

Monthly Report

Topics from China; December-2022

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China Macroeconomy

CPC Central Committee & State Council: Guideline of Strategic Plan for Growing Domestic Demand (2022-2035)

On December 14, a guideline jointly released by the Communist Party of China (CPC) Central Committee and the State Council specified the long-term goals for implementing a strategy for growing domestic demand from 2022 to 2035 (hereinafter referred to as the "Guideline").

China will continue to expand domestic consumption in culture and tourism, elderly and childcare services and sports, as the country aims to further unleash domestic demand potential and promote high-quality development, according to the Guideline.

The long-term goals for 2035 are outlined as:

- Consumption and investment scale to reach new level
- A complete internal demand system to be formed
- Core technologies to make major breakthroughs
- Urban and rural residents' income to reach new level
- Global influence of domestic market to be elevated

No matter from the perspective of consumption promotion or technology advance, the automotive industry is referred to as one of the key drivers and important fields, including:

- For new energy vehicles (NEV), build charging piles, NEV parking lot, hydrogen fueling station and other supporting facilities
- For new technologies, further promote 5G, big data, driving automation, intelligent transportation and logistics, intelligent and green manufacturing
- For used vehicles, improve ease of transactions, and facilitate market circulation
- For end-of-life management, regulate recycling of vehicles, power batteries, and other parts and materials

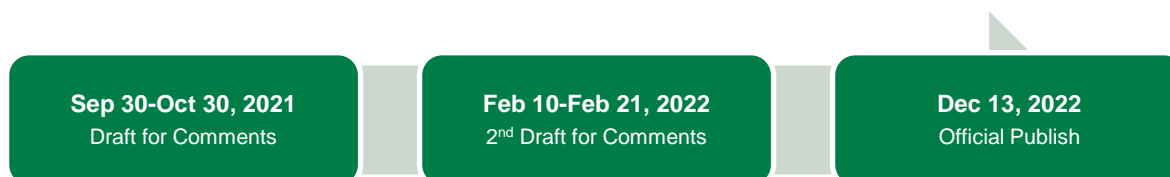
Following the direction of the guideline, China's National Development and Reform Commission (NDRC) has issued an implementation plan to expand domestic demand, which detailed measures to finish tasks

including promoting consumption and investment, releasing the potential of domestic demand and improving the quality of supply in China.

Policy and Regulation

MIIT: Measures for Data Security Management in the Field of Industry and Information Technology (Trial)

On December 13, the Ministry of Industry and Information Technology (MIIT) finally issued the official version of “Measures for Data Security Management in the Field of Industry and Information Technology (Trial)” (hereinafter referred to as the “Measures”) after soliciting public comments for two times in September of 2021 and February of 2022, to be effective since January 1, 2023.



Following the Data Security Law (DSL), the Measures is drafted to clarify how enterprises should handle data of different levels of “general data”, “important data” and “core data”, which has become the first data security regulation formulated by a state agency in charge of industrial sectors, since the DSL became effective on September 1, 2021.

The final document is basically kept aligned with the “2nd Draft for Comments”, covering the key messages from the following perspectives:

- **[Scope]** The Measures applies to the data activities carried out in the field of industry and information technology within the territory of China. Data are categorized into industrial data, telecommunication data, radio data and others.
- **[Data Classification and Grading]** The Measures classifies data into “general data”, “important data” and “core data”, and requires enterprises to establish various data security management mechanisms and protective solutions when collecting, processing, transferring, and disposing data. The enterprises, such as software, platform and IT service providers, telecom business license holders, radio frequency users, are specially mentioned.
- **[Requirements]** The Measures sets out principles and requirements for data storage, processing, disclosure, destruction, and cross-border transfer. Data processors may be obliged to conduct data security risk assessment at least once a year on their activities in processing “important data” and “core data”. In addition, data processors who handle “general data” also bear compliance obligations, such as whole-life-circle data security management, data security monitoring in daily operation and emergency management, data security training, etc.
- **[Data Cross-border Transfer]** The Measures places emphasis on the regulation of the industrial, telecoms, and radio data processing activities. Notably, aligned with other published data management documents, it forbids enterprises from transferring “important data” and “core data” across borders freely. Provided any, it will require companies to get a government security review and approval beforehand.
- **[Legal Liability]** Penalties for violating the Measures are clearly stated and include the suspension of business activities. The rather serious illegal action may lead to the revocation of licenses or criminal responsibility.

