emissions of their industries and develop cutting-edge green technologies. However, this is assuming more countries follow the EU's lead on climate change mitigation and continue to pursue their commitments under the Paris Agreement.

Note: This article is an adaptation and update to a Deloitte Insight article of the same title written by Michael Wolf and published by Deloitte US on 15th April 2021: https://www2.deloitte.com/us/en/insights/economy/eu-climate-change-carbon-tariff-global-trade.html.

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Deloitte China provides integrated professional services, with our long-term commitment to be a leading contributor to China's reform, opening-up and economic development. We are a globally connected firm with deep roots locally, owned by our partners in China. With over 20,000 professionals across 30 Chinese cities, we provide our clients with a one-stop shop offering world-leading audit and assurance, consulting, financial advisory, risk advisory, tax, and business advisory services. Deloitte China combines our end-to-end capabilities with domain expertise at global scale, delivering for our clients across sustainability strategy, implementation, and disclosure providing a cohesive view of the sustainable transformation journey.

1 H.J. Mai, *U.S. officially rejoins Paris Agreement on climate change, NPR*, 19th February 2021, viewed 10th October 2023, <https://www.npr.org/2021/02/19/969387323/u–s–officially–rejoins–paris–agreement–on–climate–change>.

2 Lili Pike, *China aims to be carbon neutral by 2060. Its new 5–year plan won't cut it, Vox*, 5th March 2021, viewed 10th October 2023, <https://www.vox.com/22313871/china–energy–climate–change–five–year–plan–wind–solar–coal–oil–gas>

3 *What is the Paris Agreement?*, United Nations, viewed 10th October 2023, <https://unfccc.int/process–and–meetings/the–paris–agreement>

4 Kerstine Appunn & Julian Wettengel, *Emission reduction panacea or recipe for trade war? The EU's carbon border tax debate*, *Clean Energy Wire*, 30th November 2020, viewed 10th October 2023, <https://www.cleanenergywire.org/factsheets/emission–reduction–panacea–or–recipe–trade–war–eus–carbon–border–tax–debate>

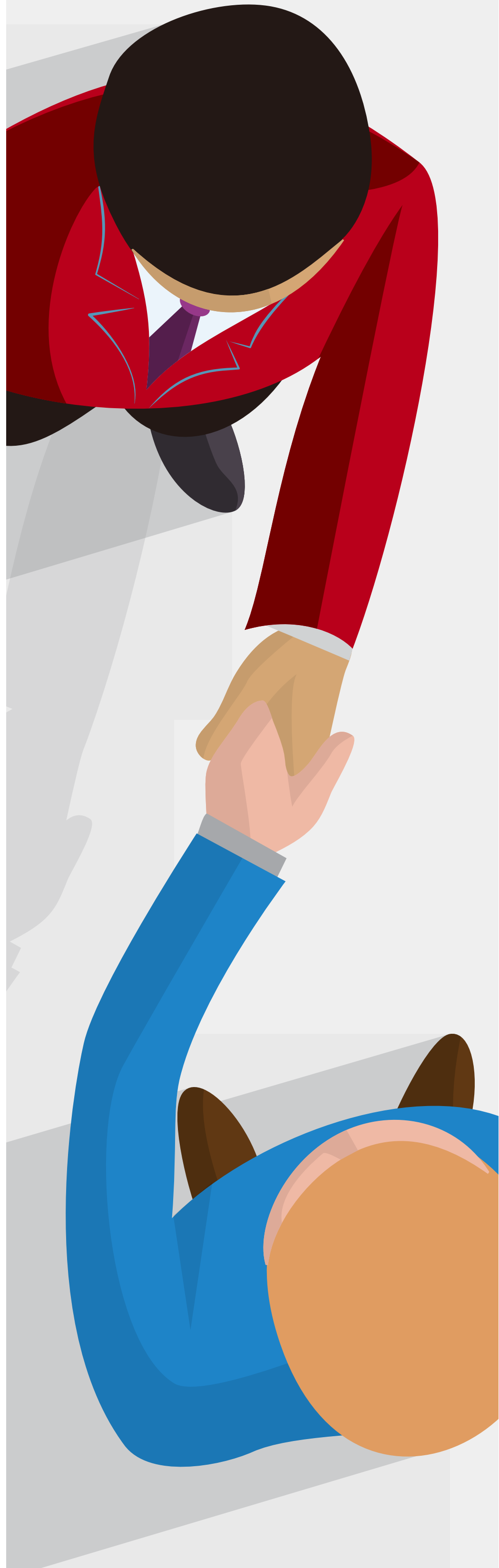
5 *Four briefings on trade–related aspects of carbon border adjustment mechanisms*, European Parliament, April 2020, viewed 10th October 2023, <https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/603493/EXPO_BRI(2020)603493_EN.pdf>

6 Ibid.

EU-China Cooperation on Energy

How can European companies benefit from it?

The European Union (EU) and China share common interests and goals for the clean energy transition, and are jointly responsible for one third of the world's final energy consumption. Since 1994, EU and Chinese officials have met annually for an energy dialogue to cooperate on energy issues at ministerial level. The dialogue broadly focusses on four areas: energy systems, energy efficiency, renewable energy and innovative entities.[1] **Susana Xu**, **coordinator** of the **European Chamber's Energy Working Group** in Beijing, looks at two of the major cooperation platforms set up between the EU and China for this purpose, and outlines how the Chamber has been involved in facilitating these dialogues and advocating on issues of concern for Chamber member companies.



EU-China Energy Cooperation Platform (ECECP)

The ECECP is a practical tool launched in May 2019 to support the implementation of activities announced in the *Joint Statement on the Implementation of EU-China Energy Cooperation,* signed during the 8th EU-China Energy Dialogue in Brussels.[2] The overall objective of the ECECP is to enhance EU-China cooperation on energy and pass on experience in energy policy and market designing, while bringing close industry players from both sides. Jointly steered by the European Commission's Directorate-General for Energy (DG ENER) and the Chinese National Energy Administration (NEA), funded by the EU Foreign Policy Instrument and implemented by a consortium led by the international consultancy ICF, the project is currently in its Phase II (October 2021–January 2024). Over the past years, the ECECP has issued important thematic reports, and created opportunities for political and policy exchange and visibility as well as new business prospects for innovative companies in the energy sector.

