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To Norges Bank

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**Recommendation to exclude China Grand Pharmaceutical and
Healthcare Holdings Ltd from the Government Pension Fund
Global**

Summary

The Council on Ethics recommends to exclude China Grand Pharmaceutical Holdings Co Ltd (China Grand Pharma) from the Government Pension Fund Global (GPFG) due to an unacceptable risk of the company contributing to severe environmental damage. The Council on Ethics' assessment focuses on the company's use of ingredients based on body parts of threatened animal species in the production of traditional Chinese medicine (TCM).

At the end of 2020, GPFG owned shares in China Grand Pharma valued at approximately USD 8.3 million corresponding to a 0.26 per cent ownership interest in the company.

China Grand Pharma is a pharmaceutical company, listed on the Hong Kong Stock Exchange, that produces and markets TCM products. The Council's investigations show that the company manufactures products, which include ingredients based on horns from Saiga antelope. The Saiga antelope is a globally threatened species.

The Council takes as a fact that biodiversity loss is a global threat to life on Earth and that the extinction of species is accelerating. The Council has focused on species listed on the IUCN Red List of Threatened Species, i.e., critically endangered, threatened or vulnerable species, as well as species listed in Annex 1 of the Convention on International Trade in Endangered and Vulnerable Species (CITES). The Council is of the view that companies, whose activities contribute to species becoming extinct, are depleting biodiversity. By producing medicines with ingredients that include the body parts of threatened species, there is a risk of the company contributing to irreversible and severe environmental damage.

Due to lack of information, the Council is unable to quantify each company's contribution to environmental damage. Since the quantity of body parts of threatened wildlife used, the provenance and stockpiles of these and how these are replenished are not known, the Council finds that the question of companies' contribution is a matter of whether the companies use endangered species in their production or not.

China Grand Pharma stated that it has stopped producing products containing leopard bones. This is positive and a step in the right direction. However, the company has wider production that is based on the use of threatened species. Until the company announces a specific goal to stop using threatened species in its production and a time bound plan for when the use of such species will cease, the Council considers there to be an unacceptable risk of the company contributing to serious environmental damage.

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1 Introduction

The Council on Ethics for Norway's Government Pension Fund Global (GPFG) has assessed the GPFG's investments in China Grand Pharmaceutical Holdings Co Ltd¹ (China Grand Pharma) against the Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global (the Ethical Guidelines).²

At the end of 2020, the GPFG owned shares in China Grand Pharma valued at approximately USD 8.3 million corresponding to an ownership interest of 0.26 per cent. The company is listed on the Hong Kong Stock Exchange.

1.1 What the Council on Ethics has considered

The Council on Ethics' assessment concentrates on China Grand Pharma's use of body parts of threatened wildlife in its production of Traditional Chinese Medicine (TCM). The Council has assessed whether there is an unacceptable risk that the company thereby contributes to or is responsible for serious environmental damage pursuant to section 3 (c) of the Ethical Guidelines.

When assessing serious environmental damage, the Council on Ethics assigns importance to the scale of the environmental damage, whether this has irreversible or long-term effects, whether it is a result of a breach of national laws or international norms, what the company has done to prevent damage and the measures initiated to rectify any damage that has been caused. The Council also assesses the risk of the company continuing to engage in these practices.

In this case, the Council's assessment concerns the loss of biodiversity. The global assessment report from the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) detailed an alarming decline in biodiversity. The IPBES considers the loss of biodiversity to be a global threat at the same level as climate change. The IPBES estimates that, of the eight million species of plants and animals living on the planet today, one million are threatened with extinction.³ The International Union for Conservation of Nature (IUCN) reports that around 25 per cent of all species they have assessed are endangered, and that the risk of species becoming extinct is accelerating.⁴ In this context, the Council has assessed the use of threatened animals in the production of TCM. The term "threatened" refers to species assessed as being *Critically Endangered*, *Endangered* and *Vulnerable* in the IUCN Red List of Threatened Species.⁵ These categories of species are considered to be threatened with global extinction. The Council also bases its assessment on the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), particularly Appendix I of the Convention, which lists species determined to be threatened with extinction and for which international commercial trade is prohibited.

¹ Issuer Id 119088

² Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global. <https://lovdata.no/dokument/INS/forskrift/2014-12-18-1793?q=retningslinjer+++pensjonsfond+++utland>

³ UN Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES) Global Assessment Report on Biodiversity and Ecosystem Services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, 29 May 2019, https://www.ipbes.net/system/tdf/ipbes_7_10_add.1_en_1.pdf?file=1&type=node&id=35329

⁴ See footnote 3.

⁵ IUCN 2020. The IUCN Red List of Threatened Species. Version 2020-2. <https://www.iucnredlist.org>.

The Council takes no position on the extent to which states are responsible for any violations of international conventions. It is sufficient to establish that the company in question acts in a manner that contributes to serious environmental damage.

