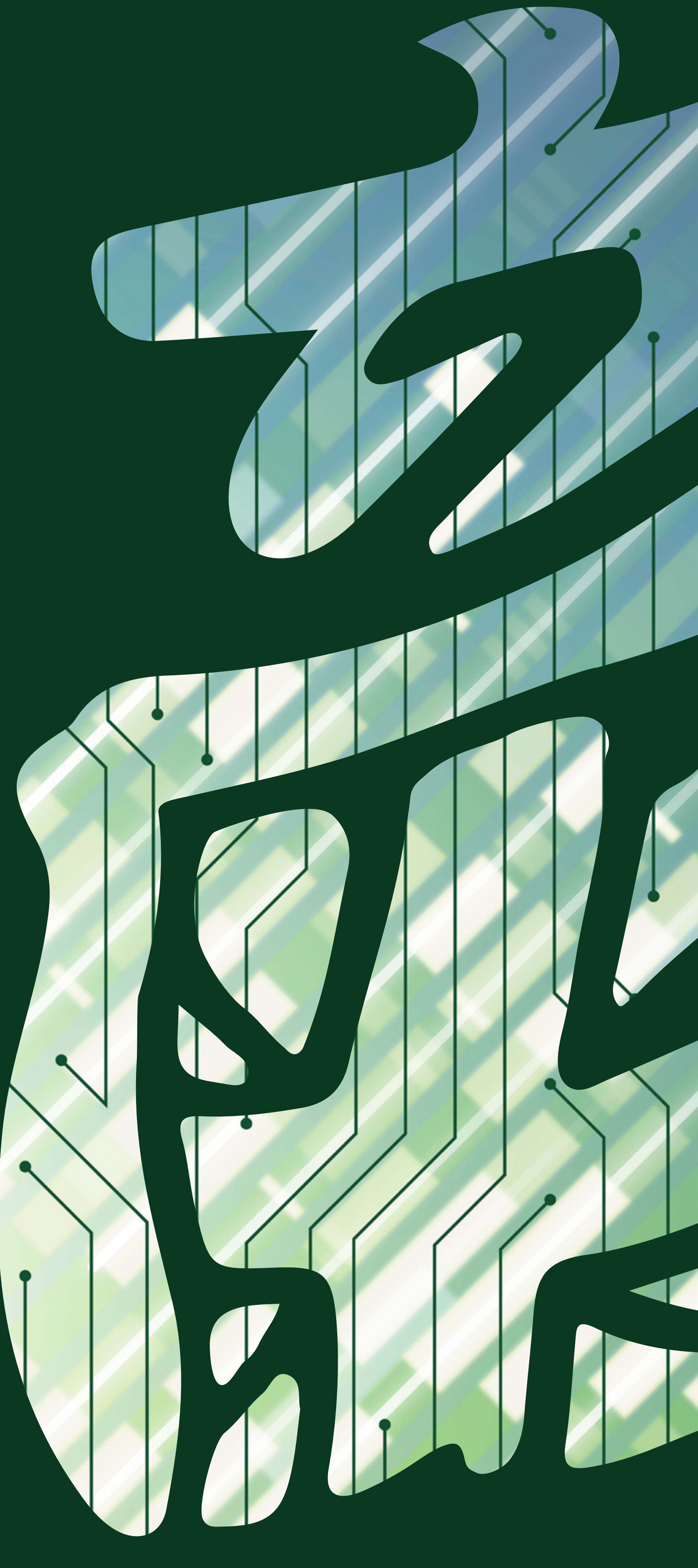
BRITISH CHAMBER OF COMMERCE IN CHINA
中国英国商会

BRITISH BUSINESS IN CHINA: SENTIMENT SURVEY

2021–2022



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CHAIRS' FOREWORD

The British chambers of commerce in China are proud to publish our fourth annual business sentiment survey. This survey provides a holistic, national perspective on sentiment from British business in China. The developments and challenges summarised here provide the single most representative view of British firms operating across the world's second largest economy. It is an annual litmus test for the business environment in China.

Business sentiment matters. We all want a vibrant and healthy business environment, transparent policies and well-regulated markets in which we can operate, compete and grow. Companies are a positive advocate for the steady engagement needed to build strong economic and social ties between countries.

The survey shows that most British businesses in China have been operating here for more than ten years. Many have been here much longer than that. They all bring rich perspectives on the business environment in China, deep understanding of the progress China is making to reform and regulate markets, and the challenges policy-makers face in the world's most populous nation. These on-the-ground experiences and insights are crucial. They enhance our understanding by providing nuance and context, and go some way to tempering increasingly divergent views about China in the world today.

Restricted travel into China is now the single most significant issue that British companies face here. The decline seen in foreign nationals coming to live, study and work in China is cause for concern. The temporary measures to control, contain and insulate China from the spread of COVID-19 also means China today is physically more isolated from the world than at any time since entering the World Trade Organisation twenty years ago. As international travel starts to recover globally, the contrast with China is striking. Companies here are struggling to understand how it may be possible eventually to live with COVID-19 in China and dismantle this new great wall that protects us. Many are beginning to wonder when, and even whether, this can happen.

The business sentiment represented through this survey helps shine a light on the realities and challenges of business in China today. The data points captured herein, along with underlying or emerging trends, will provide guidance for any British company looking to better understand China's regulatory environment, including the progress, developments, opportunities and challenges they may see working in one of the most important markets in the world. They also provide a rich source of information for policymakers inside and outside of China looking to enhance business relations and the flow of trade and investment between the UK and China.

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EXECUTIVE SUMMARY

The *British Business in China: Sentiment Survey 2021-2022* measures British businesses' perspectives and outlook on the China market for 2022, from reactions to policy announcements over the past year to plans for addressing companies' climate impact. It represents the voices of 288 firms across goods and services, from small businesses to large multinationals with on-the-ground operations.

The findings suggest that business is recovering from the economic challenges of last year. 70% of British companies expect 2021 earnings to equal or exceed that of 2020, and 52% are optimistic about their prospects for the next year. China's market potential remains an effective draw, and 46% of companies are planning to increase investment accordingly.

Full recovery is far from certain, however, as only two fifths of businesses have seen earnings exceed pre-pandemic levels. Furthermore, the majority again find that doing business in China has become more difficult over the past year, driven by a mix of regulatory factors and COVID-19. Roughly half of British companies continue to report constraints from market access barriers in China. 26% have seen further market openings in their sector, but only a fraction of these believe opening will lead to significant business opportunities.

Effective control of COVID-19 outbreaks within China's borders has created a relatively stable business environment, but comes with consequences for foreign companies and nationals operating here.

The top three challenges facing British businesses going into 2022 are:

1. Employing foreign staff
2. Navigating cybersecurity and IT regulations
3. Enforcement of laws and regulations

With employing foreign staff becoming the top issue facing British businesses in the Chinese mainland, it is clear that firms now foresee a greater negative impact from this than any other regulatory challenge they face in the market. Opaque, inconsistent travel and visa policies have made it extremely difficult to bring foreign staff into China, and 43% of British companies continue to face hurdles in this area. Bilateral cooperation on resuming direct flights between China and the UK, publishing clear visa guidance and facilitating the re-entry of foreign passport-holders is therefore critical.

Outflows of foreign talent are noteworthy. A quarter of companies have seen a decrease in foreign talent in 2021, and nearly half expect a net decrease in 2022. Whether this is a short-term consequence of China's successful, but restrictive, zero-tolerance COVID-19 policy or an indication of a more systemic trend is not clear but the potential implications are cause for concern. Challenges attracting foreign talent above have been compounded by changes to the individual income tax regime, highlighted as a major barrier for business. Many companies are faced with important questions on their business operations in the short-term, and the impact this may have on talent acquisition, cross-border fertilisation and innovation longer-term.

Cybersecurity remains a top-three challenge for British business in China. A third of businesses report that the impact of uncertainty in this area, if not outright restrictions, has increased further since 2020. With limited implementation guidance accompanying recently enacted laws, China's data privacy and security requirements are of concern for business. Meanwhile, enforcement of laws and regulations rises from sixth to third, attributed most significantly to changes affecting education, accounting, manufacturing, hospitality, and travel, tourism and leisure sectors.

Rising labour costs – a background issue in previous years – have now come to the fore, with two thirds of companies expecting a negative impact. Meanwhile, although

US-China and UK-China relations tend to dominate headlines, fewer firms attribute a negative impact on business to geopolitical tensions. 52% of companies are taking no action in the face of geopolitical risk and business remains focused predominantly on domestic market developments.

In particular, companies anticipate that significant opportunities will be unlocked by:

1. Technological innovations
2. China's economic prospects
3. China's goal to be carbon neutral by 2060

Climate action remains a positive area of UK-China engagement, especially following on from COP 15 and COP 26. It is also a rich area of opportunity for business action. One third of British businesses plan to be net-zero by 2060. However there is more work to be done, as a further third of companies believe that net-zero requirements do not apply to them.

OUR INTERPRETATIONS

Recovery in 2021 has been fragile. Firms are more confident now about prospects in China than they were in 2020, reversing slightly a three-year decline in optimism. Many have seen increased earnings and this brings a more positive outlook, both on business and the potential for increased investment. But the challenges identified through this survey remain, most notably around travel restrictions and the impact this is having on the flow of talent into China. No sector is more affected than education.

As we see international travel steadily recover, the limited opportunities for face-to-face dialogue, people-to-people exchanges and business engagement between China and the UK stand out increasingly in contrast.

Regarding market access, there are sectors that have seen notable opening, such as financial services. A greater number of financial services companies are increasing investment in China than other sectors, and they would be highly likely to create more ambitious investment plans with further regulatory opening. Other sectors, such as education, have seen significant uncertainty or market closings in the past year, and are more cautious than average around investment plans.

Following a year of regulatory turbulence, a clear and predictable regulatory environment is vital to allay business concerns. In the same vein, safe, clear, consistent and practical travel processes are necessary in order to rebuild China's community of foreign entrepreneurs and talent. Meaningful actions to address some of the concerns raised will boost business confidence and unlock opportunities for further investment and growth.

ACRONYMS

AMT	Advanced Manufacturing and Transportation
CIT	Corporate Income Tax
COVID-19	Coronavirus Disease 2019
FBA	Food, Beverage and Agriculture
GBP	Great British Pound
HTTL	Hospitality, Travel, Tourism and Leisure
IIT	Individual Income Tax
IP	Intellectual Property
IT	Information Technology
K12	Kindergarten Through Twelfth Grade
RMB	Renminbi
SME	Small and Medium-Sized Enterprise
SOE	State-Owned Enterprise
UK	United Kingdom
US	United States

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METHODOLOGY

The *British Business in China: Sentiment Survey 2021-2022*, published in December 2021, is the fourth national survey conducted by the British chambers of commerce in China. The survey captures the perspective and needs of British businesses operating on the ground across the Chinese mainland.

The survey gauges the overall outlook of British business in China, identifying the challenges they face and the opportunities they believe exist in the market. Invitations to complete the survey were sent to over 450 member companies between the 12th October and the 5th November 2021. 288 companies responded, representing a 12.5% increase from last year's responses. Heads of organisations were the most common respondent (44%), followed by managers (21%), directors (17%), other senior leadership (16%) and others (2%).

Respondents were asked 48 questions, the majority of which are published in the report. These were grouped under the following key sections: 'Organisation Profile', 'Business Environment and Investment Outlook', 'Talent', 'Political and Economic Trends' and 'Sustainability'.

The sectors initially provided for respondents to identify their business under have been grouped into larger 'macro-sectors' for ease of analysis. Readers can find the grouping of these macro-sectors on pages 26-27.

Complete anonymity of all respondents, both in terms of organisations and individuals, has been maintained throughout the publication of this information.

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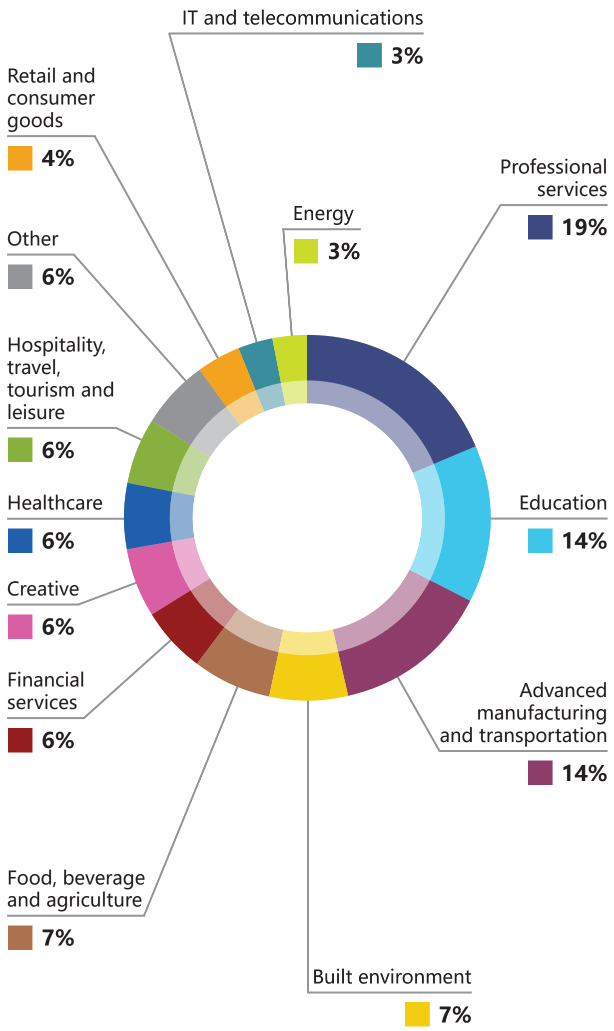
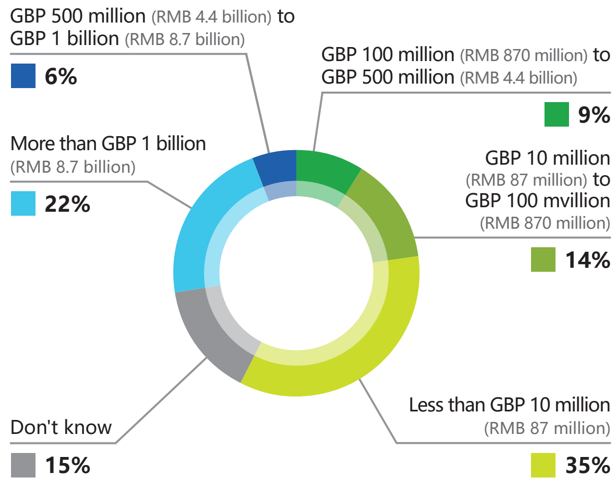
ORGANISATION PROFILE

WHICH SECTOR(S) IS YOUR ORGANISATION INVOLVED IN?



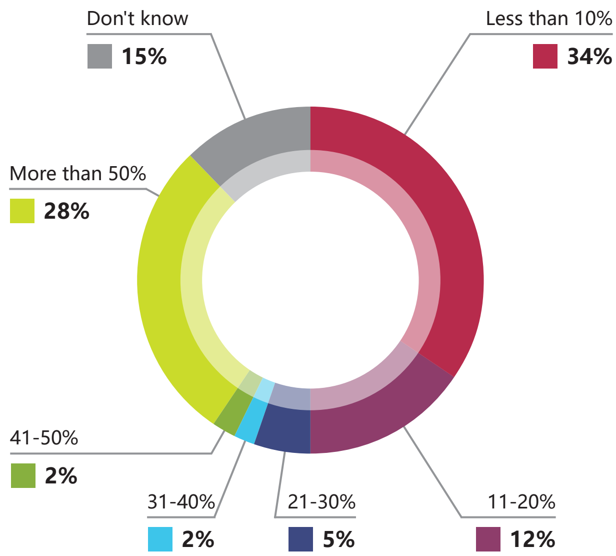
British businesses in China from a wide array of industries are represented in the survey. The highest proportions of companies are in the professional services (19%), advanced manufacturing and transportation (AMT, 14%) and education (14%) sectors, which together make up almost half of the British business representation in China.