Since 2019, the Energy Working Group of the European Chamber has taken part in working-/high-level project steering meetings for the business component (Component B) of the ECECP. Discussions included the implementation of Component B, Chamber members' involvement and participation, and annual work plans, among others.

[1] *EU–China cooperation on energy issues,* European Commission, <https://energy.ec.europa.eu/topics/international–cooperation/key–partner–countries–and–regions/china_en>

[2] *About EU–China Energy Cooperation Platform (ECECP)*, ECECP, 25th November 2019, viewed 29th September 2023, <http://www.ececp.eu/en/about–eu–china–energy–cooperation–platform–ececp>

[3] *China–Europe Energy Technology Innovation Cooperation Forum Held*, *China Energy News*, 2nd November 2020, viewed 29th September 2023, http://paper.people.com.cn/zgnyb/html/2020–11/02/content_2016487.htm

The Energy Working Group has also actively engaged in multiple activities of the ECECP. At the ECECP's official launch event in May 2019, more than 200 representatives from a wide range of fields—including government officials, researchers from non-governmental organisations and institutions, and Energy Working Group members, as well as scholars and the media—engaged in extensive discussions on topics including power market reform, natural gas market development, energy saving and energy efficiency, clean energy market financing and technology innovation. Similarly, Energy Working Group representatives participated in the ECECP's offline workshop, 'Promoting Innovation in Energy Technologies', in January 2021, to explore ways to enhance cooperation between innovative solution providers from the EU and China, and to accelerate the commercialisation of these solutions. Members also engaged in various ECECP online workshops to present the experience of the European power sector, as well as in networking events such as the EU Energy Day to meet with energy players in Beijing and follow a livestream of the Climate Change Conference (COP26) in Glasgow later that year.

In May 2022, the Energy Working Group co-organised a two-day online conference with the ECECP and Energy Post, themed 'China Carbon Neutral by 2060 – Innovation', where expert analysts and EU business representatives unveiled the latest trends and targets, plus case studies. In November 2022, the Energy Working Group also supported the ECECP's EU Energy Innovation Virtual Expo, an online exhibition that showcased 15 European companies that wished to introduce their innovative technologies in renewables, energy efficiency, energy storage, power grids and buildings to the Chinese market.

China-Europe Energy Innovation Cooperation (CEEI)

The CEEI network is another cooperation mechanism between China and the EU to deepen cooperation in the energy sector. It was launched in October 2020, aiming to promote the application and commercialisation of advanced energy technologies, while supporting China in its low-carbon energy transition.[3] Entrusted by the NEA, the China Electric Power Planning and Engineering Institute (EPPEI) implements CEEI-related work with the support of the European Chamber's Energy Working Group. The CEEI network now covers more than 400 major Chinese and European energy companies in four specialised working groups (专项领域): smart energy, hydrogen, wind power and energy storage. It has carried out more than 70 exchange activities, more than 10 joint research and development (R&D) projects and dozens of practical cooperation projects.

The Energy Working Group cooperates closely with the EPPEI on CEEI-related activities. The working group co-organised with the EPPEI the launch ceremony of the CEEI in Beijing in October 2020, where more than 300 attendees joined onsite, including Lin Shanqing, (then) vice administrator of the NEA, (then) European Chamber President Jörg Wuttke, and representatives of the EU Delegation to China and EU embassies, local government agencies, Chinese and European energy and power enterprises, industry associations, research institutions, financial institutions, other chambers of commerce and technological innovation organisations. In 2021, organisations were selected as leaders of each specialised working group (牵头单位) and held their respective kick-off meetings.

Over the past three years, a series of workshops have taken place across China, aiming to foster technological and industrial exchanges; for example, the China-Europe Hydrogen Workshop in Suzhou on 29th June 2021; the China-EU Smart Energy and Green Development Forum in Chengdu on 17th September 2021; the China-Europe Offshore Wind Power Cooperation Forum in Yancheng on 16th November 2021; and more recently, the China-Europe Energy Storage Track II Dialogue in Beijing on 10th May 2023.

In the meantime, joint R&D projects were conducted based on pragmatic cooperation, many of which received government funding. On 10th December 2022, eight best-practices and 20 outstanding individuals under the CEEI network were announced and awarded by the NEA. The establishment of a new specialised working group focussing on bioenergy is ongoing.

Conclusion

While China's goals to peak carbon emissions before 2030 and reach carbon neutrality by 2060 are ambitious, deepening EU-China cooperation in the energy sector will allow China to utilise the technologies it needs to accelerate this process. The European Chamber and its Energy Working Group will continue to cooperate with important platforms such as the ECECP and the CEEI, continuously expand its network and raise its visibility in the Chinese market, and facilitate pragmatic cooperation between Chinese and European energy players.

The **European Chamber's Energy Working Group** comprises over 200 companies across the energy supply chain, including equipment manufacturers, energy production and infrastructure firms, service providers, and consultants. The working group seeks to establish constructive dialogue on energy policies with relevant regulators, provide input on China's energy policy work and share best practices from European energy industries operating in China.

4TH JULY
BEIJING

Lunch meeting with European Commission EVP Frans Timmermans

States' Representative Gianni Di Giovanni with H.E. Ambassador Jorge Toledo and H.E. EVP Frans Timmermans
Photo: European Chamber

On 4th July, H.E. Jorge Toledo Albiñana, ambassador of the European Union (EU) to China, hosted a working lunch to welcome H.E. Frans Timmermans, executive vice president (EVP) of the European Commission, on his visit to China. Gianni Di Giovanni, States' Representative with the European Chamber, attended and provided details on issues experienced by European companies in the energy, environment and carbon market sectors. He also outlined the key findings of the Chamber's *European Business in China Business Confidence Survey* 2023 and *Carbon Neutrality: The Role of European Companies in China's Race to 2060*, focussing on the opportunities for EU companies to contribute to China's decarbonisation.