The Measures overall offers more detailed judgement criteria upon the DSL of “important data” and “core data” in the field of industry and information technology and puts forward enhanced compliance requirements at the practical level.

Moreover, it is strongly suggested that data processors pay attention to the supporting norms and standards to be developed on data classification, data identification, hierarchical data protection, as well as the Catalogue of “important data” and “core data”.

NDRC & NEA: Notice on Signing and Performing Medium - and Long-Term Electric Power Contracts of 2023

On December 22, the National Development and Reform Commission (NDRC) and National Energy Administration (NEA) jointly released the Notice on Signing and Performing Medium - and Long-Term Electric Power Contracts of 2023 (hereinafter referred to as the "Notice").

In general, the medium - and long-term contracting mechanism is to strengthen the construction of energy systems for production, supply, storage, and marketing, finally to ensure the smooth operation of electric power market. Thereinto, the Notice mentions the formation and improvement of pricing mechanisms, especially for green electricity, to encourage power users and new energy enterprises to sign trading contracts on green electricity for one year or more. In this way, the enterprises will acquire a long-term and stable price level.

According to the results of VDA China Carbon & Sustainability Survey, which was conducted in October of this year, most surveyed companies have got down to actions to decarbonize their China operations, where up to 89 per cent of them are purchasing green electricity as the most feasible approach. Therefore, the VDA and German automotive industry will look forward to the following actions and improvements on green electricity supply and pricing system, which plays an essential role for automotive green and sustainable development.

CBIRC: Administrative Measures for The Automobile Finance Company _ Draft for Comments

On December 29, the China Banking and Insurance Regulatory Commission (CBIRC) published a draft version of Administrative Measures for The Automobile Finance Company (hereinafter referred to as the "draft Measures") to solicit public comments until January 29, 2023.

The revising is mainly focused onto the following four perspectives:

- Reinforce risk-based supervision.
In order to guide auto finance companies to focus on their main business, the draft Measures cancel the business of equity investment, expand the scope of shareholder deposits, set additional liquidity risk supervision indicators, and increase risk management requirements.
- Adapt to the market demand of high-quality development of automobile industry.
The draft Measures expand the scope of financing business by introducing automobile additional accessories/services, i.e., allowing customers to apply for add-on financing separately after the car loan.
- Strengthen corporate governance and internal control.
The draft Measures add new requirements for corporate governance and internal control by focusing on equity management, affiliate transactions, information disclosure, consumer rights protection, internal and external auditing, etc.
- Implement the opening-up policy.
The draft Measures newly allow the establishment of overseas subsidiaries to provide financial services needed for the development of China local vehicle brands in overseas markets and delete the restriction on the asset size of non-financial institutional investors.

It's additionally stated that no company or individual may use the words "auto finance", "auto credit", "auto loan" in the name of the institution.

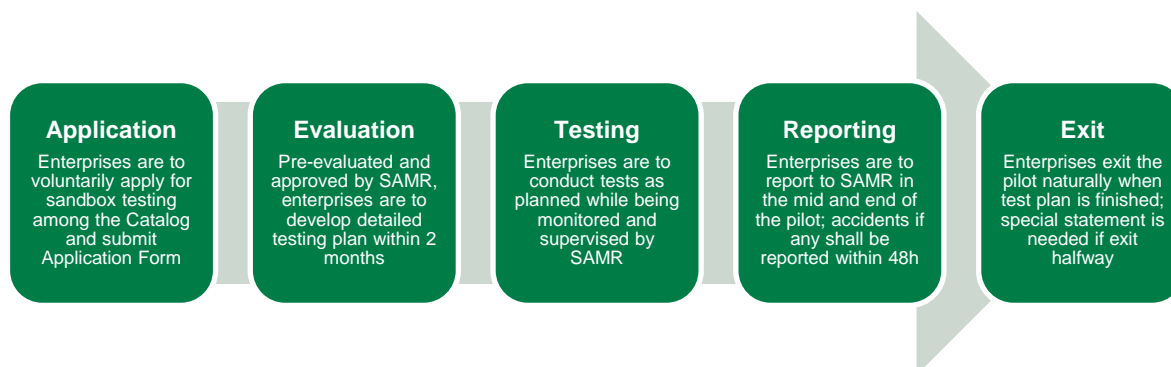
SAMR: Notice of Kicking off Application for Sandbox Supervision Pilot on Automobile Safety