WHAT ARE YOUR ORGANISATION'S GLOBAL ANNUAL EARNINGS BEFORE INTEREST AND TAX?



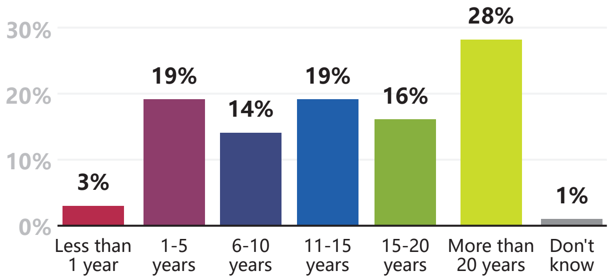
The representation of respondents is balanced between small and medium-sized enterprises (SMEs) and large multinationals. SMEs, classified as companies with earnings before interest and tax of less than GBP 500 million (RMB 4.4 billion), account for 58%, while those earning over GBP 500 million make up 28% of companies.

WHAT PERCENTAGE DO YOUR OPERATIONS IN THE CHINESE MAINLAND CONTRIBUTE TO YOUR ORGANISATION'S GLOBAL EARNINGS BEFORE INTEREST AND TAX?



China accounts for less than 10% of total global business earnings before interest and tax for 34% of UK companies with operations in the Chinese mainland. However, 28% of businesses derive more than half of their total earnings from China. Unsurprisingly, 91% of these companies are British SMEs operating in China.

HOW LONG HAS YOUR ORGANISATION HAD A PHYSICAL PRESENCE IN THE CHINESE MAINLAND?

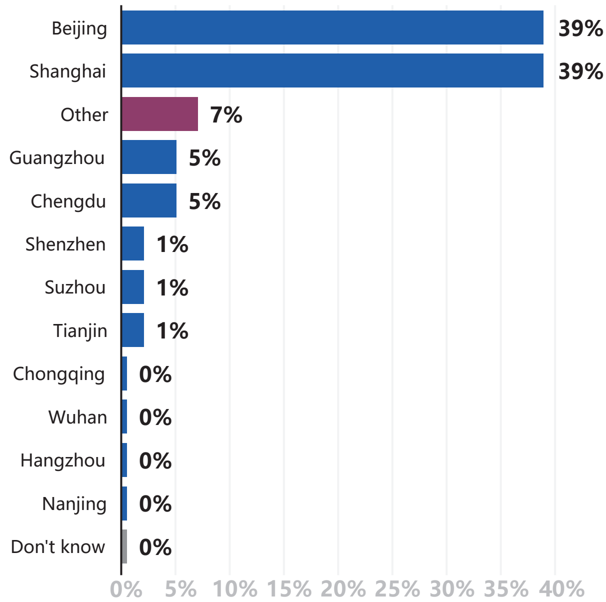


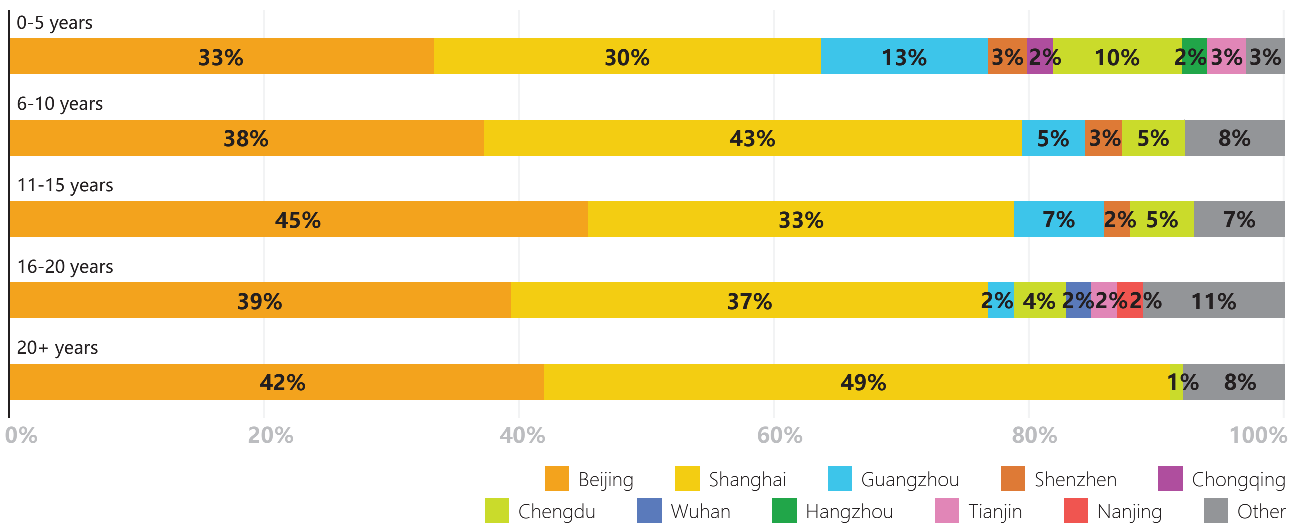
The past few decades in China has seen a steady stream of British businesses enter the market. The highest proportion of these have been operating in China for more than 20 years. 3% of companies opened their doors, indicating British entrepreneurs are continuing to start businesses in China despite COVID-19 travel restrictions and regulatory uncertainty in 2021.

IN WHICH CHINESE MAINLAND CITY IS YOUR PRINCIPAL OFFICE LOCATED?

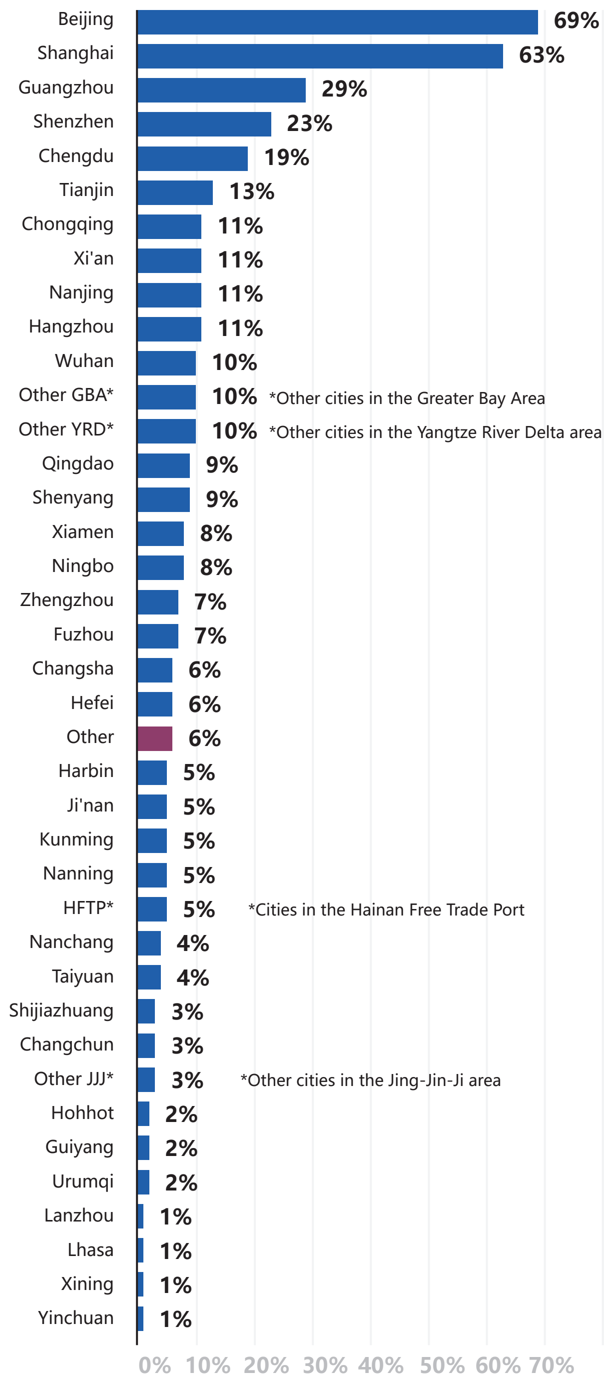
As the political and commercial centres of China respectively, the majority of British business headquarters are concentrated in either Beijing or Shanghai (both 39% of companies), making up almost four-fifths of companies. This is followed by Chengdu (5%), and Guangzhou (5%).

Among companies that have been in China for more than 20 years, 49% are based in Shanghai. Newer market entrants are more likely to look elsewhere however, with a sizeable number of companies that opened their China offices in the past five years choosing Guangzhou (13%) and Chengdu (10%) as their base of operations in the mainland.





IN WHICH OF THE FOLLOWING CITIES DOES YOUR ORGANISATION HAVE A PHYSICAL PRESENCE?



British businesses have a national footprint throughout the Chinese mainland. Along with the high rates of companies with headquarters in Beijing and Shanghai, these two cities are also the most popular overall for companies establishing a physical presence in China. Major cities in the Greater Bay Area, such as Guangzhou (29%) and Shenzhen (23%) are also attractive locations for British businesses, followed by Chengdu (19%) and Tianjin (13%). Despite the attention paid to the Hainan Free Trade Port, only 5% of British companies are based there.

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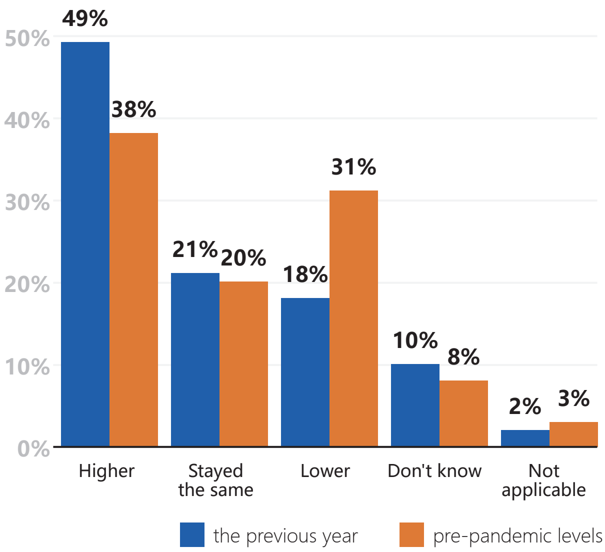
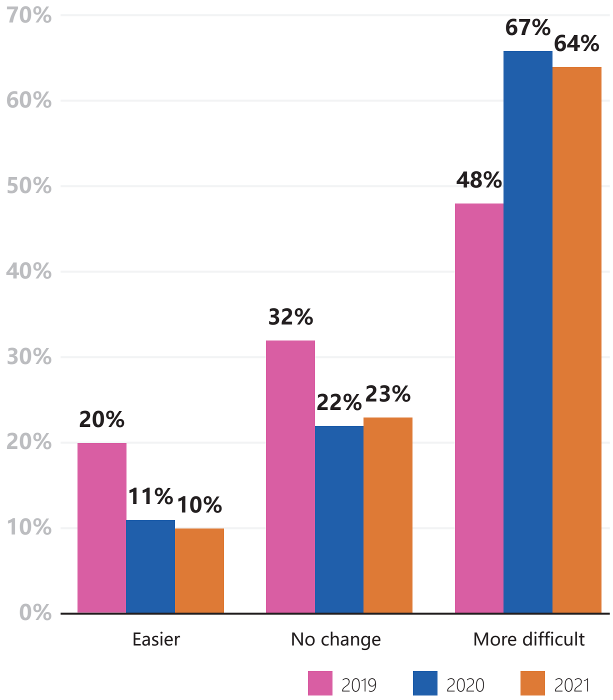
BUSINESS AND INVESTMENT OUTLOOK

ARE YOUR ORGANISATION'S PROJECTED EARNINGS BEFORE INTEREST AND TAX IN THE CHINESE MAINLAND IN 2021 HIGHER OR LOWER THAN ...?



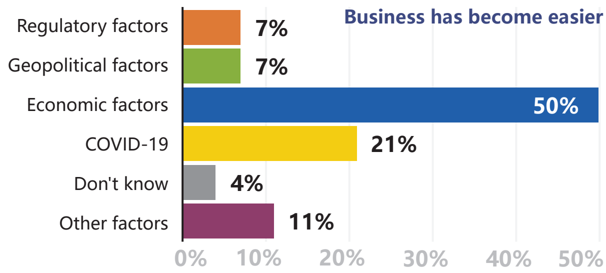
For roughly half of companies, earnings have not only increased compared to 2020 (49% of companies), but also recovered to either equal or exceed pre-pandemic levels (20% and 38% respectively). The Information Technology (IT) and telecommunications (67%), AMT (51%) and retail and consumer goods (47%) sectors are ahead of other sectors in terms of surpassing pre-pandemic earnings, while hospitality, travel, tourism and leisure (HTTL, 69%), built environment (43%) and creative (42%) companies lag behind other sectors in reaching 2019 earnings levels. Interestingly, of companies that expect their 2021 earnings not to reach pre-pandemic levels, 49% are also likely to expect it to be down on last year, and 82% have found doing business harder, largely – but not exclusively – due to ongoing effects of COVID-19.

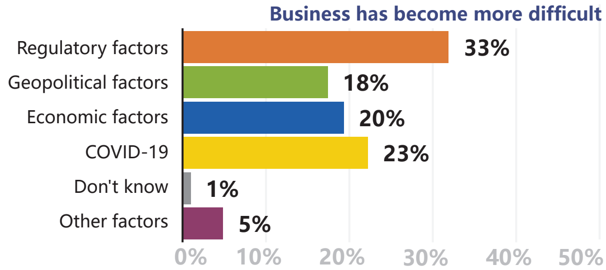
HAS DOING BUSINESS IN THE CHINESE MAINLAND BECOME EASIER OR MORE DIFFICULT OVER THE PAST YEAR?



Over the past year, 64% of British businesses in China have found doing business more difficult, down 3 percentage points from last year. By contrast, only 10% believe business has become easier. In light of curbs on the property sector and a crackdown on afterschool education, the built environment (76%) and education (75%) sectors have seen the highest rate of companies reporting that business has gotten harder in 2021. By contrast, companies in the healthcare (55%) and financial services (45%) sectors were the least likely to have seen a deterioration in the ease of doing business. As with last year, SMEs have also struggled more than large multinationals in 2021.

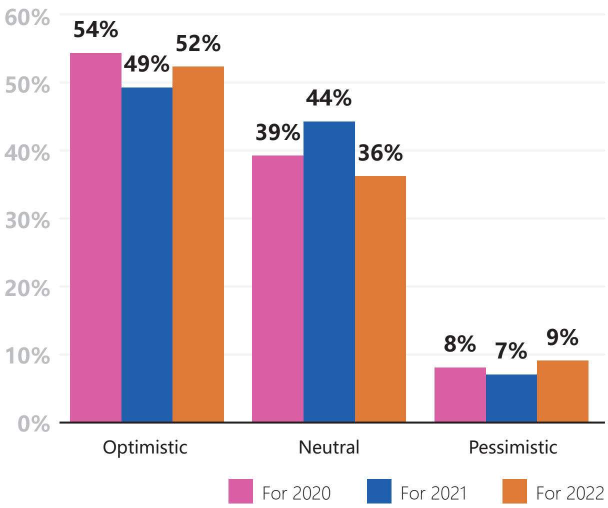
WHAT IS THE KEY REASON FOR A CHANGE IN YOUR ORGANISATION'S ABILITY TO DO BUSINESS IN THE CHINESE MAINLAND OVER THE PAST YEAR?