11TH JULY
TIANJIN

Meeting with Tianjin Commerce Bureau Director General Sun Jiannan

On 11th July 2023, Tianjin Chapter Chair Dr Christoph Schrempp met with Sun Jiannan, director general (DG) of the Tianjin Commerce Bureau, to discuss challenges/opportunities for businesses operating in the municipality and how the Tianjin Government can support foreign businesses in the region. Dr Schrempp presented the Chamber's *Tianjin Local Position Paper 2023/2024*, *Business Confidence Survey 2023* and the *European Business in China Position Paper 2022/2023*. He also expressed the Chamber's appreciation of the Tianjin Government's desire to improve the city's business environment, as well as the transparency of its policymaking progress.

20TH JULY
SHENYANG

Shenyang Chapter invited to Opening-up Conference of Liaoning Province

Opening–up Conference of Liaoning Province
Photo: European Chamber

On 20th July, representatives of the European Chamber Shenyang Chapter participated in the Opening-up Conference of Liaoning Province at the invitation of the Liaoning Department of Commerce. The conference was presided over by Mr Lecheng Li, governor of the People's Government of Liaoning. Mr Peng Hao, secretary of the Liaoning Provincial Party Committee, addressed the event, summarising the achievements and issues *vis-à-vis* the province's opening-up, as well as expectations for its future economic development. Leo Liu, office manager of the Shenyang Chapter, as well as representatives from several member companies, joined a lunch meeting with officials from various Liaoning cities, where they exchanged ideas and highlighted the readiness of the Chamber to promote government-industry dialogue and facilitate the region in realising its economic potential.

20th JULY
NANJING

Nanjing Chapter meets with Marjut Hannonen, minister counsellor and head of Trade at EUD

Nanjing Chapter representatives with Ms Marjut Hannonen, Minister Counsellor, Head of Trade Section of the EUD
Photo: European Chamber

On 20th July, representatives from the Chamber's Nanjing Chapter met with Ms Marjut Hannonen, the newly appointed minister counsellor and head of the Trade Section of the EU Delegation to China (EUD), when she visited the city. Ms Hannonen spoke on the state of EU-China trade relations, current trends in the global economy and the impact of trade policy on European business in China. Mr Frank Redecker, board member of the Nanjing Chapter, also addressed EU-China trade relations and highlighted the European Chamber's success in business advocacy and problem-solving in Nanjing. He also presented Ms Hannonen with the *Nanjing Position Paper 2023/2024*.

21st JULY
BEIJING

Chamber attends MOFCOM briefing on cross-border data transfer, Anti-Espionage Law and export controls

On 21st July, China's Ministry of Commerce (MOFCOM) held a briefing session on cross-border data transfer, the Anti-espionage Law and export controls. The meeting was chaired by Cao Hongying, executive vice chair of the China Association of Enterprises with Foreign Investment, with Chen Chunjiang, assistant minister of MOFCOM, and experts from the Cyberspace Administration of China and the University of International Relations also participating. Representatives from the European Chamber and other foreign chambers of commerce attended the briefing session. On behalf of the European Chamber, VP Miguel Montoya expressed member companies' concerns with the uncertainty that recent legal changes (notably, but not only, the revisions to the Anti-espionage Law) are bringing to their businesses.

2nd AUGUST
SOUTH CHINA

South China Chapter addresses key issues at the European Business Symposium

VP Klaus Zenkel speaking at the European Business Symposium
Photo: European Chamber

On 2nd August, Chamber VP and South China Chapter Chair Klaus Zenkel, and South China Chapter Board Member Aaron Finley, participated in the European Business Symposium hosted by the Guangdong Department of Commerce. VP Zenkel outlined the key findings of the Chamber' *Business Confidence Survey 2023*, as well as detailed suggestions for improving Guangdong's business environment. He also highlighted challenges that, if left unaddressed, risk undermining the ability of both European businesses and China to achieve carbon neutrality. Zhang Jinsong, DG of the Guangdong Department of Commerce, expressed his gratitude for the suggestions put forward by the Chamber and stressed the importance of continued collaboration.

European Business in China

POSITION PAPER 2023/2024

Regaining momentum – how to restore business confidence

After abruptly abandoning its 'zero-COVID' approach to the pandemic in late 2022, China reopened its borders on 8th January 2023. This decision was a welcome surprise, as pandemic control measures were one of the main reasons European companies had had an extraordinarily difficult year in 2022, and the removal of the restrictions gave rise to a belief that a swift economic rebound would follow.

While economic indicators at the beginning of 2023 showed momentum was gathering, as the year progressed, China's recovery began to wane, with many areas of the economy not performing as expected.

Meanwhile, once attracting foreign investment became a clear policy priority at the beginning of 2023, Chinese interlocutors at all levels of government ramped up engagement with foreign business representatives in a bid to introduce their respective regions as viable investment destinations. This renewed engagement was welcomed by the European business community in China, and raised expectations that foreign companies would rush back to the Chinese table now that the country had re-opened its doors with a bang. However, despite the warm reception and the apparent attentiveness towards the challenges of businesses, the appetite for investment was not there once business leaders realised they were being served the same old menu.

In order to whet the appetites of foreign investors and boost its economic recovery, China should listen to businesses' concerns and address a host of structural issues that are hindering its economic rebound.

In segments of China's economy that have continued to open and become better regulated, European companies have increased their investments. This goes to show that when Chinese policymakers follow up on pledges to improve conditions for foreign businesses, it gives a visible boost to investor confidence. At the same time, it is important to instigate meaningful government-industry communication before new policies are introduced to ensure they are practical and effective, as inconsistencies and ambiguity over certain requirements can pose market barriers.

An important part of the shift towards sustainable economic growth is finding ways to increase productivity. This could be difficult for China, given its growing emphasis on increasing self-reliance and, in some cases, developing self-sufficiency. A key part of boosting confidence in the private sector, especially among foreign-invested enterprises, will be navigating a path that allows for the development of common-sense policies aimed at proportionately increasing self-reliance in areas that are truly related to national security, while avoiding a blanket approach aimed at achieving self-sufficiency. Some European companies have reported having already been pushed to increasingly localise their China operations and separate them from the rest of the world. However, this is an expensive and highly inefficient solution that still carries risk, and will hinder China's economic recovery and continued development.