On December 30, the State Administration of Market Regulation (SAMR) issued the Notice of Kicking off Application for Sandbox Supervision Pilot on Automobile Safety (hereinafter referred to as the "Notice"), which officially initiated the hands-on stage of the "automotive sandbox system" jointly released by five Ministries in this April.

Along with the Notice, three important attachments were also revealed to support the following practical operation: Trial Implementation Plan, Trial Technologies Catalog, and Application Form, which are aimed at addressing further to the industry that "who" can apply to participate sandbox system via "what process" by testing "what items".

“Who”: the applicable entity can be any individual or union of OEMs, component suppliers, Internet and high-tech companies, data service companies, network operators, software and system suppliers, etc.

“What process”: the process is aligned with the document in April and with some further clarification.



“What items”: the attachment Catalog makes the testing targets three categories: new technologies, new functions, and new modes of service. The new technologies are listed as intelligent and connected vehicle (ICV) technologies, ICV related information interaction technologies, ICV related infrastructure and supporting technologies, and new energy vehicle (NEV) technologies. The new functions will cover OTA, assisted driving functions, and automated driving functions.

From the previous internal communication of the VDA, a majority of enterprises showed great interest, but didn't express the explicit intention of application at the early stage. As a brand-new management system, the VDA and members deem it necessary to further specify the evaluation method, documentation requirements and testing specifications, and more importantly the benefits that the pilot program will bring out.

Standardization

Standard Drafts for Public Comments

In December of 2022, CATARC released following drafts of standard for comments:

NO.	Name	Release date	Deadline for comments	Note
1	GB/T 18385-xxxx Battery electric vehicles – Power performance - Test method	2022-12-09	2023-02-07	Supersede GB/T 18385-2005
2	GB/T 19752-xxxx Hybrid electric vehicles – Power performance – Test method	2022-12-09	2023-02-07	Supersede GB/T 19752-2005

Sino-German GPQI Automotive Safety WG Meeting

The Sino-German Working Group Meeting of Product Safety (auto safety) was held on December 7th, 2022. More than 40 participants participated including Ms. Nicole Stahl, Deputy Head, IVA5, from BMWK, Mr. Ding Zhaoguo, Head of Industrial Product Certification Division from SAMR and representatives from the VDA, GIZ, certification agencies, as well as experts from industry.

The two sides had in-depth exchanges on topics in the field of certification and auto safety. The cooperation on increasing product safety, reducing technical barriers to trade and promoting the development of a bilaterally and internationally harmonization reaffirmed on this working group meeting, which echoed the Joint Declaration between BMWK and SAMR regarding the Sino-German Dialogue on Quality Infrastructure in 2019.

2022 Annual Meeting SAC/TC114/SC34

On December 21, 2022, the annual meeting and standard examination meeting of the National Automotive Standardization Technical Committee's Intelligent Connected Vehicle Sub-Technical Committee (SAC/TC114/SC34) was held online. More than 130 committee members, observers and industry experts from foreign vehicle companies, local manufacturers, testing institutions participated in the meeting.

Mr. Xiang Fanghuai, Director of the Department of Standards and Technology Management of SAMR, Ms. Chen Chunmei, Deputy Director, Automotive Development Division, Equipment Industry Department of MIIT, and Mr. Wu Zhixin, Deputy General Manager of CATARC presented at the meeting. The meeting was chaired by Mr. Wang Zhao, President of China Automotive Standardization Research Institute. Two national voluntary standards were successfully reviewed and approved by members: GB/T Combined Driver Assistance System - Part 1: Single-lane Maneuver and GB/T Combined Driver Assistance System - Part 2: Multi-lane Maneuver.

VDA China closely monitors the standards' status under SC34 together with members. Regular meetings will be held to synchronize the progress of standard drafting and evaluate the technical challenges.

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