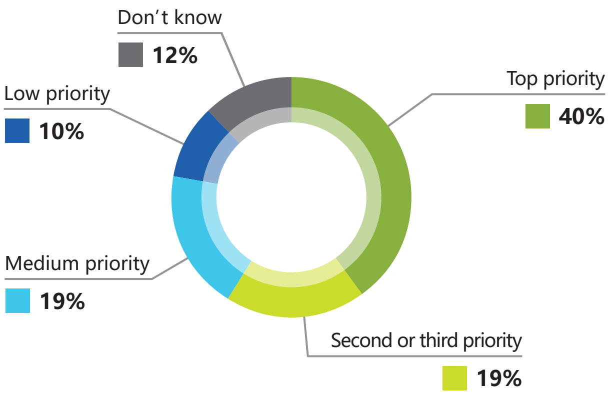
For companies that report an improvement in the ease of doing business, half attribute this to economic factors, while another 21% link this directly to an improved COVID-19 situation. However, 33% of companies that found doing business harder believe this was due to regulatory factors. This is, unsurprisingly, particularly true for the education sector (47%) due to the aforementioned crackdown and relatively stringent public health requirements linked to COVID-19. Retail and consumer goods (42%) and HTTL (56%) companies in contrast are more likely to still regard COVID-19 as the primary cause for business to become harder. However, economic factors are also a central challenge for doing business in some sectors, notably the built environment (53%).

HOW WOULD YOU DESCRIBE YOUR ORGANISATION'S BUSINESS OUTLOOK FOR YOUR SECTOR IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



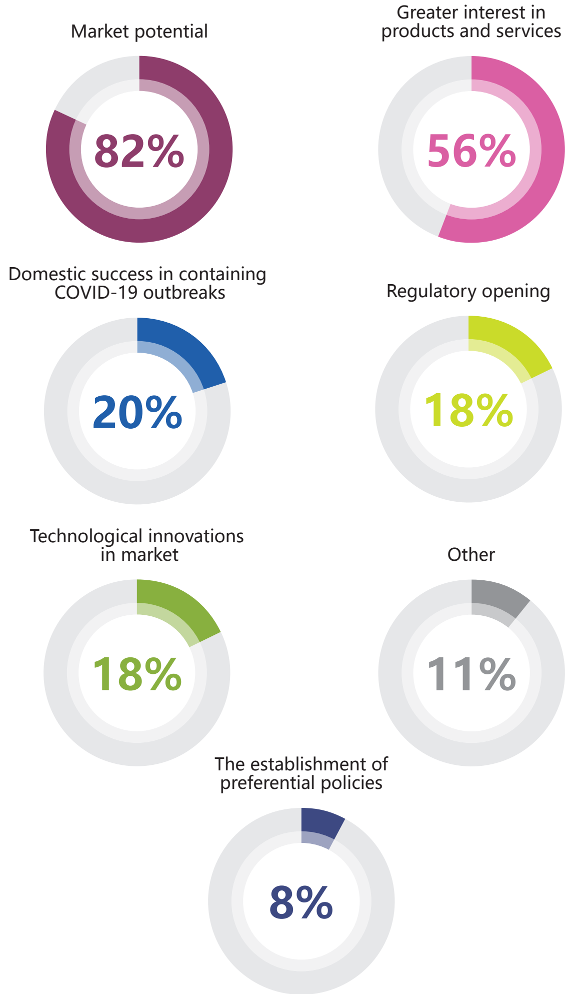
Just over half of British businesses are optimistic about their prospects for next year, slightly rising three percentage points year-on-year to 52%, reversing a three-year decline at least temporarily. Sectors where optimism is noticeably higher than average include financial services (66%), healthcare (65%), retail and consumer goods (63%) and professional services (61%). There are no sectors in which pessimism noticeably outweighs optimism, but a significant number of energy (47%), built environment (46%) and creative (43%) companies hold a neutral outlook.

WHERE DOES THE CHINESE MAINLAND RANK AMONG YOUR ORGANISATION'S GLOBAL INVESTMENT PLANS FOR THE NEXT YEAR?

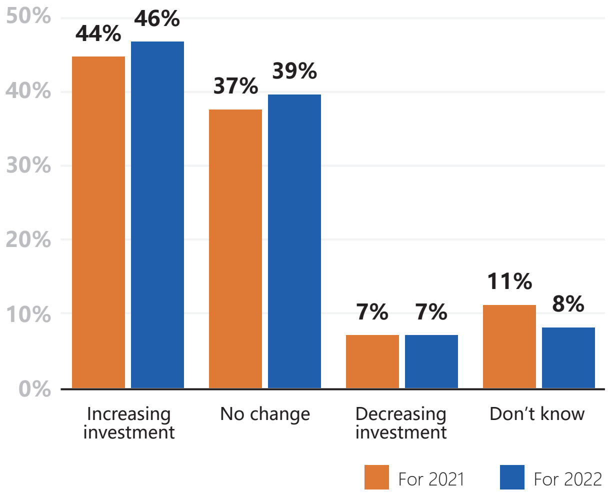


Despite the numerous challenges brought about in 2021, China remains a key market in the global strategies of British businesses. 40% rank China a top priority for the coming year, with a further 19% considering it a second or third priority market. Similarly to the previous year, China is more likely to be a top investment destination for the IT and telecommunications (50%) and HTTL (81%) sectors. Education has seen the biggest swing in terms of China' s place in global investment plans. While 66% of companies in the industry ranked China as their top priority for 2021, the figure has dropped to 46% for 2022. This likely indicates that the recent crackdown on the sector is already impacting long-term investment decisions and reducing the attractiveness of the sector in the eyes of foreign investors.

WHY IS YOUR ORGANISATION INCREASING INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND?



IS YOUR ORGANISATION CONSIDERING INCREASING OR DECREASING INVESTMENT IN ITS CHINESE MAINLAND OPERATIONS OVER THE NEXT YEAR?

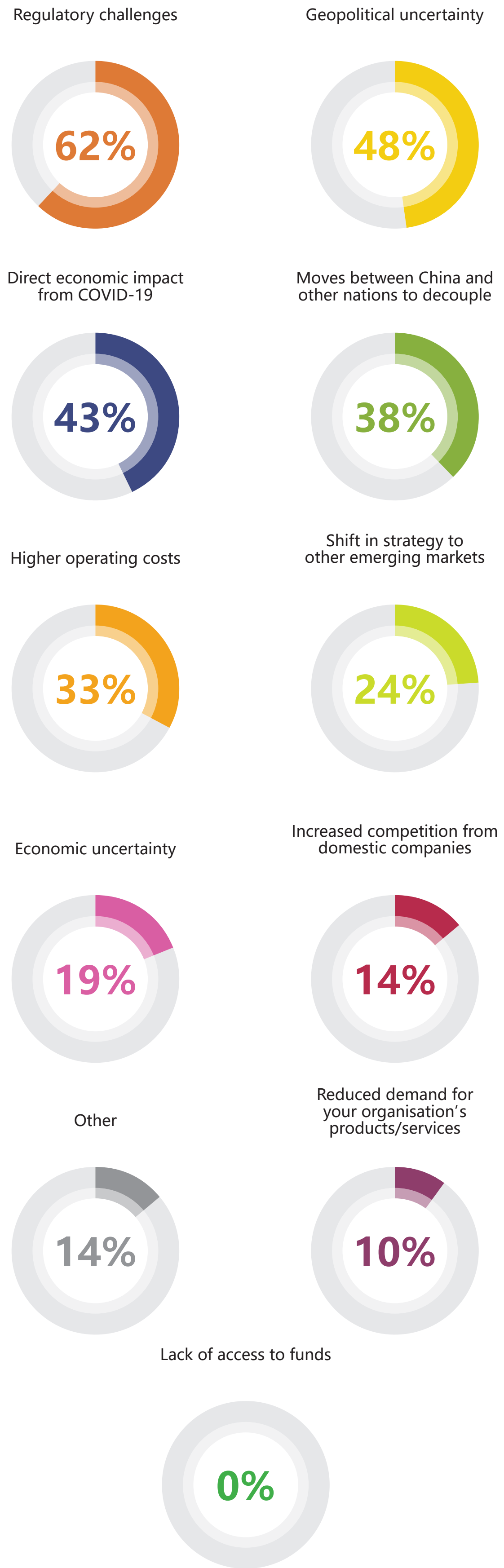


46% of British businesses are considering increasing their investment in China over the next year, a slight uptick on last year's figure of 44%. Furthermore, only 7% will decrease investment, pointing to a relatively stable rate of investment among British firms in the market. Coinciding with high levels of optimism in the AMT, IT and telecommunications, and financial services sectors, the majority of companies in these industries are growing their investments over the next year, underlining their confidence in the market. For other industries, the impact of sudden regulatory shifts on market sentiment are equally spilling over to investment plans.

Market potential remains the predominant reason for increasing investment in China in 2022 at 82% of companies, the exact same rate as the previous year. 56% of British businesses are also increasing investment due to greater interest in their products and services, while an additional 20% cite success in containing COVID-19 outbreaks domestically. For some sectors, regulatory openings are largely behind company decisions to increase investment. For example, 50% of financial services companies that are increasing investment say they are doing so as a result of regulatory openings, which tallies with a series of policies released in the past year to further open up the sector to foreign investors.

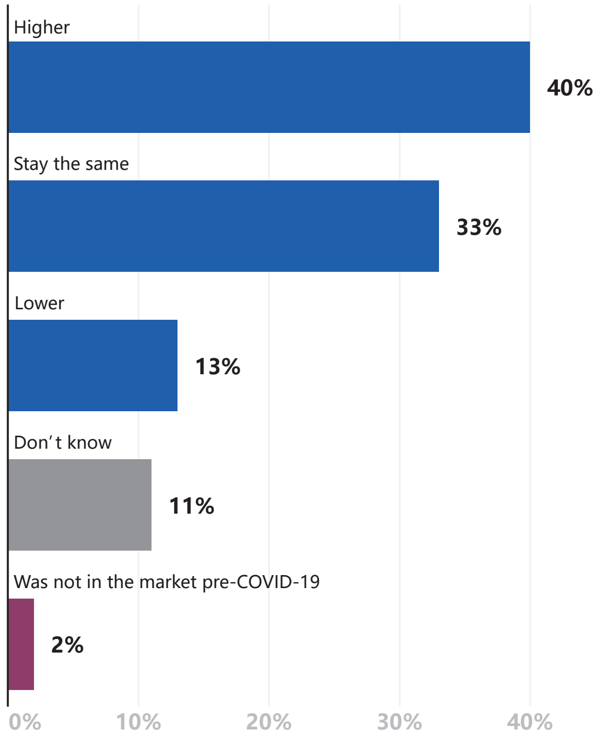
Shanghai continues to be a top destination for this investment (56%), followed by Beijing (51%) and Guangzhou (26%). Notably, however, 70% of built environment companies that are increasing investment are primarily choosing to invest inGuangzhou next year, likely driven by significant interest in business opportunities in the Greater Bay Area.

WHY IS YOUR ORGANISATION DECREASING INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND?



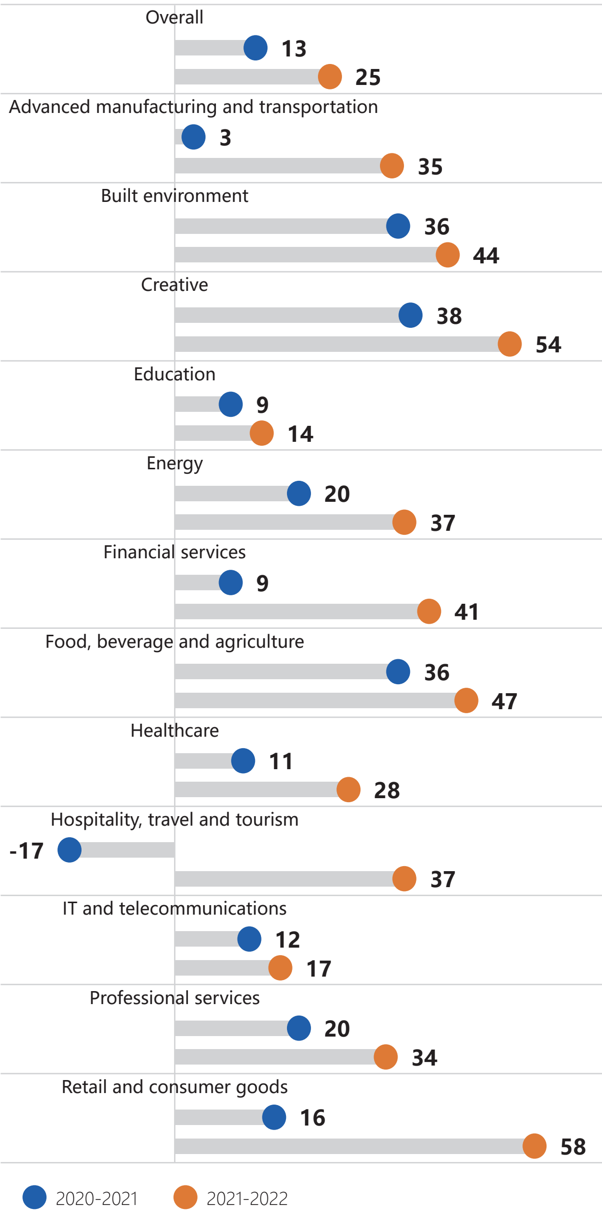
Among the small number of companies whose investment will reduce next year, nearly half will decrease investment by 11-25% and a further 24% by more than 50%. This is predominantly being driven by SMEs. Since last year, the factors driving decreases in investment have shifted from economic reasons to regulatory ones this year. While last year only 33% of companies decreasing investment did so due to regulatory factors, this year the figure has almost doubled to 62%, underscoring the impact that China's regulatory upheaval is having on business decision-making.

WILL YOUR ORGANISATION'S INVESTMENT IN ITS CHINESE MAINLAND OPERATIONS OVER THE NEXT YEAR BE HIGHER OR LOWER THAN THE PRE-PANDEMIC LEVELS?



In line with China's ongoing economic recovery from the effects of COVID-19, three quarters of British businesses expect their investment in China over the next year to equal or exceed pre-pandemic levels, while 13% report their investment will not reach pre-COVID-19 levels. Companies in the IT and telecommunications and creative sectors have the highest recovery rates, with 58% and 57% investing more than before the pandemic respectively. By contrast, education companies, HTTL companies and built environment companies are most likely to be investing less in China in 2022 than they were pre-pandemic.

IN ABSOLUTE FIGURES, BY HOW MUCH DO YOU ESTIMATE YOUR ORGANISATION WILL ADJUST ITS HEADCOUNT IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



As British businesses' revenues return to pre-pandemic levels, the number of new jobs they are creating will almost double. On average companies will hire 25 new employees in 2022, up noticeably from 13 last year. This is nevertheless driven by a small number of large multinationals. 8% of companies will add over 100 new jobs to the market next year, while large multinationals as a whole are hiring roughly 54 new employees next year. Nevertheless, 73% of companies have more moderate expansion plans to hire between 1-50 new employees next year. The AMT, financial services, built environment, HTTL, energy, creative and retail and consumer goods sectors in particular are looking to expand their workforces significantly.