Meanwhile, the politicisation of business, and ambiguous laws and regulations, make it increasingly difficult for companies operating in China to carry out due diligence and meet compliance requirements, which further increases their risks. The most recent examples of such ambiguity can be found in China's amended Anti-espionage Law and new Foreign Relations Law. While the two laws contain references to the broader concept of 'national security', neither provide guidelines on what constitutes a national secret, raising the likelihood of both inconsistent implementation and compliance issues for businesses.

Another concern for businesses is the narrowing space for discussion on economic trends and policies, which prevents relevant experts and industry players from providing input that can improve China's business environment. This trend coincides with increasing restrictions on access to economic and business data, especially for foreign enterprises, so that they in turn find it more and more difficult to make well-informed investment decisions. This only works to increase the attractiveness of other markets that can offer more clarity.

Messaging from the Communist Party's 20th Party Congress, held in October 2022, suggests that in the face of growing external risks, the country will further increase its focus on national security. This seems to contradict China's expressed intent of promoting foreign investment, and makes European companies increasingly wonder what kind of relationship China wants to have with foreign enterprises.

Over the course of the 2023 summer period, Chinese policymakers gave several signals that they would take steps to advance the development of private businesses and promote private as well as foreign investment.[1] A definitive answer to foreign businesses' question about the relationship China envisages to have with them would be the urgent implementation of policies intended to improve the business environment.

Some momentum for China's economic recovery could be regained by providing policy support for the demand rather than the supply side. This is particularly important given that supply-side policies have been a contributor to the significant trade imbalances China has accumulated with both the European Union (EU) and the United States (US). There is a danger that, if not addressed, these policies may lead to reactions by overseas governments – the growing trade imbalance and the lack of reciprocal market access are often cited by European politicians as key grievances and reasons for dissatisfaction with the current EU-China relationship.

In addition, as the impact of climate change becomes ever more apparent, an area in which China could especially benefit from the expertise and contribution of European companies is its transition to green energy, as many have made globally binding pledges to achieve decarbonisation well ahead of China's timeline for its national targets. However, they face barriers in accessing green electricity and other aspects that could prevent them from both meeting their corporate pledges and contributing fully to China's decarbonisation goals.

The European Chamber's *Position Paper 2023/2024* contains 1,058 constructive recommendations for the Chinese Government that can serve as a blueprint for attracting and retaining foreign investment in China, while also addressing many of the structural issues that are hindering the country's pivot to sustainable, high-quality economic development.

To download the *European Business in China Position Paper 2023/2024* free of charge, please scan the QR code.

[1] An especially important document for foreign businesses was the *Opinions of the State Council on Further Optimising the Foreign Investment Environment and Increasing Efforts to Attract Foreign Investment (Opinions)* issued by the State Council in August 2023. The 24 points listed in the *Opinions* resonate with the foreign business community, as—if implemented in a timely, coordinated and consistent manner—they would go a long way to improving business confidence.

China ShortCuts

The European Chamber launched its new, short-format podcast series in October 2022.

China ShortCuts is a five-minute weekly catch-up about the Chinese business landscape.

Tune in to stay up-to-date on the latest economic data, market trends, and policy and regulatory updates that could shape your industry.

China ShortCuts is available on Apple Podcasts, Spotify and Google Podcasts, or you can subscribe to the RSS feed:

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Individual Income Tax

Key points on the four-year extension of China's preferential policy for foreign national workers

by **Qian Zhou** and **Katrina Huang**

China's individual income tax (IIT) preferential policy for foreign national workers, which was set to expire on 31st December 2023, has been extended for another four years to 31st December 2027. Foreigners working in China can continue to enjoy tax exemption on eight categories of fringe benefits, including housing rental, children's education costs and language training costs, among others. **Qian Zhou** and **Katrina Huang** of **Dezan Shira** explain the allowances involved and look at who stands to benefit the most from this extension.

On 18th August 2023, the Ministry of Commerce and the State Taxation Administration (STA) jointly released the *Announcement on the Continuation of Implementation of Individual Income Tax Preferential Policies Such as for Foreign Nationals' Benefits*.[1] The *Announcement* officially extended the preferential IIT policy on foreign national workers' fringe benefits to 31st December 2027. This came at the same time as China's extension of another preferential tax policy, for the annual one-time bonus of both foreign and Chinese resident taxpayers, and the Greater Bay Area IIT subsidy, to the same date.[2]

The extension has brought immediate relief to some higher-earning foreign national workers, some of whom—especially those who bear the high cost of educating their children in China—would have seen a surge in their personal tax liability.

What are the tax-exempt benefits for foreigners working in China?

Foreign nationals working in China can enjoy tax-exempt benefits in the following eight categories:

- Housing rental expenses
- Education expenses for children
- Language training expenses
- Meal fees
- Laundry fees
- Relocation expenses
- Business travel expenses
- Home leave expenses

These benefits are technically known as benefits-in-kinds, or BIKs – which refer to additional perks not included in the salary and wages but paid on a re-imbursement and non-cash basis. Such BIKs could be exempt from IIT provided that the expenses are reasonable in amount and there are corresponding supporting documents, such as invoices (fapiao), for each expense.

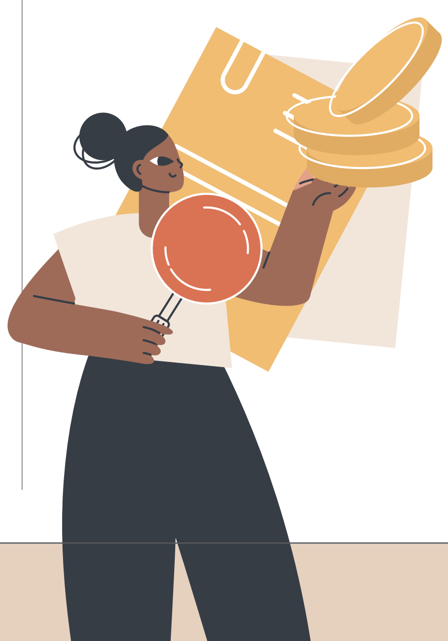
For example, Chinese tax bureaus may require rental agreements, valid commercial invoices, and other supporting documents to be submitted when the foreigner files the IIT returns before waiving the tax on the foreigner's housing rental expense.