REGIONAL BREAKDOWN

SOUTHWEST

25% have seen earnings recover to pre-pandemic levels

88% report doing business has become more difficult

TOP REGULATORY CHALLENGES:
Employing foreign staff
Competition with SOEs
Public procurement policy and practices

70% have foreign employees outside the Chinese mainland

19% have a plan to be net-zero by 2060

BEIJING

54% have seen earnings recover to pre-pandemic levels

62% report doing business has become more difficult

TOP REGULATORY CHALLENGES:
Employing foreign staff
Navigating cybersecurity and IT regulations
Transparency of the business environment

49% have foreign employees outside the Chinese mainland

31% have a plan to be net-zero by 2060

SHANGHAI

66% have seen earnings recover to pre-pandemic levels

59% report doing business has become more difficult

TOP REGULATORY CHALLENGES:
Employing foreign staff
Navigating cybersecurity and IT regulations
Consultation ahead of regulatory changes

39% have foreign employees outside the Chinese mainland

43% have a plan to be net-zero by 2060

GUANGDONG

53% have seen earnings recover to pre-pandemic levels

79% report doing business has become more difficult

TOP REGULATORY CHALLENGES:
Employing foreign staff
Intellectual property rights protection
Alignment with international standards

64% have foreign employees outside the Chinese mainland

13% have a plan to be net-zero by 2060

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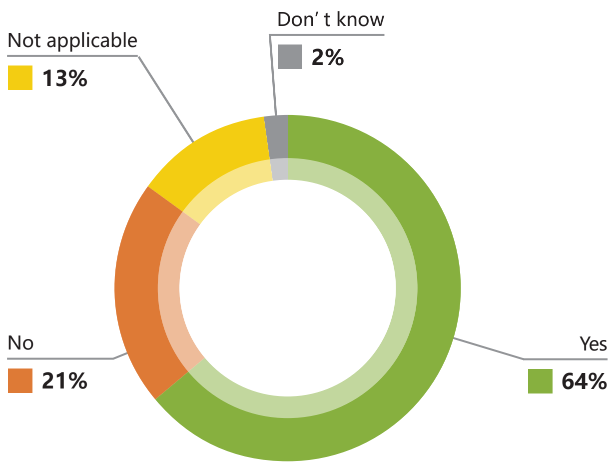
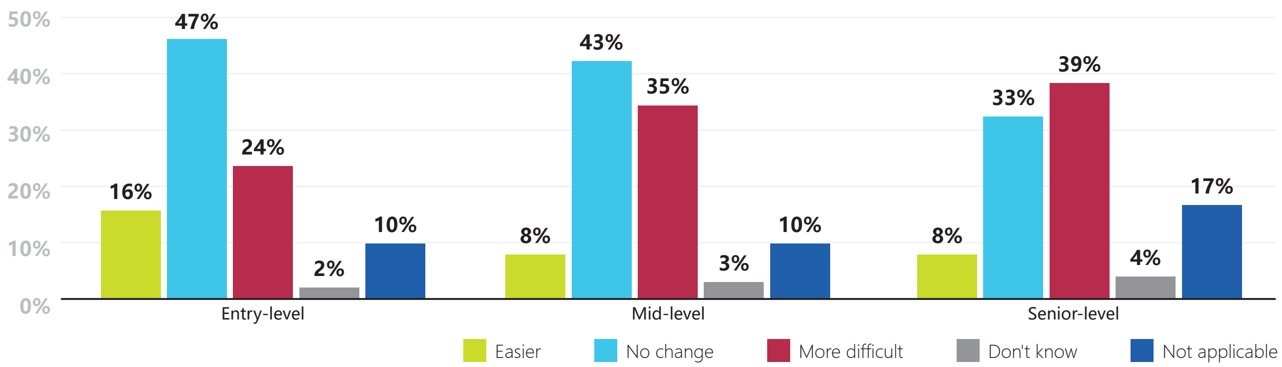
TALENT, TRAVEL AND COVID-19

HAVE YOU BEEN ABLE TO FIND THE TALENT YOU NEED TO OPERATE AND/OR GROW YOUR BUSINESS IN THE CHINESE MAINLAND OVER THE PAST YEAR?

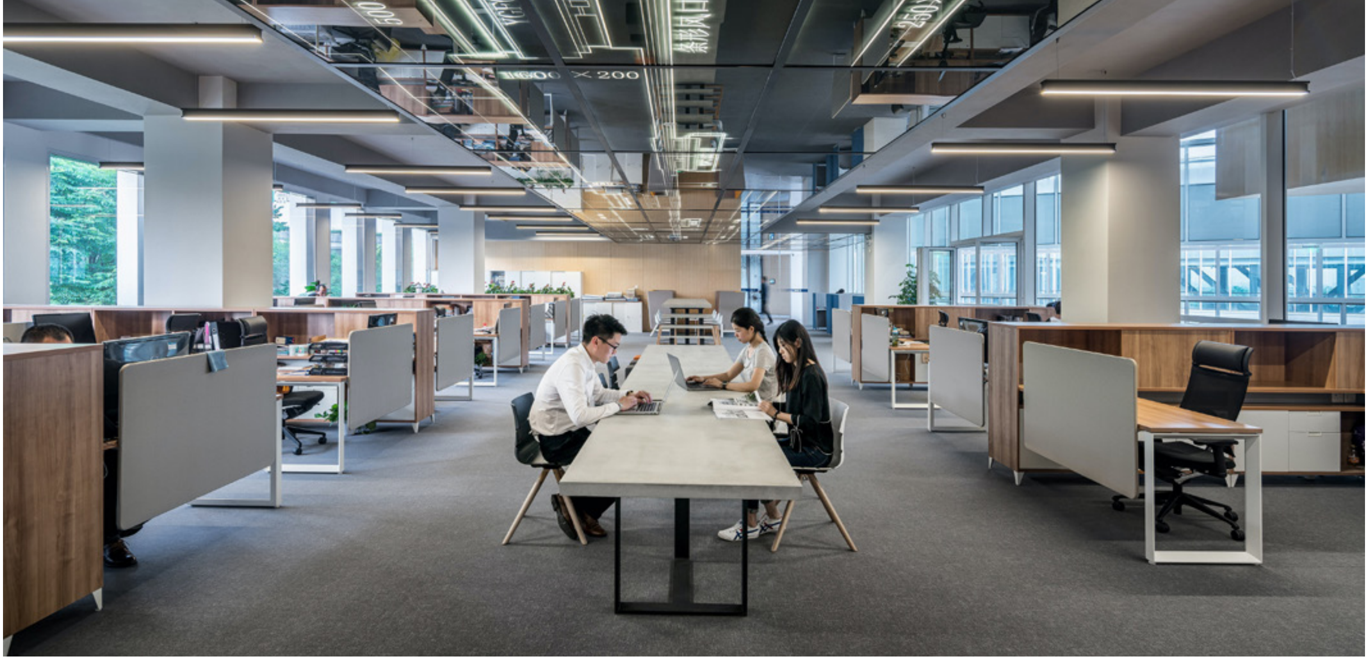


Similarly to last year, 64% of British businesses overall report they were able to find the talent needed to operate and grow their business in the Chinese mainland in 2021. However, finding the right talent has been considerably more difficult for smaller companies. Whereas just 56% of SMEs were able to find the talent they needed, this figure rises substantially to 82% for large multinationals. This is especially problematic for SMEs as it is crucial for small teams to ensure they find the best talent if they are to scale up their operations. Companies in the IT and telecommunications sector (42%) struggle the most compared other sectors.

HAS IT BECOME EASIER OR MORE DIFFICULT TO ATTRACT CHINESE TALENT TO WORK FOR YOUR ORGANISATION OVER THE PAST YEAR?



As with previous years, the more senior the level of employment, the more difficult businesses find it to attract Chinese talent to work for them. On the whole, just under half of British businesses see no change in attracting entry- or mid-level Chinese talent over the past year. However, a growing number are finding it harder to attract Chinese staff at all levels of the organisation. Companies in financial services (50%), healthcare (50%) and built environment (55%), are finding it notably more difficult to attract Chinese talent at senior-levels. Interestingly, the longer a company has operated in China, the harder they find it to attract local talent at all levels.

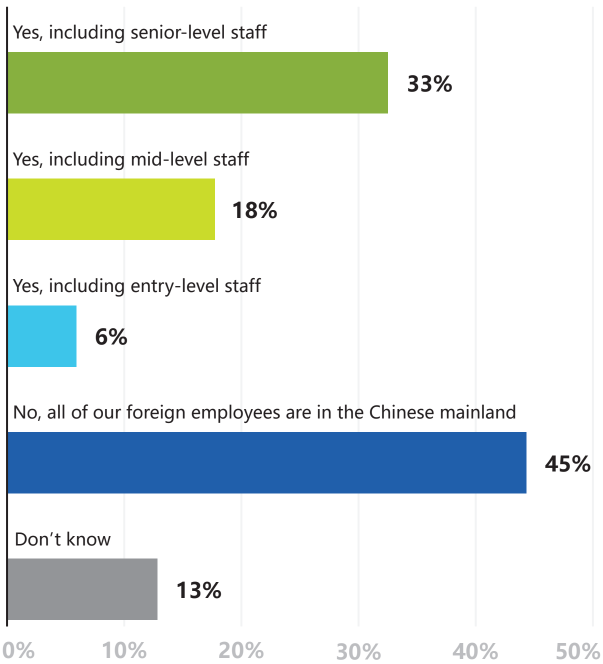


HOW HAS YOUR CHINA OPERATIONS' SITUATION CHANGED IN TERMS OF FOREIGN TALENT OVER THE PAST YEAR?

31%	We employ foreign passport holders and have seen no real changes
23%	There has been a net decrease in foreign employees in our organisation
23%	We do not employ any foreign passport holders
14%	We have received less interest in vacancies from potential foreign hires
9%	Don't know
6%	Other
4%	We have received more interest in vacancies from potential foreign hires
3%	There has been a net increase in foreign employees in our organisation

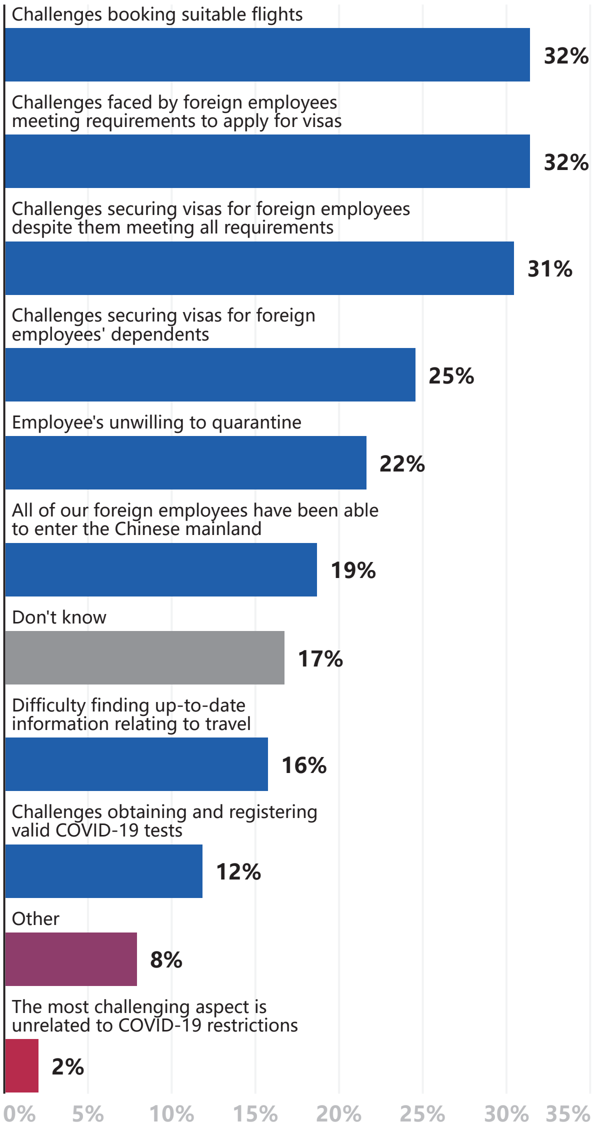
Despite China's borders being effectively closed for roughly a year and a half now, 31% British businesses have not seen any significant changes in their hiring of foreign talent over the past year. Yet it is concerning that 23% of companies report a net decrease in foreign employees. More companies in HTTL than average have seen a net decrease in foreign employees in their organisation, at 39%. Travel restrictions are having a material impact on the ability of businesses to find the right talent. Companies that struggled to find talent over the past year also show higher rates of less interest from (35%) and net decreases in foreign employees (42%), compared to companies that were able to find the talent they needed, at 10% and 19% respectively.

ARE ANY OF YOUR EXISTING OR NEW FOREIGN EMPLOYEES CURRENTLY UNABLE TO ENTER THE CHINESE MAINLAND?



Even now, 43% of British businesses still have foreign employees outside the Chinese mainland, the exact same figure as one year ago. Companies are also finding it more challenging to bring back foreign staff at higher levels of seniority, possibly driven by the inability to secure dependents' visas or difficulties obtaining visas at all. This has been especially difficult for companies in the built environment (50%) and energy (58%) sectors. Education companies are struggling the most to bring back foreign employees, and they are finding this especially problematic for mid-level staff at 44% of companies, compared to 18% overall.

IF ANY EXISTING OR NEW FOREIGN EMPLOYEES HAVE STRUGGLED TO ENTER CHINA DUE TO COVID-19 RESTRICTIONS, WHICH HAVE BEEN THE MOST CHALLENGING ASPECTS OF THE PROCESS?



For new or existing employees returning to China during the pandemic, securing visas and flights have been the primary challenges. Visa issues have been a major barrier, both in terms of meeting necessary visa requirements (32%) as well as securing visas even once all requirements have been met (31%). This indicates either that requirements are not sufficiently clear or that there are inconsistencies in the evaluation of application. Booking suitable flights (32%) has proved to be equally challenging, especially as the UK is one of the few countries where direct flights have not yet been reinstated. Education companies once again feel these challenges more acutely than other companies across all categories.

OVER THE NEXT YEAR, DOES YOUR ORGANISATION ANTICIPATE THAT A SIGNIFICANT NUMBER OF YOUR CURRENT FOREIGN EMPLOYEES WILL LEAVE CHINA INDEFINITELY FOR ANY OF THE FOLLOWING REASONS?

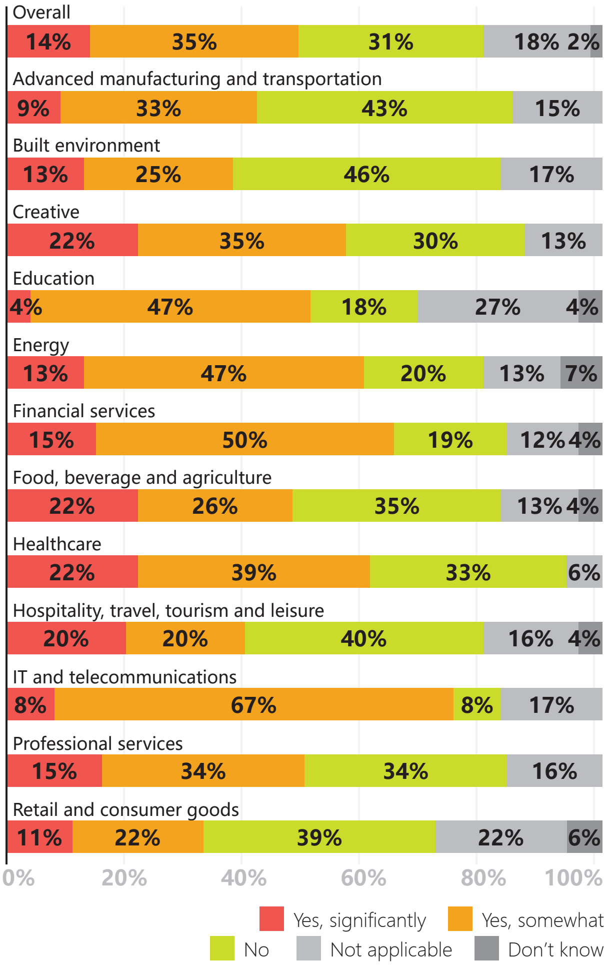
38%	No, we expect to have the similar number of or more foreign employees over the next year
36%	Yes, foreign employees feel they have been separated from friends and family for too long
31%	Yes, foreign employees feel they could be trapped outside of China if they leave
31%	Yes, foreign employees feel that travel requirements to re-enter China are too challenging
29%	Yes, foreign employees feel the logistics of re-entering China are too challenging
23%	Yes, foreign employees feel the costs of travelling back into China are too high
16%	Don't know
6%	Other

41% of British businesses expect that a significant number of foreign employees will leave China indefinitely over the next year, mainly owing to the emotional challenges of being separated from friends and family throughout the pandemic and the fear of being unable to return to China should they leave. At the same time, the travel requirements, logistics of re-entering China and costs of travelling back also represent significant challenges for around one in four businesses.

6

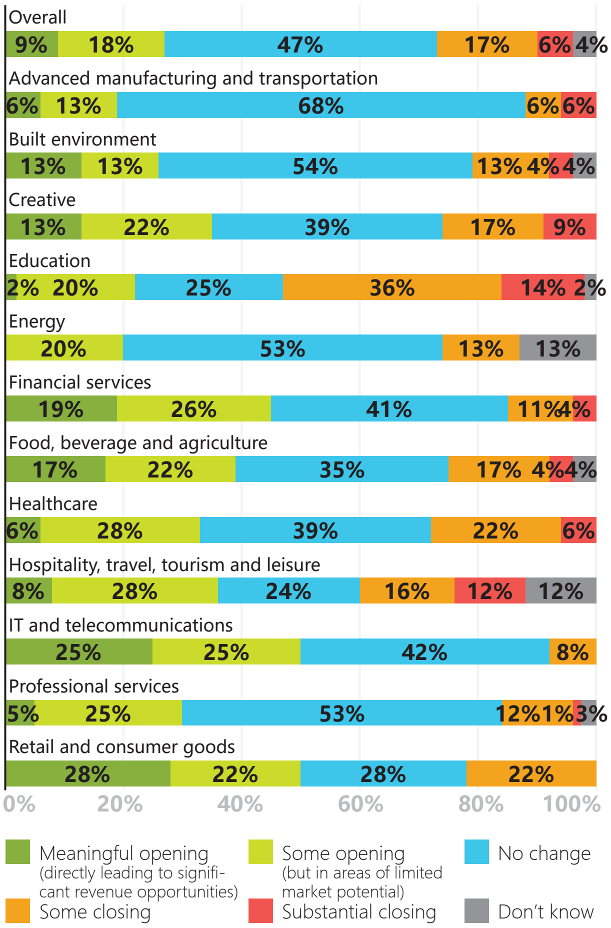
REGULATORY CHALLENGES

DO MARKET ACCESS BARRIERS LIMIT YOUR OPERATIONS IN THE CHINESE MAINLAND?



Although the Chinese government regularly pledges to improve market access for foreign companies, the number of British businesses facing market access barriers remains largely unchanged from 2020. Roughly half of companies remain constrained by market access challenges. IT and telecommunications, financial services, energy and healthcare are the most restrictive sectors for foreign investors. Although the severity of these barriers has reduced since last year, 75% of IT companies face market access barriers. Creative companies are also more likely to report facing market access barriers across the board, rising from 34% last year to 57% this year, and twice as many food, beverage and agriculture companies are reporting significant barriers year-on-year.

HAVE THERE BEEN ANY MEANINGFUL MARKET OPENINGS OR CLOSINGS IN YOUR SECTOR IN THE PAST YEAR?



A quarter of UK companies have seen market openings of some form in 2021. For retail and consumer goods companies, this opening – which may include policies such as the removal of animal testing requirements for cosmetics – was of real benefit. Financial services companies (19%) and IT and telecommunications companies (25%) report similar significant openings. In many more cases, however, these openings are in areas of limited market potential, or there have been no market openings at all. Two fifths of AMT companies report that they face market access barriers, but the vast majority have seen no change to the business environment. Somewhat unsurprisingly, given the sudden crackdown on afterschool education in July, 49% of education companies report market closings in their sector.

WHAT IMPACT DO THE FOLLOWING REGULATORY CHALLENGES HAVE ON YOUR ORGANISATION'S CURRENT ABILITY TO DO BUSINESS IN THE CHINESE MAINLAND?

RANKING	Regulatory Challenge	COMPARISON TO 2020-2021 RANKING
1	Employing foreign staff	↑ 3
2	Navigating cybersecurity and IT regulations	↓ 1
3	Enforcement of laws and regulations	↑ 3
4	Transparency of the business environment*	↑ 6
5	Public procurement policy and practices	↑ 7
6	Consultation ahead of regulatory changes*	↑ 4
7	Taxation landscape for foreign firms	—
8	Accessing or moving company finances	↓ 6
9	Competition with SOEs	↓ 6
10	Alignment with international standards	↓ 5
11	Customs requirements	↓ 3
12	Obtaining business licences and certificates	↓ 3
13	Intellectual property rights protection	↓ 2
14	Employing local staff	↑ 1
15	Recognition of professional qualifications	↓ 1

* In previous years this was combined into transparency and consultation ahead of regulatory changes

This year, employing foreign staff has unseated navigating cybersecurity and IT regulations – the top issue for the past three years – as the most burdensome challenge for British businesses in China. As previously explored, this is due to the significant hurdles current or new employees face re-entering the Chinese mainland. Significant challenges around cybersecurity have yet to be resolved, however, and it remains a priority issue. Enforcement of laws and regulations has risen from sixth to third, driven by companies from the education and HTTL industries likely in response to regulatory shocks over the summer and uneven COVID-19 public health requirements.

Issues previously ranked highly, such as intellectual property (IP) rights protection, obtaining business licences and certificates, accessing or moving company finances and competition with SOEs have fallen year-on-year. Further improvements could nevertheless be made, with some sectors continuing to rank these issues among their top three regulatory challenges.

SO	Competition with SOEs	LR	Enforcement of laws and regulations
IT	Navigating cybersecurity and IT regulations	TL	Taxation landscape for foreign firms
BL	Obtaining business licences and certificates	PQ	Recognition of professional qualifications
CR	Customs requirements	CF	Accessing or moving company finances

Advanced manufacturing and transportation

	AEROSPACE AND AVIATION	AUTOMOTIVE AND AUTO COMPONENTS	MANUFACTURING	TRANSPORTATION, LOGISTICS AND DISTRIBUTION
Companies with foreign staff unable to enter China	40%	27%	26%	33%
Top regulatory challenge	PP	IT	LR	FS
Second challenge	IT	PP	IT	CR
Third challenge	SO	TL	FS	CF

Built environment

	BUILT ENVIRONMENT SERVICES	CONSTRUCTION AND CIVIL ENGINEERING	REAL ESTATE DEVELOPMENT
Companies with foreign staff unable to enter China	58%	50%	43%
Top regulatory challenge	SO	IT	FS
Second challenge	PP	FS	IT
Third challenge	FS	SO	TC

Creative

	MARKETING AND COMMUNICATIONS	MEDIA AND PUBLISHING
Companies with foreign staff unable to enter China	31%	20%
Top regulatory challenge	FS	IT
Second challenge	CF	CR
Third challenge	IT	SO

Education

	EARLY YEARS AND K12	HIGHER EDUCATION	OTHER EDUCATION BUSINESS
Companies with foreign staff unable to enter China	72%	92%	50%
Top regulatory challenge	FS	FS	FS
Second challenge	LR	LR	LR
Third challenge	CC	CC	BL

Energy

	ENERGY
Companies with foreign staff unable to enter China	58%
Top regulatory challenge	IT
Second challenge	PP
Third challenge	FS

Financial services

	FINANCIAL SERVICES
Companies with foreign staff unable to enter China	32%
Top regulatory challenge	IT
Second challenge	FS
Third challenge	TB

Food, beverage and agriculture

	AGRICULTURE	FOOD AND BEVERAGE
Companies with foreign staff unable to enter China	33%	41%
Top regulatory challenge	CR	CR
Second challenge	PP	CC
Third challenge	LR	SO

TB	Transparency of the business environment	ST	Alignment with international standards
FS	Employing foreign staff	CC	Consultation ahead of regulatory changes
LS	Employing local staff	IP	Intellectual property rights protection
PP	Public procurement policy and practices		

	Healthcare		
	HEALTHCARE SERVICES	MEDICAL DEVICES	PHARMACEUTICALS
Companies with foreign staff unable to enter China	33%	33%	0%
Top regulatory challenge	FS	IT	IT
Second challenge	IT	FS	FS
Third challenge	PP	CC	IP

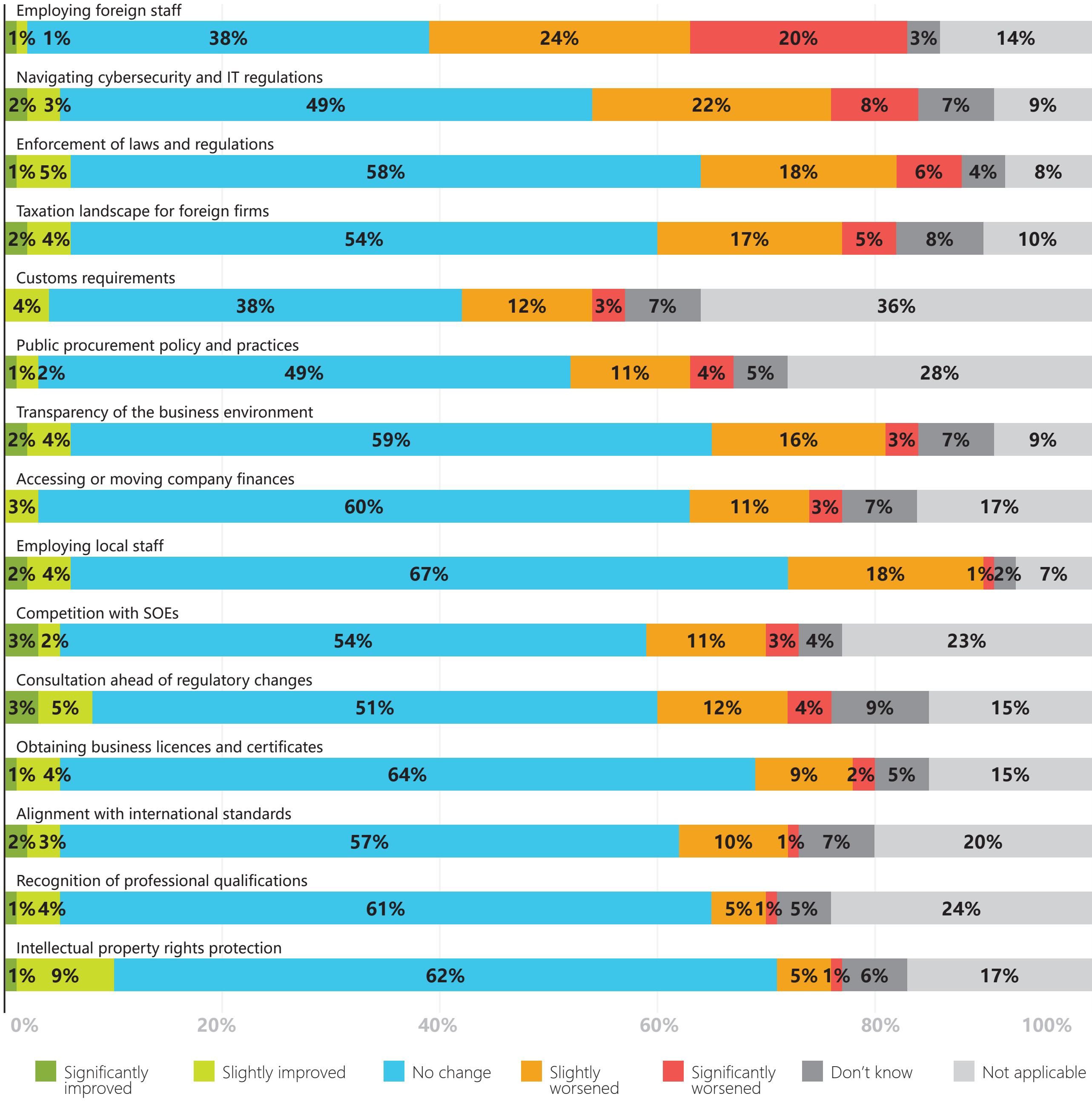
	Hospitality, travel and tourism	
	HOSPITALITY	TRAVEL, TOURISM AND LEISURE
Companies with foreign staff unable to enter China	0%	27%
Top regulatory challenge	LR	FS
Second challenge	LS	LR
Third challenge	PP	CF

	IT and telecommunications
	IT AND TELECOMMUNICATIONS
Companies with foreign staff unable to enter China	20%
Top regulatory challenge	IT
Second challenge	CF
Third challenge	TB

	Retail and consumer goods
	RETAIL AND CONSUMER GOODS
Companies with foreign staff unable to enter China	50%
Top regulatory challenge	CR
Second challenge	CF
Third challenge	SO

	Professional services		
	ACCOUNTANCY	BUSINESS ADVISORY OR BUSINESS SERVICES	LEGAL SERVICES
Companies with foreign staff unable to enter China	25%	38%	64%
Top regulatory challenge	FS	FS	TL
Second challenge	LR	IT	FS
Third challenge	TB	TB	PP

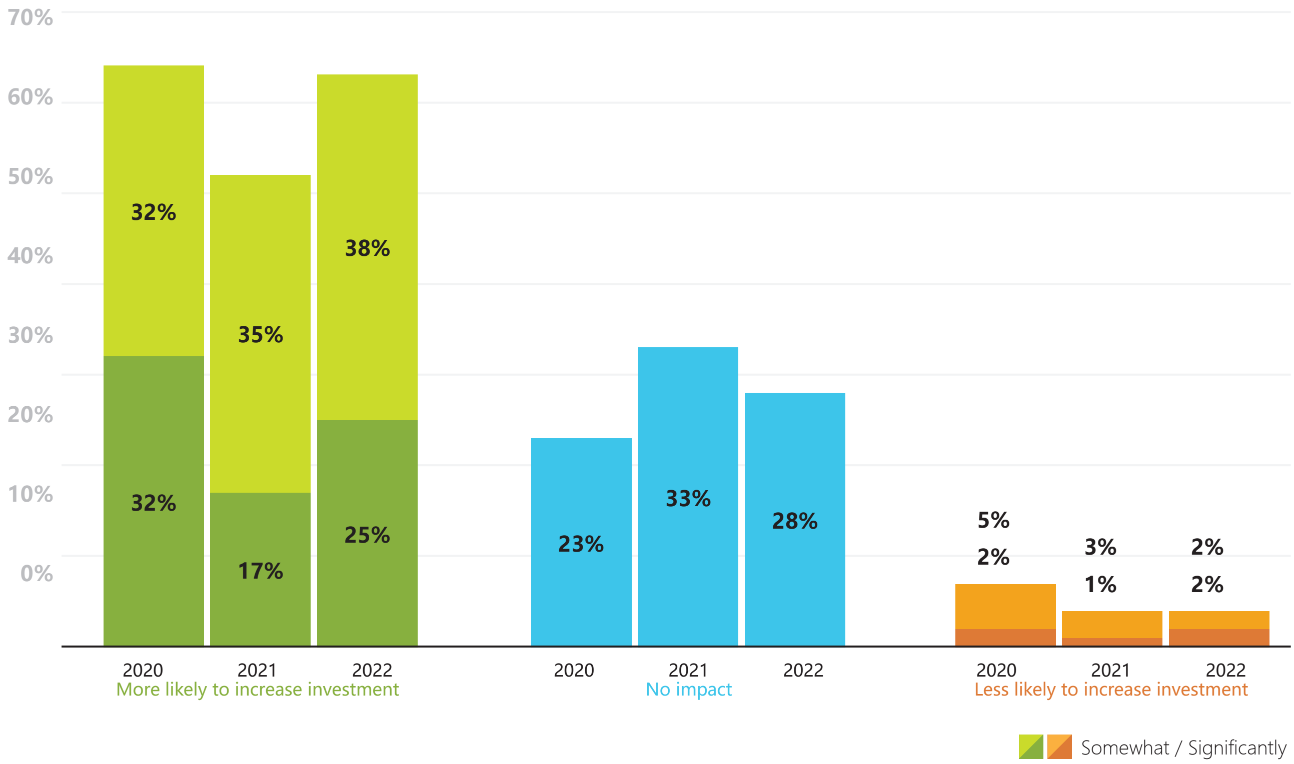
HOW HAVE THE FOLLOWING REGULATORY CHALLENGES CHANGED OVER THE PAST YEAR IN TERMS OF IMPACT ON YOUR ORGANISATION'S OPERATIONS IN THE CHINESE MAINLAND?