In addition, there are some specific requirements for each category. For example, for home leave expenses, only the travel expenses for the foreign national from China to their/spouse's home country for up to two trips per year could be exempt from IIT.

What is China's current income tax policy?

Until 31st December 2027, non-China domiciled tax residents (who do not have a domicile in China and live for 183 days or more in China in a given tax year) are entitled to one of the two tax benefits:

- The tax-exempt benefits-in-kinds (BIKs); or



- The seven special additional deductions:
  - Children's education expenses
  - Continuing education expenses
  - Housing mortgage interest
  - Housing rent
  - Healthcare costs for serious illness
  - Expenses for taking care of the elderly
  - Nursing expenses for children under three years old

The foreigners' BIKs, which were due to expire at the end of 2023, will be effective till the end of 2027, while the seven additional deductions are consistently available for both foreign and Chinese tax residents in China. The two policies cannot be simultaneously enjoyed. Once decided, the foreign tax resident in China cannot change their preference within a given tax year.

Foreign national workers' tax-exempt fringe benefits can be fully deducted based on the actual cost of each expenditure, provided it is a "reasonable" amount and accompanied by a corresponding invoice or other proof of payment. The "reasonable amount" is judged based on the local living standard, consumption level, market price, and so on. In practice, a proportion below around 30 to 35 per cent of the foreign worker's monthly salary is regarded as "reasonable" by Chinese tax authorities.

However, most special additional deductions (except for healthcare costs, which are deducted based on actual expense with a cap at CNY 80,000 a year) are deducted based on a standard basis – namely on a fixed amount. For many foreign national workers who have a higher income and level of expense, the tax-exempt fringe benefits are considered more beneficial than the pre-tax special additional deductions.

[1] *Announcement of the Ministry of Finance and the State Administration of Taxation on the continuation of the implementation of the personal income tax policy for foreign individuals,* STA, 18th August 2023, viewed 28th September 2023, <https://www.chinatax.gov.cn/chinatax/n363/c5211240/content.html>

[2] *Announcement on the continuation of the annual one–time bonus personal income tax policy,* Ministry of Finance, 18th August 2023, viewed 28th September 2023, <http://szs.mof.gov.cn/zhengcefabu/202308/t20230828_3904328.htm>

<table>
<tr><th colspan="4">A Comparison of Tax-exempt Fringe Benefits and Special Additional Deductions</th></tr>
<tr><th colspan="2">Eight Tax-exempt Fringe Benefits</th><th colspan="2">Special Additional Deductions</th></tr>
<tr><td>Education expenses for children</td><td rowspan="8">Based on actual expenses, generally around 30 to 35 per cent of the foreign national worker's monthly salary</td><td>Education expenses for children</td><td>Chinese yuan (CNY) 1,000/month for each child</td></tr>
<tr><td>Housing expenses</td><td>Housing rent</td><td>Three applicable deduction amounts based on working locations:
· CNY 1,500/month
· CNY 1,100/month
· CNY 800/month</td></tr>
<tr><td>Language training expenses</td><td>Continuing education expenses</td><td>CNY 400/month, up to 48 months; and
CNY 3,600 in the year when related certification issued</td></tr>
<tr><td>Meal fees*
Laundry fees*
Relocation expenses*
Business travel expenses*
Home leave expenses*</td><td></td><td></td></tr>
<tr><td></td><td>Housing mortgage interest</td><td>CNY 1,000/month, up to 240 months</td></tr>
<tr><td></td><td>Healthcare cost for serious illness</td><td>Maximum CNY 80,000 a year, based on actual expense</td></tr>
<tr><td></td><td>Expenses for supporting the elderly</td><td>CNY 3,000/month</td></tr>
<tr><td></td><td>Nursing expenses for children under three years old</td><td>CNY 2,000/month</td></tr>
</table>

***Note:** The policy does not mention whether these five categories of fringe benefits will continue to be exempt from tax or not.

Who will benefit from China's extended tax policy on foreigners' IIT fringe benefits?

All foreign nationals working in China, as well as companies trying to retain foreign talent, will benefit from the extended preferential tax policy. Foreigners facing high costs of educating their children in China, as well as international schools. may especially welcome the policy extension.

In China's first-tier cities like Beijing and Shanghai, a single foreign child's tuition fee at an international school—often the only option available to foreign nationals—can be anywhere between CNY 200,000 to CNY 350,000 per year. The special additional deduction standard for children's education fees for tax residents in China is CNY 1,000 a child per month – this can be much smaller than the foreigner's actual expenses for children's education.

Now, with the continually effective tax-exempt fringe benefit to offset the high cost of children's education, foreign employees can save a fortune on taxes, which is also positive for the international school sector in China.

Making new HR and payroll policy adjustments

Companies with foreign employees who are already enjoying or are eligible to enjoy the tax exemption on some BIKs may need to communicate with their employees to arrange some benefits that are in line with current policies to help their foreign employees save tax. For companies that are not qualified to arrange BIKs for their employees—for example, those who have poor tax records and have been denied this right—they may instead consider helping their foreign employees with China tax residency to claim the seven special additional deductions.

Companies that made preparations for the original IIT policy change (such as amending the labour contracts, restructuring salary packages and staff allocation) scheduled for the end of 2023 may need to roll back the decisions for the time being and save the plans for possible future needs.

Note: This article was originally published on Dezan Shira's China Briefing website: https://www.china-briefing.com/news/china-extends-iit-preferential-policy-foreigners-tax-exempt-fringe-benefits-end-of-2027/

#BECAUSE OFUS

Advocacy to alleviate bottlenecks for the medical device industry in implementation of GB 9706 standards series

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 further examples of our successful advocacy work.

In this edition, we look at **how the European Chamber advocated to alleviate bottlenecks for the medical device industry in implementation of the GB 9706 standards series.**

Background

The National Standard GB 9706.1-2020 Medical Electrical Equipment series was revised by the National Medical Products Administration (NMPA) in order to adopt the international standard IEC 60601-1:2012 while taking Chinese characteristics into account. The resulting new Chinese standards have a broader scope and more content requirements, with the fundamental change in the introduction of a new concept of risk management, which poses additional challenges in understanding and implementing the standards.