The only regulatory area to have improved over the past year, according to British businesses, is protection of IP, reflecting an ongoing trend in previous surveys. Even so, the improvement has been slight. For the majority of British companies, there has been scant improvement to China's regulatory landscape over the past year. Nevertheless, a significant minority report a deterioration in terms of the three most challenging issues facing them: hiring foreign staff, navigating cybersecurity regulations and the enforcement of laws and regulations.

Navigating China's customs requirements, which has been subject to increased scrutiny and disruption during the pandemic and sudden changes, has also become more difficult, particularly for larger companies. There has been some divergence too between the experiences of Beijing- and Shanghai-headquartered businesses. Companies based in Beijing note that transparency of the business environment, accessing and moving company finances and customs requirements have worsened the most over the past year. In Shanghai, companies report that year-on-year the greatest deteriorations have been in employing foreign staff, navigating cybersecurity regulations and the taxation landscape for foreign firms.

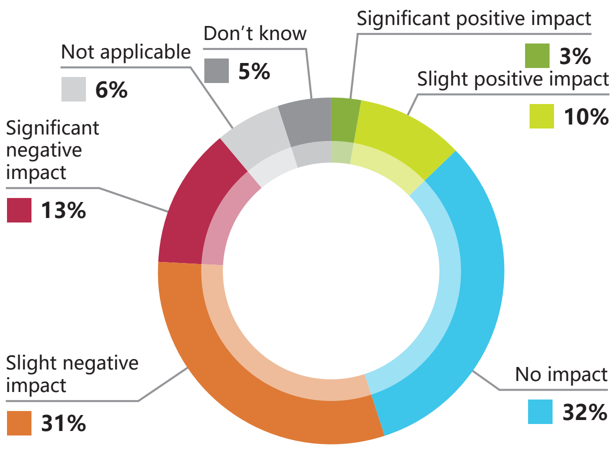
IF GREATER MARKET ACCESS (DIRECT AND INDIRECT) WERE GRANTED TO FOREIGN COMPANIES IN YOUR INDUSTRY, HOW WOULD THIS IMPACT YOUR ORGANISATION'S INVESTMENT DECISIONS IN THE CHINESE MAINLAND?



* Direct market access barriers are defined as measures that directly restrict participation, such as the Negative List, and indirect market access barriers are defined as those listed in the question above, such as cybersecurity challenges or human resources challenges.

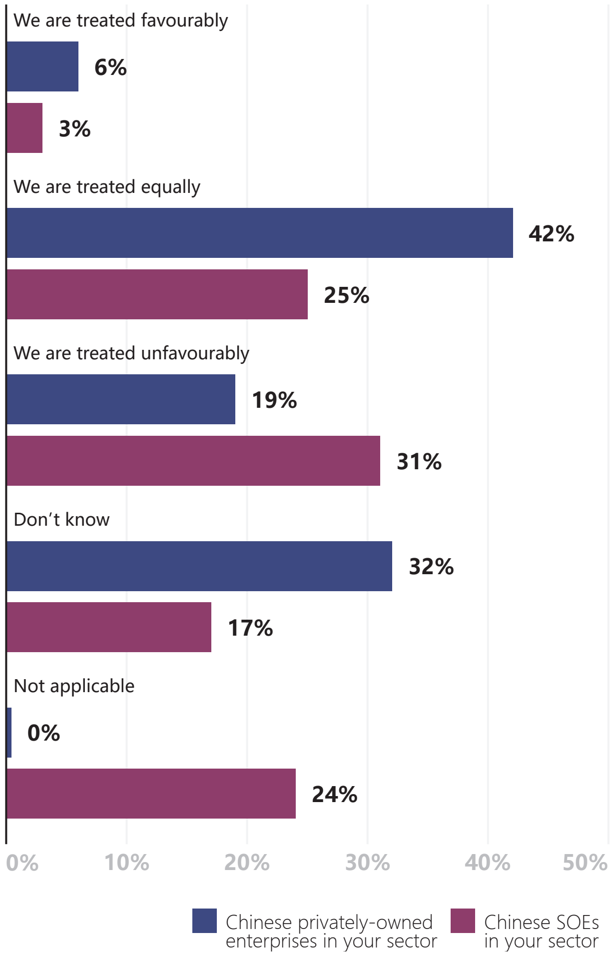
With businesses still reeling from the aftershocks of COVID-19 last year, only 52% reported that they would increase investment with further market opening in 2020. This figure has now rebounded to 63% of companies, on par with pre-pandemic levels. The IT and telecommunications (80%), financial services (80%) and healthcare (78%) sectors are particularly enthusiastic, possibly because of the openings they have already seen in their sectors.

WHAT IMPACT HAVE RECENT REGULATORY CRACKDOWNS BY THE CHINESE GOVERNMENT IN SOME SECTORS HAD ON THE CONFIDENCE OF YOUR ORGANISATION'S PRIMARY INVESTORS TOWARDS THE CHINESE MARKET?



Following the sweeping regulatory overhaul in China that began in the summer, investor sentiment has naturally been somewhat shaken. 44% of businesses report that confidence among their primary investors has been negatively impacted by these recent announcements. Unsurprisingly, this has had a negative impact for 51% of education companies. However, an even higher rate of healthcare companies (56%) report this has had a negative impact, indicating anxieties among investors that the government's focus could soon shift to the healthcare sector.

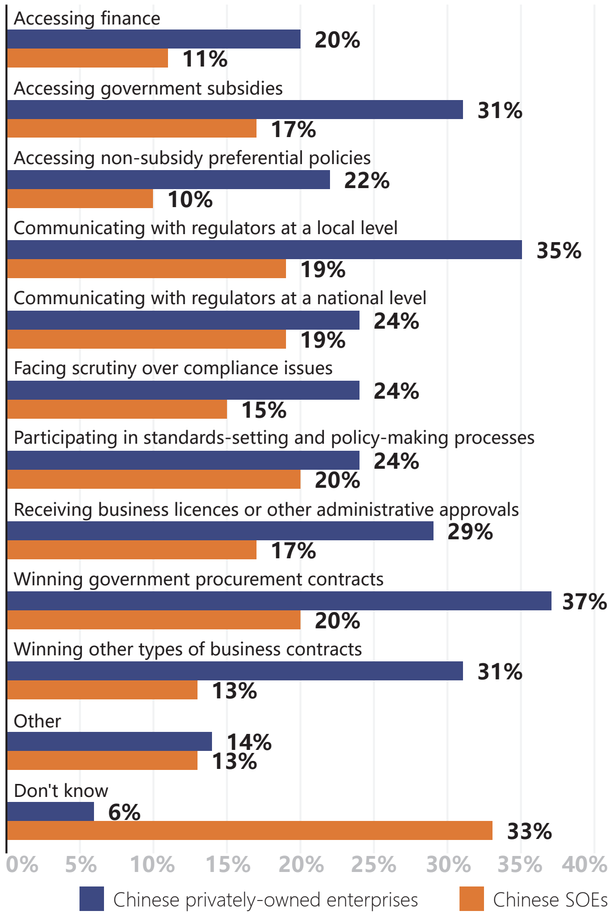
HOW DOES TREATMENT OF YOUR ORGANISATION BY THE CHINESE GOVERNMENT COMPARE TO THAT OF...?



In recent years, the Chinese government has made repeated pledges that foreign businesses should be able to compete on a level playing field with indigenous firms. Yet, largely unchanged from last year, one third of British companies feel they are treated unfairly in comparison to Chinese SOEs. Unfair treatment compared to SOEs is slightly more acute for SMEs, which are six percentage points more likely to report unfair treatment compared to large multinationals. By contrast, organisational size does not seem to impact treatment in comparison to domestically-owned private competitors. Two fifths of companies overall believe they are treated equally with their domestic private competitors.

The energy and built environment sectors are the most likely to report unequal treatment compared to SOEs. The only sector to report high levels of unfair treatment compared to private competitors are professional services, at 29%. A significant minority of financial services companies, by contrast, report that they receive favourable treatment compared to private competition (15%).

IN THE PAST YEAR, IN WHICH AREAS HAS YOUR ORGANISATION FACED UNFAVOURABLE TREATMENT IN THE FOLLOWING AREAS COMPARED TO...?

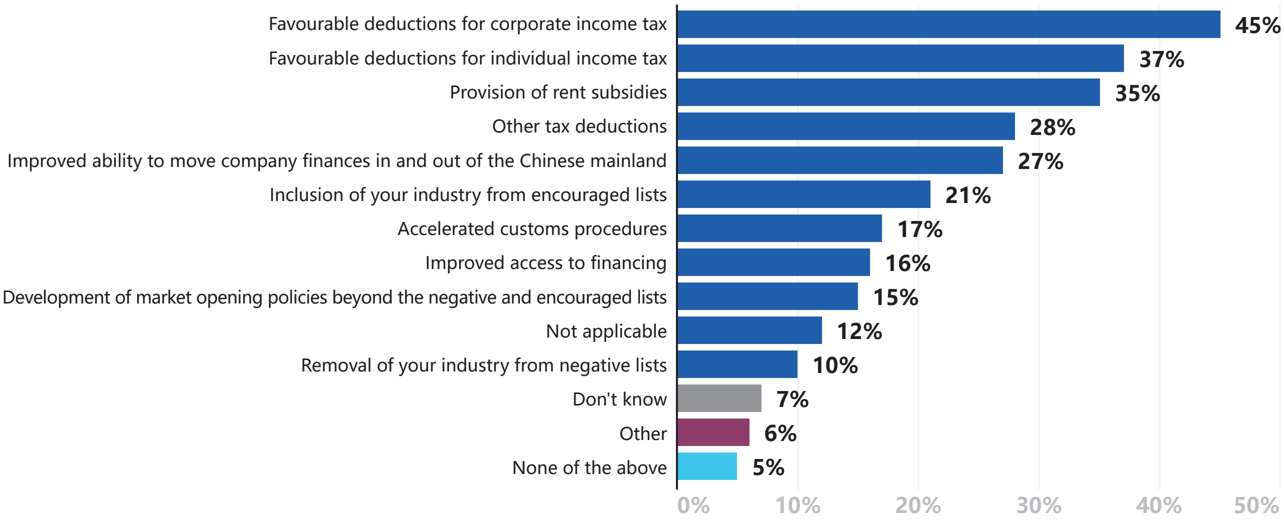


For British businesses, this unequal treatment largely manifests itself in the ability to win business contracts and influence government decision-making. Chinese private enterprises enjoy preferential treatment particularly around government procurement, communicating with local regulators and winning other business contracts.

When competing with SOEs, both multinationals and SMEs are equally constrained around procurement, which is unsurprising considering that procurement contracts are often drawn up in a way to favour SOEs. Participation in standards-setting or policy-making processes and communication with both national and local regulators are also areas in which companies report unfair competition.

Equally of concern, a high proportion of companies who report an un-level playing field compared to SOEs are unsure how exactly they are treated unfairly. This is striking considering only 6% of companies report similar uncertainty around private competition.

WOULD ANY OF THE FOLLOWING PREFERENTIAL POLICIES ENCOURAGE YOU TO INCREASE INVESTMENT IN A PARTICULAR CITY OR REGION?



When it comes to regional governments efforts' to attract foreign investment, policies which lower the operating costs for businesses are the most effective for British businesses. While there is some variation between sectors, corporate income tax (CIT) deductions are by and large the most popular, with 45% of companies stating that this would encourage them to increase investment in a particular region. Reductions to the Individual Income Tax (IIT) allowance, coupled with travel restrictions, have reduced China's overall standing as a destination for top-level foreign talent. British businesses would therefore encourage local governments to consider favourable deductions as another incentive to lure investment. Companies based in Guangdong and Southwest China would also be attracted by a greater ease of accessing and moving company finances.

DIVERGING ROADS: EDUCATION AND FINANCIAL SERVICES

EDUCATION	FINANCIAL SERVICES
75% of companies found it harder to do business in 2021	**45%** of companies found it harder to do business in 2021

EDUCATION	FINANCIAL SERVICES
50% saw market closing over the past year	**44%** saw market opening over the past year

While business optimism towards the China market has grown overall, some sectors have fared better than others in navigating the turbulence of 2021. The contrasting fortunes of the education and financial services sectors are particularly striking.[1] Regulatory and pandemic-related factors have led to a taxing year for British education companies. The sudden implementation of the 'double reduction' policy decimated the afterschool tutoring industry overnight, and likely drives the fact that half of education companies have seen market closings over the past year. By contrast, 44% of financial services companies have seen market openings – either meaningful or of limited value – after several policies were enacted to strengthen and open up China's financial services landscape.

As a result, financial services companies are notably more optimistic about the market (66%) compared to education companies (50%). 75% of education companies found

1 The size of typical market players in both sectors is also likely to have had some influence, with 41% of financial services companies generating over GBP 500 million (RMB 4.4 billion) in global earnings per year, compared to only 4% of education companies.

62%
of education companies are not growing investment

38%
of financial services companies are not growing investment

EDUCATION

23%
have all of their foreign employees in China

FINANCIAL SERVICES

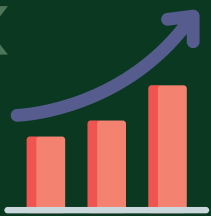
52%
have all of their foreign employees in China

EDUCATION

31%
say regulatory crackdowns had a significant negative impact on investor confidence

FINANCIAL SERVICES

8%
say regulatory crackdowns had a significant negative impact on investor confidence



doing business more difficult in 2021, against only 45% of financial services companies. Going into 2022, education enterprises are also more likely than average to decrease investment (18%), while the same is true of only 3% of financial services companies.

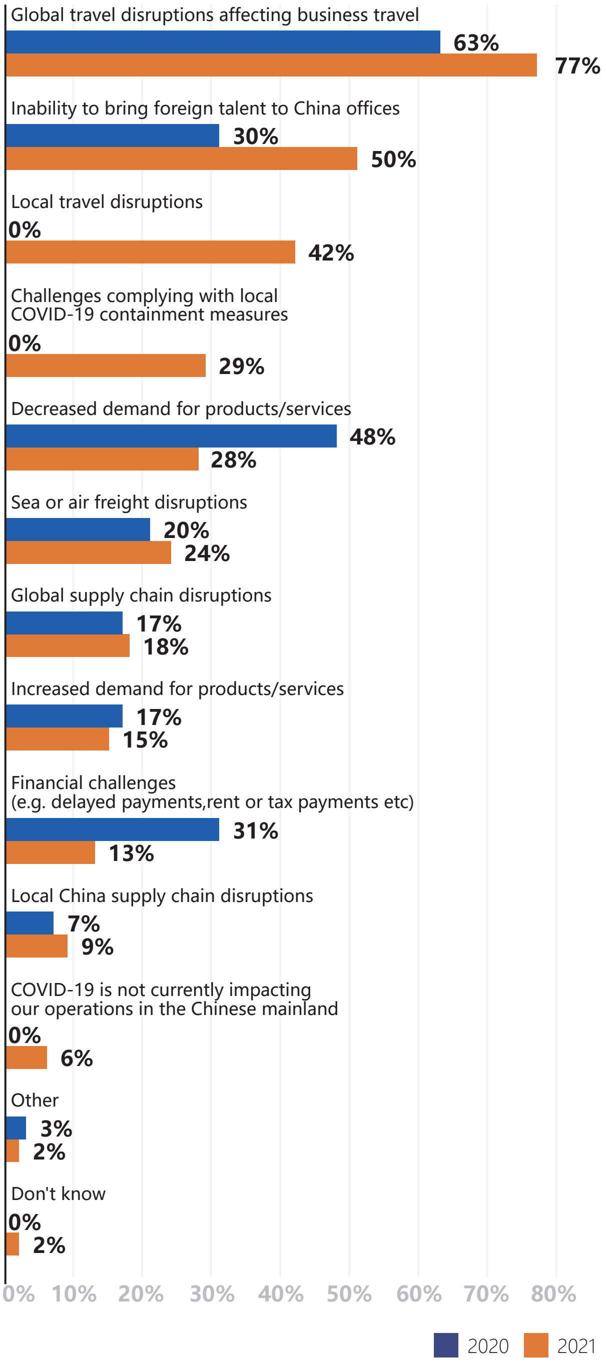
The two sectors face different hurdles when finding talent. 17% of financial services companies in China report an inability to attract and hire the right talent, and are most likely to have found it harder in the past year to find mid- and senior-level local staff (37% and 50% respectively). However, challenges around foreign talent are of less concern.