According to the State Council's Decree 739, *Measures for the Supervision and Administration of Medical Device Manufacturing,* which came into effect on 1st June 2021, "[a]fter a mandatory standard is promulgated, registrants of medical devices should fulfill their obligations of product change registration in a timely manner." Under the National Standard GB 9706.1-2020 Medical Electrical Equipment series, 75 standards have been released, 47 of which came into force as of 1st May 2023. Of those 47 standards, 45 are mandatory. The changes to registration of medical devices mandated by this series of

standards require additional type tests. However, taking into account the quantity of medical devices that will need to be re-registered, the number of available qualified testing institutes and their testing capacity are insufficient to allow for the completion of those tests and registration changes prior to the implementation of the new standards. As a result, the supply of medical products and their availabilty to Chinese patients and medical staff would be adversely affected.

Official data reveals that the NMPA received around 4,000 applications for 'registration changes' in 2022. However, according to calculations by the European Chamber's Healthcare Equipment Working Group, the number of registration certificates of Class II and III medical devices involved in the implementation of this series of standards has reached 2,680,000, which is equivalent to the NMPA's workload for approximately 6.7 years.

Efforts

With its members under pressure due to these registration challenges, the Healthcare Equipment Working Group actively engaged in policy advocacy: joining NMPA symposiums for chambers and associations, submitting advocacy letters prior to and proposing recommendations to the NMPA during the meetings.

Moreover, the working group collaborated with the Medical Products Administrations as well as Standard Management Departments at both national and local levels to conduct thorough research, as well as to urge member companies to have their management, compliance, quality and production departments actively participate in training sessions and industry seminars on the implementation of the new standards. The working group also facilitated enterprises—in particular small and medium-sized enterprises, including their overseas headquarters—to understand the standards, implementation policies and requirements, and organised study tours to the Medical Device Inspection and Testing Institute in both Beijing and Liaoning Province.

Throughout 2022 and into early 2023, the working group maintained close communication and cooperation with the NMPA to seek solutions together.

Results

On 16th March 2023, the NMPA published the *Implementation Measures for GB9706.1-2020 and its Supporting Standards (Announcement #14/2023)*. It states that for registered Class III and Class II medical electrical devices, registrants should apply for registration changes promptly, submit inspection reports that meet the requirements of the new standards and complete the product registration changes in accordance with the new standards within a period of three years from the effective date of the relevant standards.

This decision grants a three-year extension for the completion of product registration changes, which alleviates the dilemma encountered by both the industry and regulatory authorities. It provides the industry with sufficient time to complete the implementation of the new standards and avoid compliance risks.

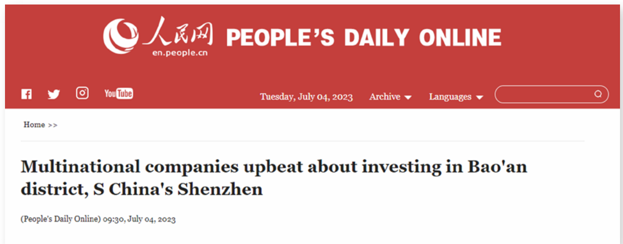
Media Watch

Chamber's views on investment in South China sought by domestic media

On 28th June, the 2023 Shenzhen-Zhongshan Joint Investment Promotion Conference was held in the Bao'an District of Shenzhen and joined by representatives from multinational companies, foreign consulates and international chambers of commerce. Domestic media showed a strong interest in the Chamber's views on the conference. The *People's Daily* in the following week two articles quoting comments by Chamber Vice President and South China Chapter Chair Klaus Zenkel on how the Greater Bay Area has developed rapidly in the past few years.

Chamber comments on Anti-espionage Law and Foreign Relations Law

On 1st July, China's revised Anti-espionage Law and the Foreign Relations Law took effect. Both laws contain vaguely worded references to the concept of 'national security', heightening the uncertainty faced by businesses. On 7th July, *DW* interviewed Chamber President Jens Eskelund on the developments, who outlined how European businesses are concerned by the Chinese Government's increased focus on security and self-reliance at the expense of the economy. The same interview was also quoted by the *SCMP*. On 21st July, the Ministry of Commerce (MOFCOM) held a roundtable briefing, attended by the Chamber, on the Anti-espionage Law. In an article on 30th August on comments by the United States that China was "uninvestable", *Reuters* quoted a Chamber statement that it is positive to see the MOFCOM taking steps to clarify China's rules and regulations.



People's Daily article on 2023 Shenzhen–Zhongshan Joint Investment Promotion Conference in Shenzhen
Media: *People's Daily*
Date: 4th July 2023

President Eskelund being interviewed by *DW*
Media: *DW*
Date: 7th July 2023

President Eskelund attends an interview with *Reuters* in Beijing
Media: *Reuters*
Date: 30th August 2023

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吸引外资24条待落地 欧美日三大商会提出关切

文 | 财新 罗国平 试听

2023年08月16日 17:17

公平竞争、税收优惠、数据跨境传输、中美关系导向、签证问题、知产保护、政企互动等是关注点所在；文件发布之后，关键在于落地执行情况

Article by *Caixin* on the State Council's *Opinions on Further Optimising the Foreign Investment Environment and Increasing the Attraction of Foreign Investment*
Media: ***Caixin***
Date: 16th August 2023

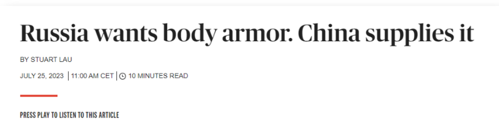
China Extends Preferential Tax Policies for Foreigners to 2028

- Move welcomed by European business group as 'very positive'
- Extension of policies could help retain foreign talent

Article by *Bloomberg* on the extension of the preferential IIT policy
Media: ***Bloomberg***
Date: 28th August 2023

Chamber spokespeople comment on de-risking strategy

De-risking continued to be a topic of media interest throughout July and August, particularly following United States (US) Secretary of the Treasury Janet Yellen's July 2023 China visit. Several media outlets reached out to the Chamber for comment, including the Washington Post, which quoted President Eskeland's remarks that it is ironic that there is so much worry about the US de-risking from China, given that China has been de-risking from the rest of the world for several decades. *POLITICO* also interviewed President Eskelund on the same topic, during which he outlined how China has long been conducting extensive de-risking.