29% of education companies, on the other hand, have been unable to find the talent they need in the Chinese mainland. An overwhelming 70% of education companies also anticipate significant outflows of foreign employees from China next year should China's current travel restrictions remain in place, which is especially problematic considering their high reliance on foreign teachers. This is less impactful for financial services firms. 58% expect minimal change to the number of their foreign employees over the next year, due partially to a relatively high level of localisation.

7

POLITICAL AND ECONOMIC TRENDS

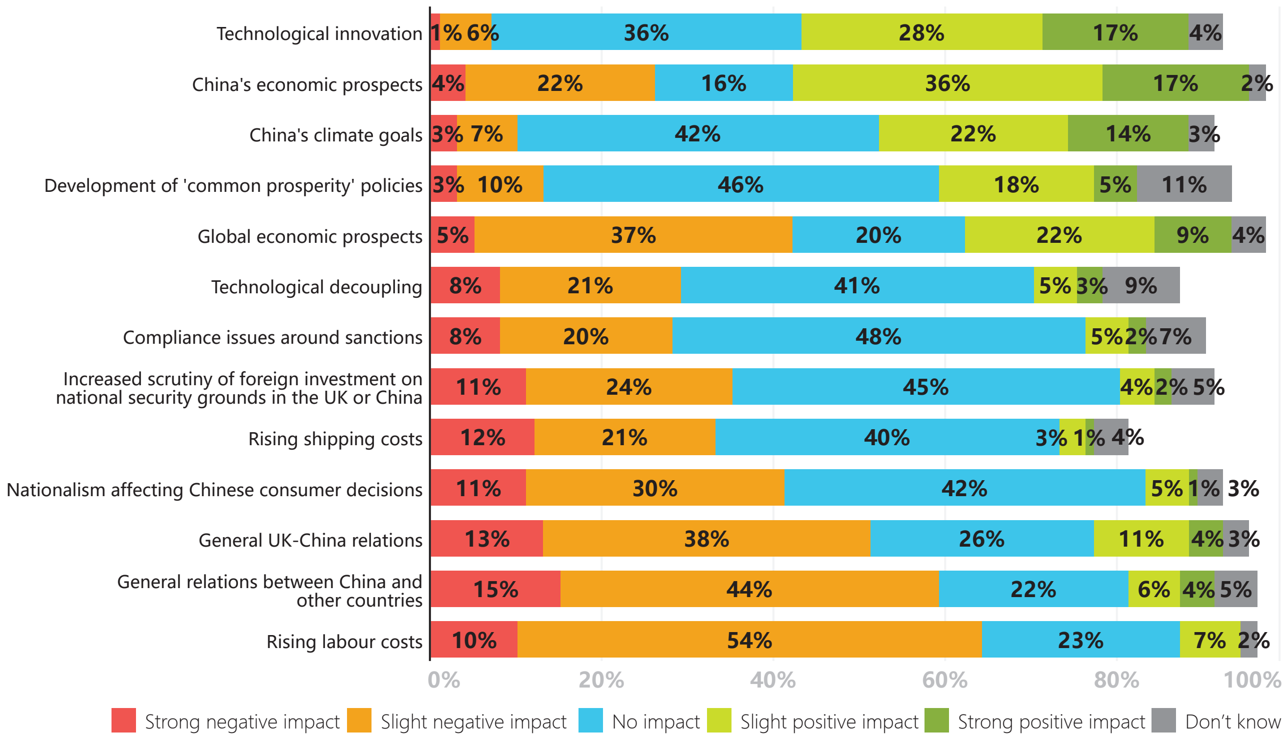
HOW IS COVID-19 CURRENTLY IMPACTING YOUR ORGANISATION'S OPERATIONS IN THE CHINESE MAINLAND?



COVID-19 continues to weigh on the operations of UK businesses in China, but the nature of this impact has shifted noticeably over the past year. Numerous challenges, namely global travel disruptions (77%) and an inability to bring foreign talent into China (50%), have worsened significantly since 2020, when they stood at 63% and 30% respectively. By contrast, it is encouraging to see a smaller proportion of companies reporting drops in demand (28%) and financial challenges associated with the pandemic (13%) compared with the previous year (48% and 31% respectively).

New challenges have also emerged, most notably, local travel disruptions owing to China's continued commitment to a zero-COVID policy. Unsurprisingly, this is being particularly felt by Beijing-based companies (50%) compared with businesses in Shanghai (38%) and Guangdong (19%) for example, given the far tighter restrictions on travellers entering the capital. Goods companies are also suffering disproportionately from disruptions related to sea or air freight and supply chains, especially in AMT, energy, food, beverage and agriculture, and retail and consumer goods, while global and local travel disruptions are having a relatively greater impact on services firms.

PLEASE ASSESS THE FOLLOWING TRENDS IN TERMS OF THEIR IMPACT ON YOUR ORGANISATION'S PROSPECTS IN THE CHINESE MAINLAND OVER THE NEXT YEAR.

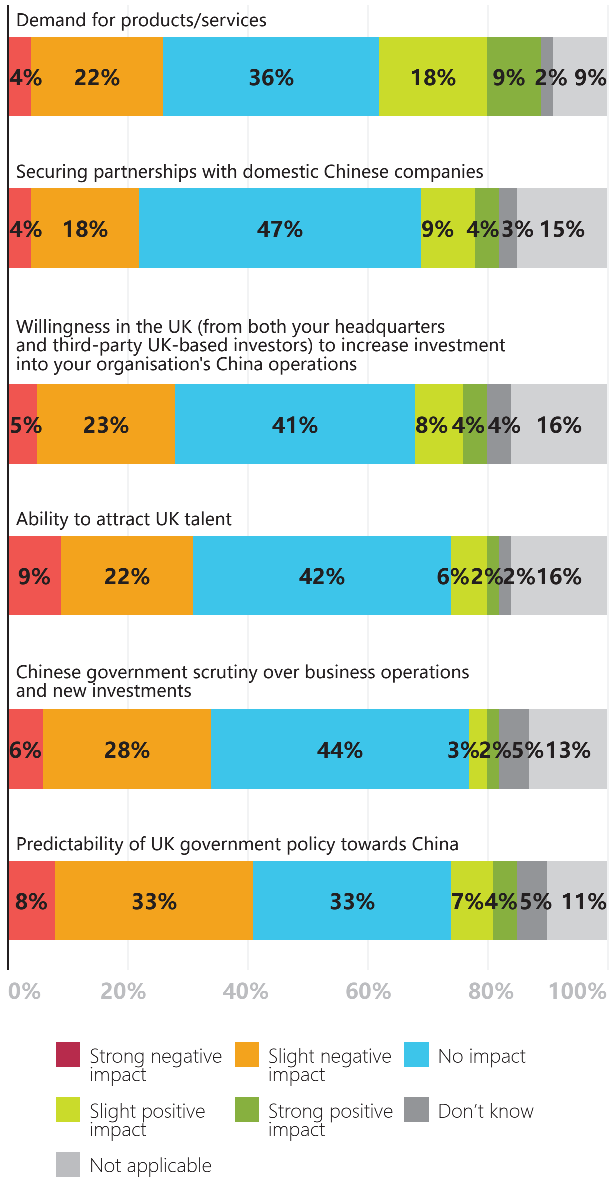


After several turbulent years, businesses will enter 2022 far more upbeat about China's economic prospects than on the global recovery. Despite this survey being taken as the Evergrande saga began to unfold in China, 54% of companies remain optimistic about the country's economic trajectory and the business opportunities this brings. Yet, growth has brought about challenges as well, most notably in rising labour costs. This has been a persistent issue for many years, but has risen to become the most prominent concern for businesses going into 2022, likely driven by persistent inflationary pressures. The outlook on the global economy and its impact on businesses in China is far from clear cut, with only 31% seeing it having a positive impact as opposed to 42% viewing it in negative terms. Rising shipping costs, a newly added option this year, has further added to the many complications businesses face globally, and is now the top concern for goods companies.

Anxieties around geopolitics and nationalism also linger. The proportion of companies anticipating UK-China relations having a negative influence on their operations has fallen over the past year, but still remains at 51% of companies. Given that, by many accounts, China's relations with the US have continued to deteriorate under the Biden administration, it is of little surprise that more companies believe China's relations with other countries will have a detrimental impact, especially among energy (71%) and healthcare (83%) businesses, and is the top concern for large multinationals on the whole. However, compared with last year, fewer companies expect geopolitical tensions to translate into material challenges such as compliance issues around sanctions (28% compared to 31%) and technological decoupling (29% compared to 37%). This is despite developments this year such as the sudden implementation of China's Anti-Foreign Sanctions Law.

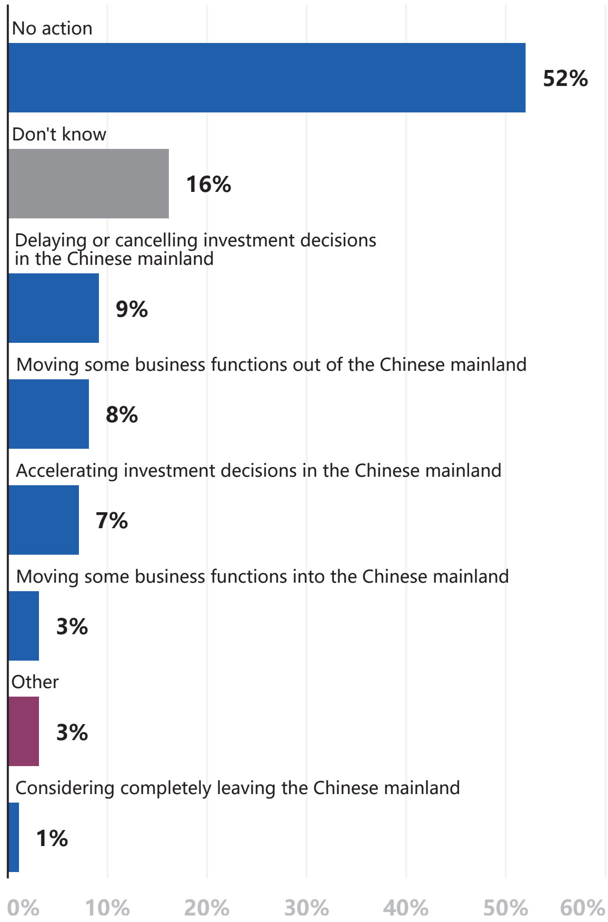
In the eyes of businesses, the areas of opportunity going into 2022 also broadly align with the Chinese government's overarching policy goals. Technological innovation, an underlying theme of the 14th Five-Year Plan, remains the area viewed most favourably by UK companies across most industries. China's climate goals is the only option ranked among the top three opportunities across each industry, and unsurprisingly, is viewed the most favourably by energy companies. Despite receiving widespread attention from media and analysts, 46% of companies project that policies around common prosperity will have no impact on them next year, and more companies also project a positive impact (23%) than a negative one (13%). Even among firms in education and IT, sectors that have already been wrapped up in this new policy drive, slightly more companies view common prosperity in positive rather than negative terms.

WHAT IMPACT HAS CURRENT UK-CHINA RELATIONS HAD ON YOUR BUSINESS OPERATIONS WITHIN THE CHINESE MAINLAND IN THE FOLLOWING AREAS?



Difficulties predicting the UK government's policy towards China remains the area that is having the biggest impact on businesses in terms of UK-China relations. This suggests a continued concern among the business community as to the lack of a consistent approach taken towards working with China. More positively though, political relations are having relatively little impact on securing partnerships with Chinese firms. Impact on demand is more divided, although marginally more companies have experienced higher demand due to UK-China relations than a drop in demand, particularly for companies in financial services (42% positive impact). Across most indicators, healthcare companies experienced more of a negative impact from UK-China relations than average.

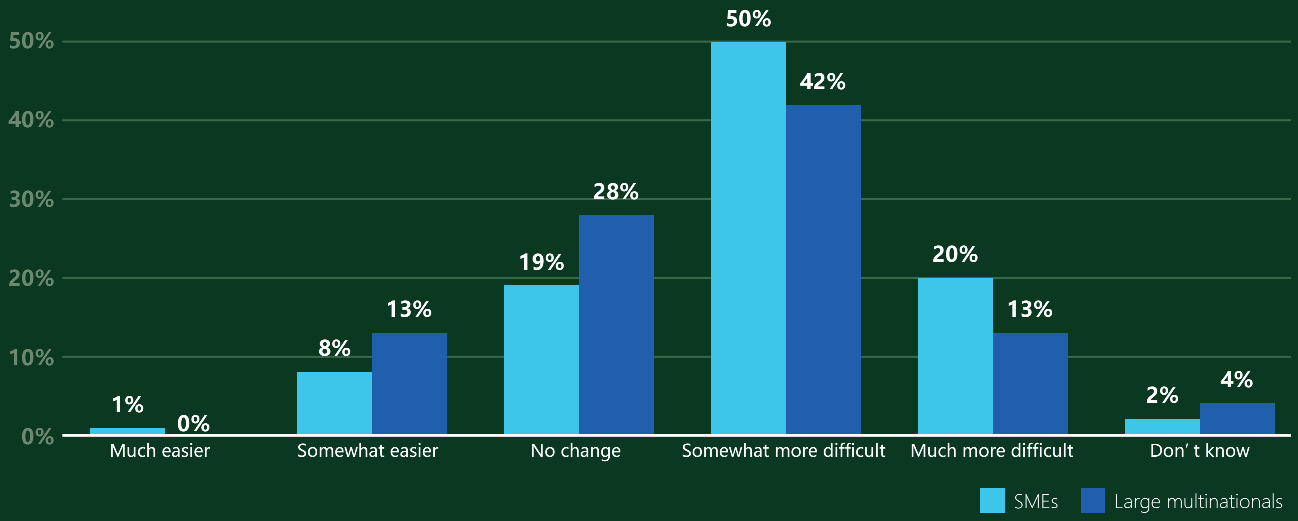
WHAT ACTIONS HAS YOUR ORGANISATION TAKEN OR IS CONSIDERING TAKING IN RESPONSE TO GEOPOLITICAL TENSIONS INVOLVING CHINA?



Even as geopolitical tensions have ratcheted up over the past year, businesses are sticking to their game plans. By most accounts, the proportion of companies not taking action due to geopolitical tensions has risen year-on-year, with the exception of moving more business functions into China which has slightly increased. For companies taking measures in response, they are most likely to be delaying or cancelling investment decisions (9%), particularly for healthcare and built environment firms (both 17%). Additionally, 8% of companies are moving some business operations out of China, which is highest for energy and retail and consumer goods companies (both 21%). Despite large multinationals reporting that geopolitical tensions is having a bigger negative impact on their operations than SMEs, it is SMEs that are taking more drastic action: 13% of SMEs are delaying or cancelling investment and 12% moving operations out of China, compared to large multinationals at 4% and 6% respectively. Furthermore, whereas just 4% of companies headquartered in Beijing are cancelling or delaying investment plans, this rises to 12% for Shanghai-based firms.