Russia wants body armor. China supplies it

BY STUART LAU

JULY 25, 2023 | 11:00 AM CET | 10 MINUTES READ

PRESS PLAY TO LISTEN TO THIS ARTICLE

Article by *POLITICO* on de–risking
Media: ***POLITICO***
Date: 25th July 2023

Chamber's stance on State Council Opinions in media spotlight

On 19th July, China's State Council unveiled a new 31-point action plan that aims to shore up the private sector, and on 13th August published the *Opinions on Further Optimising the Foreign Investment Environment and Increasing the Attraction of Foreign Investment (Opinions)*. The *Opinions* list 24 points geared towards improving the business environment for foreign enterprises operating in China, sparking much media discussion on if and how the points could impact business confidence.

On 20th July, the Chamber published a statement on the 31 points, stating that while they are a positive move, meaningful change comes through implementation, not just pledges. This was picked up on by *Bloomberg* and the *SCMP*. The Chamber also published a statement on 14th August on the *Opinions*, highlighting how the measures outlined could go a long way to improving business confidence if implemented in timely, coordinated and consistent manner. *Bloomberg*, *Caixin*, *Lianhe Zaobao*, *Think China* and the *SCMP* all published articles quoting this statement.

Chamber's statement on extension of IIT policy quoted by media

On 28th August, China's Ministry of Finance and State Taxation Administration jointly announced that the preferential individual income tax (IIT) policies for foreign nationals working in the country will be extended through to the end of 2027. Having continuously advocated on this issue at all levels of government, the Chamber released a statement noting that the extension could help to stem the recent high levels of foreign talent outflows, which was quoted by *Bloomberg*, *SCMP*, *China Daily* and *Chinanews.com*.

Events Gallery

BEIJING, 28TH JULY 2023

Cybersecurity Compliance Series XIII: AI Regulation and Data Protection (Chinese Language)

- The Chinese Government newly issued an interim regulation on the management of generative artificial intelligence (AI) services in July, under which service providers are obliged to ensure compliance, including content management, user management and data protection.
- Generative AI service providers are also obliged to ensure the legality of the sources of their training data and foundation models, especially from the perspective of intellectual property right authorisation, personal data protection, and data quality.
- The European Union's AI Act stipulates that when registering a foundation model, service providers must provide descriptions of the data sources, training sources, capabilities, limitations and performance of the model.

BEIJING, 30TH AUGUST 2023

Battling it out - Decoding the Global Industrial Strategy Race Episode II: Critical Raw Materials

- On the supply side of critical raw materials (CRMs), long and costly permit application procedures, unnecessary bureaucratic hurdles, uncertainty over pricing and trade policies, anti-competitive practices among firms, and private sector coordination failures together held back private sector capacity expansion.
- There were four missteps: mistaken identification of "weaponising CRMs" (the case of China in Q4 2010), Indonesia's resort to an export ban on nickel ores, transactions to expand supply including aggressive offtake accords, and ineffectual bilateral and group initiatives.
- Promoting thick markets could serve as an alternative approach, as it brings together the interests of potential buyers and sellers of CRMs

SHANGHAI, 6TH SEPTEMBER 2023

2023 Sustainable Business Awards Conference & Ceremony: Embracing the Critical Transition & Measuring Unexpected Impacts

The winners of the Sustainable Business Awards include:

- **Circular Economy Pioneer:** Boehringer Ingelheim China; Lindstrom; Philips China; VEOLIA; and WTT China
- **Decarbonisation Leader:** Alfa Laval; Bollore Logistics; FORVIA Faurecia China; ProVeg International; and Trina Solar Co Ltd.
- **Diversity, Equity and Inclusion Leader:** Covestro; and Volvo Group China.

SHANGHAI, 13TH SEPTEMBER 2023

Shanghai Celebration Dinner: Celebrating and Strengthening European-China Business Relations in Shanghai 2023

- Shanghai faces a shrinking foreign labour pool despite being the top destination in China, which is a significant loss for China and Shanghai's ambitions as a headquarters hub.
- The recent visa relaxation measures and the four-year extension of the individual income tax regime are welcome developments, which can help stem the outflow of foreign talent over the past few years.
- There are now two stories of foreign investment into China – where only the largest European companies have the resources to navigate the complexity of China's business environment—leaving small and medium-sized enterprises under-represented—and investment has become increasingly concentrated in terms of sectors and countries of origin.

TIANJIN, 11TH AUGUST 2023

Lean in Admin Areas Training

- The operating management of most companies is constantly interrupted by vertically independent departments and complex process interfaces.
- The ultimate goal of the lean business concept is to shorten process cycle time by improving the 'flow' of products, materials and services.
- Evaluate the nature of internal work processes from the customer's perspective: value-added, assignment and waste activities, and increase the proportion of value-added activities by eliminating waste and reducing assignment activities.

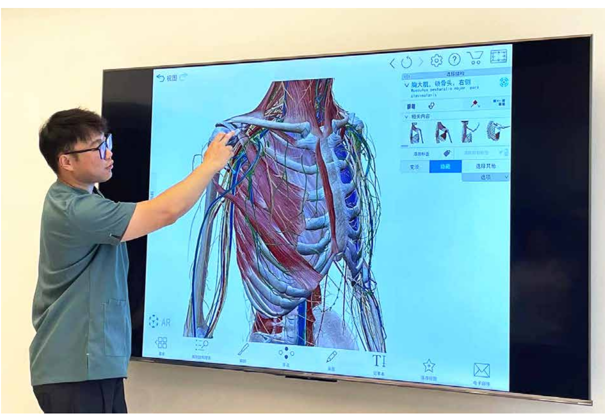
NANJING, 11TH JULY 2023

Discussion on Green Power Trade in Jiangsu

- On 1st June 2022, the first batch of users—59 power users and five new energy power generation enterprises—participated in Jiangsu's green electricity trading pilot and received green electricity consumption certificates.
- Green certificates are electronic certificates with a unique identification code issued by the state and are the only certificate for consuming green electricity. One green certificate = 1,000 kilowatt hours of green electricity.
- Photovoltaic power generation systems improve the utilisation rate of renewable energy and avoids the losses in traditional high-voltage long-distance transmission mode.