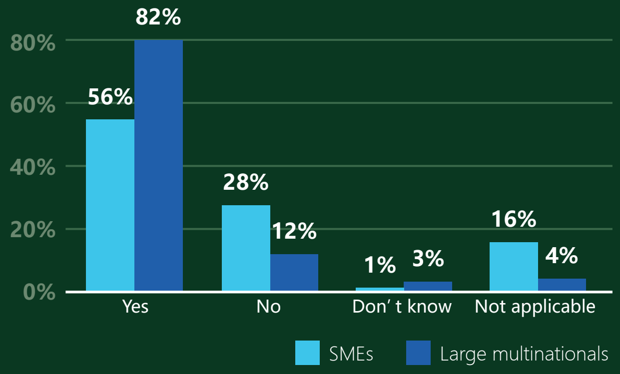
LARGE MULTINATIONAL COMPANIES VS. SMALL AND MEDIUM-SIZED ENTERPRISES

HAS DOING BUSINESS IN THE CHINESE MAINLAND BECOME EASIER OR MORE DIFFICULT OVER THE PAST YEAR?



As the operating environment has shifted noticeably over the past year, smaller companies (70%) are more likely than large multinationals (55%) to have found doing business in China has become more difficult. This is despite the Chinese government's continued emphasis on supporting SMEs through incremental improvements to the business environment. While large multinationals who found doing business more difficult are more likely to attribute this to regulatory challenges (44%), SMEs point to a mix of regulatory challenges (31%) and other factors (28%), predominantly related to COVID-19.

HAVE YOU BEEN ABLE TO FIND THE TALENT YOU NEED TO OPERATE AND/OR GROW YOUR BUSINESS IN THE CHINESE MAINLAND OVER THE PAST YEAR?



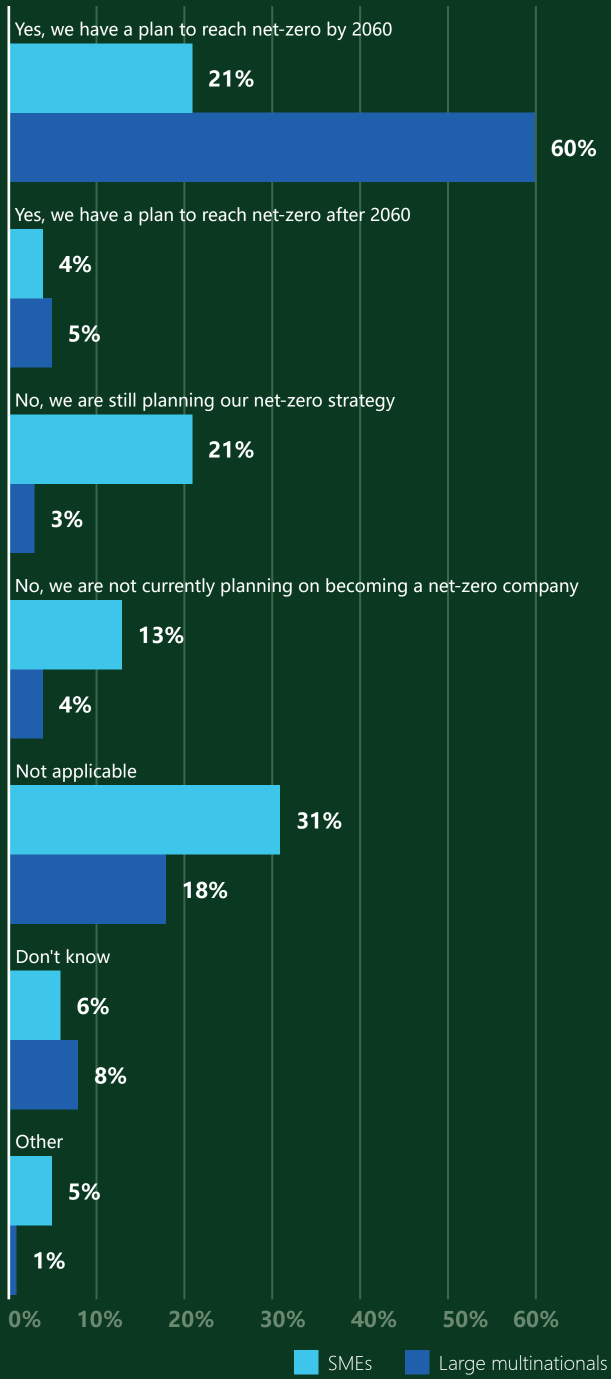
Only 56% of SMEs can find the talent they need in China's labour market, compared to 82% of larger multinationals. This is concerning as individual team members arguably have a bigger influence on smaller companies, which makes it especially critical for SMEs to find the best fit for vacancies. Rising labour costs and continued barriers to bringing foreign talent into China could both be factors driving this particular challenge for SMEs and large multinationals alike.

WHAT IMPACT DO THE FOLLOWING REGULATORY CHALLENGES HAVE ON YOUR ORGANISATION'S CURRENT ABILITY TO DO BUSINESS IN THE CHINESE MAINLAND?

SMEs	Large multinationals
1. Employing foreign staff	1. Employing foreign staff
2. Transparency of the business environment	3. Navigating cybersecurity and IT regulations
3. Enforcement of laws and regulations	3. Public procurement policy and practices

Both large multinationals and SMEs find employing foreign staff to be the most challenging regulatory obstacle, which has a negative impact on more than half of all businesses. However, while large multinationals also consider navigating cybersecurity and IT regulations and public procurement policy and practices to be critical challenges, SMEs are more constrained by transparency of the business environment and enforcement of laws and regulations, likely linked to significant uncertainty in the business environment following the regulatory shocks over the summer.

DOES YOUR ORGANISATION HAVE A PLAN TO REACH NET-ZERO CARBON EMISSIONS?

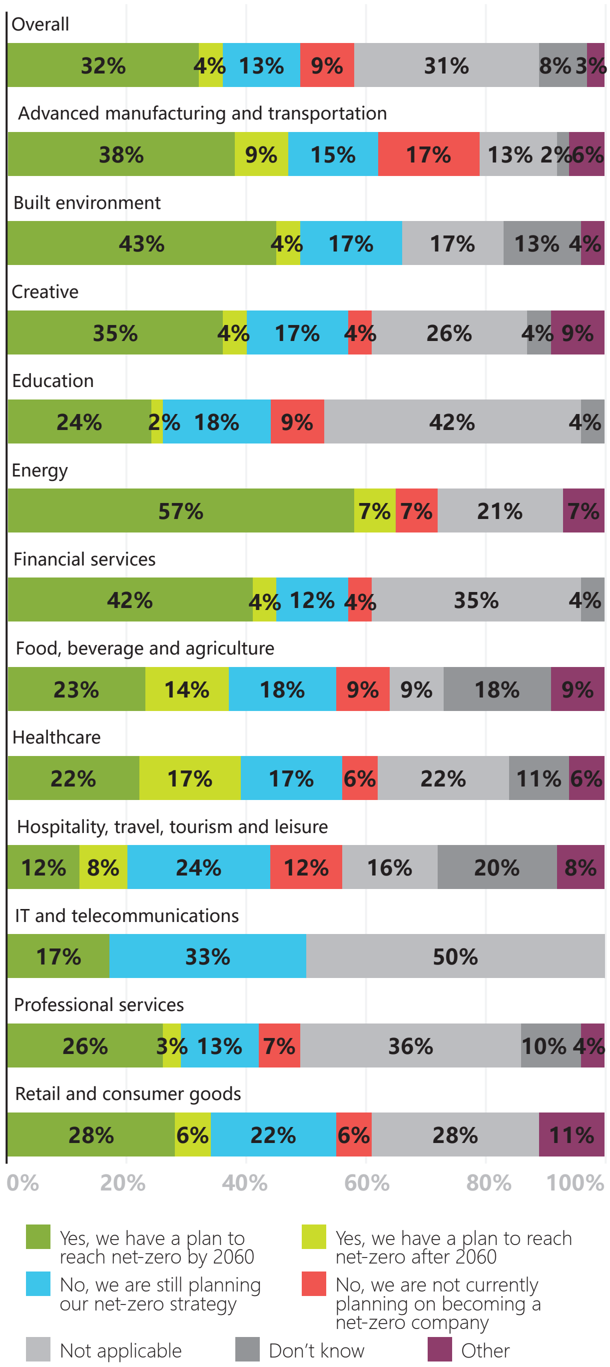


Large multinationals are three times more likely to have a plan to be net-zero by 2060. This is to be expected, as in a given sector larger companies are more likely to have higher emissions, possess the capabilities to understand and mitigate their impact on the environment, and face greater public pressure on their environmental record. However, it remains imperative that all companies act to become more sustainable. Encouragingly, 21% of SMEs are planning a net-zero strategy. However, it is concerning that many SMEs and large multinationals alike believe that questions around climate action do not apply to them.

8

SUSTAINABILITY

DOES YOUR ORGANISATION HAVE A PLAN TO REACH NET-ZERO CARBON EMISSIONS?



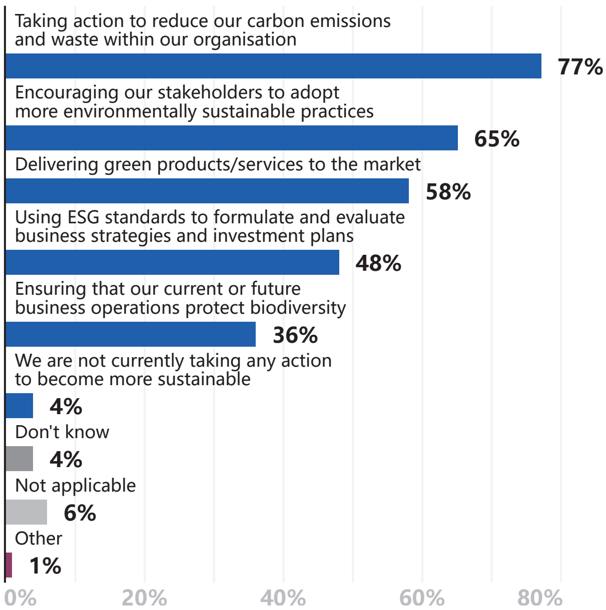
Despite the urgency of climate change, only a third of British companies in China currently have a plan to be net-zero by 2060. The energy (57%), built environment (43%) and financial services (42%) are leading the pack in having plans for 2060 in place. It is concerning, however, that a third of companies do not believe that net-zero targets are applicable to them. Services industries (33%) are less likely to find having a net-zero plan applicable to them than goods industries (23%), but some goods industries are also polarised in their response to climate change. For example, while 38% of AMT companies have a plan to be net-zero by 2060, they're also twice as likely to only be carbon neutral after 2060 (9%) than average, and twice as likely to not plan on becoming carbon neutral at all (17%). It is also slightly disappointing to see that only in the energy sector do more than half of companies have a net-zero strategy.

IF YOU HAVE A NET-ZERO TARGET, HOW DOES YOUR CHINA OFFICES' PROGRESS IN REACHING YOUR NET-ZERO TARGETS COMPARE TO YOUR ORGANISATION'S OTHER GLOBAL OFFICES?

6%	Our China offices are ahead of most of our other offices
42%	Our China offices are on track with most of our other offices
8%	Our China offices are behind most of our other offices
18%	Don't know
26%	Not applicable

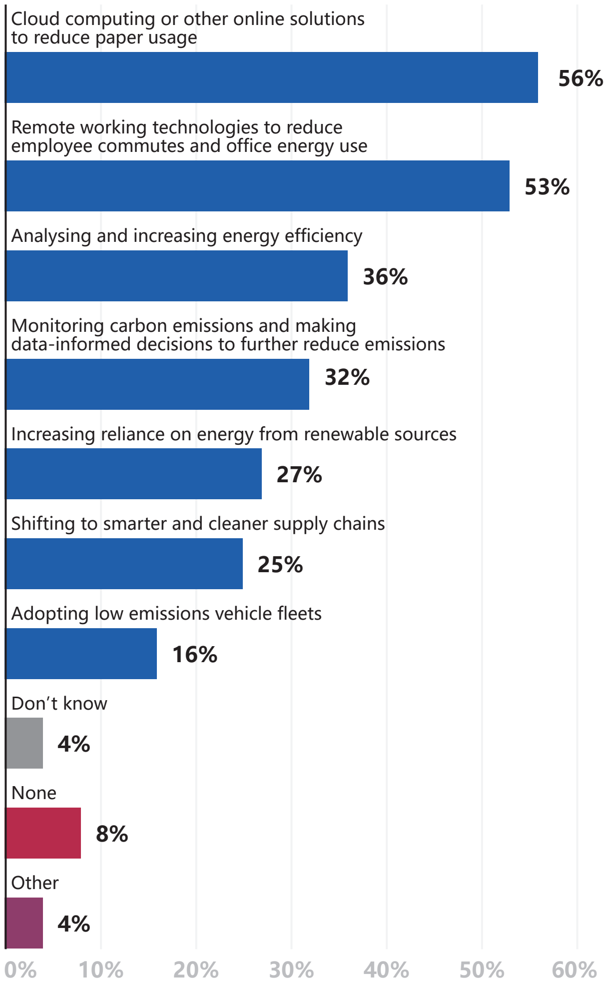
Nearly half of British companies' China offices report that they are on track with or ahead of other offices in reaching their net-zero goals. Goods companies in general are twice as likely as services companies to be outpacing global offices, although IT and telecommunications (20%) and creative (15%) are the sectors most likely to be ahead of other global offices. However, despite being the most likely to have a net-zero plan, built environment China offices (22%) and financial services China offices (17%) are generally lagging behind in implementing them.

IS YOUR ORGANISATION USING ANY OF THE FOLLOWING METHODS IN ORDER TO BECOME MORE SUSTAINABLE?



As part of their own contributions to global sustainability efforts, the majority of businesses that have a plan to be net neutral are focused on reducing their own carbon emissions, encouraging stakeholders to adopt more sustainable practices and delivering green products and services to the market. The latter is most prevalent for British businesses in China's energy (90%) and built environment (100%) sectors, indicative of their contributions to helping two traditionally energy-intensive industries transition to meet China's 30-60 goals. More generally, financial services companies are ahead of most other British businesses in most categories. Although actions to protect biodiversity are less common than actions to become carbon neutral, it is encouraging that 36% of companies are nonetheless focusing on this often overlooked aspect of sustainability.

HOW IS YOUR ORGANISATION IN CHINA UTILISING TECHNOLOGY TO REDUCE CARBON EMISSIONS?



Digitalisation is reshaping business operations across the world, and has significant potential to aid companies' transition to net-zero. In China, British companies are using cloud computing and other online solutions (56%) as well as remote working strategies (53%) to reduce waste and carbon emissions. Another 36% of companies that have net-zero strategies are also analysing and increasing their energy efficiency. Goods companies are much more likely to be utilising a wide range of technologies in order to become greener, especially in terms of analysing energy efficiency (43%), monitoring emissions (40%), using renewable sources of energy (37%) shifting to cleaner supply chains (29%), and using low emissions vehicle fleets (18%). Services companies, by contrast, are largely focused on cloud technologies (66%) and remote working solutions (59%). Interestingly, large multinationals and SMEs are adopting relatively similar solutions, although SMEs are slightly more focused on cloud technologies (62%), while large multinationals are more likely to encourage remote working (60%).

ABOUT THE BRITISH CHAMBERS OF COMMERCE IN CHINA

The British chambers of commerce in China are a collective of membership organisations in the Chinese mainland focused on providing advocacy, business support and networking opportunities for British business in China. We operate as independent, not-for-profit organisations with a strong and diverse membership. The British Chamber of Commerce in China was established in Beijing in 1981 shortly after reform and opening up was launched, and the British Chamber of Commerce Shanghai extends back to 1915. For more than 100 years, the British chambers of commerce in China have brought the British business community together to help them thrive in one of the world's fastest growing markets.

Our chapters across Beijing, Guangdong, Shanghai and Southwest China build a sense of community for member companies through social and informative events held across the country.

Our advocacy work seeks to promote a strong, inclusive, and prosperous operating environment for businesses of all backgrounds to succeed in China. Two important annual advocacy initiatives include the publication of the Business Sentiment Survey and the Position Paper. The former takes the pulse of British businesses in China on a series of issues, including their reflections on the past years' business environment, their most pressing market access issues and their views on current events that affect their business. Our Position Paper lays out the key recommendations of British business operating on the ground in China and aims to improve the business environment for British companies in China.plp

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