SOUTHWEST CHINA, 27TH JULY 2023

GINKGO SPACE Sports Health Management Center Day



- Lumbar muscle strain is a common cause of pain, characterised by low back pain, recurring attacks and aggravation after exertion.
- It is common in young and middle-aged people, more often men than women, and among heavy manual workers or those who sit for long periods of time.
- Sitting for a long time can easily lead to problems such as "dormant" muscles and functional imbalance, and poor posture will lead to an anterior tilt of the pelvis and hyperextension of the lumbar spine.

SOUTH CHINA, 14TH SEPTEMBER 2023

Women in Business: Unlock Your Potential

- The **Women in IDEMIA Network (WIN)** is an employee resource group led by volunteers at IDEMIA to drive the diversity and women empowerment within the company.
- The WIN goals are to: improve female representation; promote women in technology; and empower female management.
- The WIN roundtable series aims to provide a channel where employees can freely share their thoughts and have an opportunity to inspire each other.

Advisory Council News

Photo: press.bmwgroup.com

The new BMW 5 Series Sedan and the new BMW i5 – exclusively from China for China

8th August 2023 – Sporty elegance, groundbreaking technology and luxurious space at the rear are combined in the model variants of the new BMW 5 Series Sedan and the new BMW i5 which have been specially developed for the Chinese automotive market. Adapted in numerous details to the specific requirements of Chinese target groups, the versions of the new business sedan feature an extended wheelbase and distinctive proportions. This results in particularly generous space and comfort in the rear, which is further enhanced by exclusive equipment features.

For the first time, the BMW 5 Series Sedan for China will be offered not just with highly efficient combustion engines but also with an all-electric model in the form of the BMW i5. The car's progressive character is also reflected in the further developed BMW iDrive featuring 'QuickSelect': with its BMW curved display and China-specific digital services, this enables an innovative form of interaction between human being and automobile.

The new BMW 5 Series Sedan and the new BMW i5 for China are based on the eighth generation of the world's most successful business sedan. More than 10 million BMW 5 Series vehicles have been produced since 1972. The BMW 5 Series continues to grow in popularity in China too, with some 530,000 vehicles of the series having been delivered to Chinese customers from 2020 to 2022 alone. This makes the BMW 5 Series Sedan the market leader in the premium upper mid-range vehicle segment. A total of around two million units have been sold since the start of local production in China.

Boehringer Ingelheim to advance survodutide into three global Phase III studies on obesity

17th August 2023 – Boehringer Ingelheim announced it will advance survodutide, its glucagon/GLP-1 receptor dual agonist, into three registrational Phase III studies for people living with overweight or obesity. This decision was based on recently presented data from a Phase II dose finding study in people living with overweight or obesity, which demonstrated up to 19 percent weight loss after 46 weeks of treatment with survodutide.

"With a strong heritage in cardio-renal-metabolic disease, we are continuing to expand and accelerate our portfolio in this area with the aim of bringing survodutide to patients in need as quickly as possible," said Carinne Brouillon, head of Human Pharma, Boehringer Ingelheim. "There is a significant unmet medical need for effective treatments for obesity. With its dual mode of action,

Photo: boehringer–ingelheim.com

survodutide has the potential to further improve outcomes for people living with the disease and its associated complications."

Additional studies with finerenone across a wide range of heart failure patients initiated

24th August 2023 – Bayer will support the initiation of three additional studies to extend its heart failure (HF) programme with finerenone (MOONRAKER programme). In addition to the ongoing Phase III study FINEARTS-HF, which is investigating finerenone versus a placebo in more than 6,000 HF patients with mildly reduced (HfmrEF) or preserved ejection fraction (HfpEF), the new studies will evaluate the efficacy and safety of finerenone in approximately 9,300 additional HF patients with reduced (HfrEF), HfmrEF and/or HfpEF. With more than 15,000 patients in total, MOONRAKER is set to be one of the largest heart failure study programmes to date.

Philips introduces new contrast-enhanced ultrasound application to enhance diagnostic confidence for cancer patients

8th September 2023 – When diagnosing and treating cancer patients, the dynamics of blood flow to and from a suspected lesion can provide clinicians with valuable diagnostic information. For example, blood flow through a liver tumour can offer insights into how likely it is that the cancer could spread. The current standard of care for assessing lesion blood flow requires the intravenous injection of an iodinated contrast media that is not well tolerated by some patients. In these instances, contrast-enhanced ultrasound (CEUS) is rapidly becoming a viable alternative as an increasingly important tool for lesion characterisation.

Photo: new.abb.com

ABB to invest USD 280 million in its European robotics hub in Sweden

13th September 2023 – ABB has announced an investment of United States dollars (USD) 280 million to expand its manufacturing footprint in Europe and build a new state-of-the-art ABB Robotics European Campus in Västerås, Sweden. The campus will serve as the hub for ABB Robotics' offering in Europe, providing customers with artificial intelligence (AI)-enabled collaborative and industrial robots, as well as digital solutions to support flexible automation as part of the company's 'local for local' production strategy. Replacing the existing robotics facilities at the site, the new campus is planned to open in late 2026.

ABB's investment in the Robotics Campus in Västerås will enhance its robotics and automation leadership globally. With the facility, ABB will expand production capacity by 50 per cent and strengthen its capabilities to supply the European market, which is expected to grow at seven per cent compound annual growth rate (CAGR) through 2027. When the campus is completed, ABB will have invested USD 450 million in its three robotics facilities since 2018, including its mega-factory in Shanghai that supplies customers in Asia and the Auburn Hills facility in Michigan that supports the Americas.

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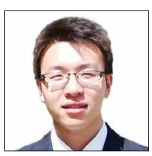

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