1.2 Sources

The Council on Ethics has commissioned research to identify which threatened species that are used in the production of TCM in order to identify products containing these ingredients, and companies that manufacture these products.

When determining the species used in TCM, the sources consulted include various editions of the Pharmacopoeia of the People's Republic of China,⁶ which lists officially recognised TCM ingredients and formulations, and a list published in 2004 by the State Forestry Administration of species which are regarded as 'medicinal' and which are protected in China.

For information on specific products produced by China Grand Pharma, the Council has based its assessment on information published on the company's website and the company's response to the draft recommendation.

2 Background

2.1 About the company

China Grand Pharma describes itself as a diversified global pharmaceutical enterprise, principally engaged in research, development, manufacturing and sales of pharmaceutical products, advanced medical devices, specialized pharmaceutical ingredients, biotechnology products and nutritional products. The company distributes its products to national and international markets.⁷

China Grand Pharma produces and markets Traditional Chinese Medicine (TCM) through its subsidiaries, including Xi'an Beilin Pharmaceutical Co Ltd, which the company acquired in 2016. Xi'an Beilin Pharmaceutical is listed as one of the 20 principal subsidiaries in China Grand Pharma's annual report.⁸ The company group has approximately 8,000 employees and is headquartered in Hong Kong.⁹

2.2 The demand for and trade in body parts of wildlife used in TCM

TCM covers a broad range of treatments, including acupuncture, massage, herbal medicines and medicines which contain ingredients based on the body parts of wild animals. The demand for TCM is growing and it is estimated that the TCM market will be worth USD 123

⁶ In this document, "formulations" refers to processed TCM treatments which combine standardised quantities of specific ingredients, as defined by government-issued standards. A section of the Pharmacopoeia of the People's Republic of China provides such standards for a large number of TCM formulations, some of which include body parts from threatened species

⁷ Company website: [China Grand Pharmaceutical and Healthcare Holdings Limited](http://www.chinagrandpharma.com)

⁸ China Grand Pharma Annual Report 2019, [9281378-0.PDF \(windows.net\)](http://www.chinagrandpharma.com/9281378-0.PDF)

⁹ China Grand Enterprises Inc, http://en.chinagrandinc.com/CGE_Business/Pharmaceuticals_and_Healthcare.html

billion in 2023.¹⁰ Medicines make up around 30-40 per cent of the TCM market.¹¹ Although the use of animal parts constitutes a small portion of the ingredients used in TCM, the growing demand for TCM is expected to contribute to biodiversity loss,¹² and, for some species, this is the primary reason why these animals are at risk of becoming extinct.¹³ A number of these animals, including pangolins, leopards, and tigers, are listed as threatened by the IUCN.

Due to increasing demand, TCM is also considered to be a contributing factor to the growing illegal wildlife trade.¹⁴ Many of the species used in TCM products are listed on CITES Appendix I, meaning that the trade in these species is prohibited. However, according to the UN Office on Drugs and Crime (UNODC), the poaching and trafficking in body parts and live animals from protected species has continued. Increasingly larger quantities are being seized every year. For example, from 2014 to 2018 there was a tenfold increase in the number of pangolins seized (from approximately 13,900 in 2014 to close to 142,000 in 2018). According to UNODC, the true scope of the illegal trade is probably much greater than the number of animals seized would indicate. Since 2003, the Chinese authorities have implemented a certification and labelling system that regulates the use and consumption of nationally protected species by commercial manufacturers, including pharmaceutical companies. The system is administered by The China Wildlife Mark Centre and is known as "special marking".¹⁹ The system was established to ensure that the use of wild animals is legal and traceable, and entails, among other things, that each product containing these types of ingredients is assigned a unique identification code with which the product must be labelled. Abuse of the system has been reported, for example, that a single marking is used for multiple products and that it has been used to launder illegally sourced products.²⁰

¹⁰ Buchholz, K., TCM and Wildlife Trade in Focus after Coronavirus Outbreak, 20.1.2020, <https://www.statista.com/chart/20669/growth-traditional-chinese-medicine-market/>

¹¹ Daxue Consulting, Traditional Chinese medicine takes 30-40% of China's pharmaceutical market, 15.6.2020, <https://daxueconsulting.com/traditional-chinese-medicine-market/>

¹² J. Still, Use of animal products in traditional Chinese medicine: Environmental impact and health hazards, *Complementary Therapies in Medicine*, Volume 11, Issue 2, 2003, Pages 118-122, ISSN 0965-2299, [https://doi.org/10.1016/S0965-2299\(03\)00055-4](https://doi.org/10.1016/S0965-2299(03)00055-4). See also, EIA, Traffic

¹³ The Global Environmental Reporting Collective, The Pangolin Reports.

<https://globalstory.pangolinreports.com/#lede>, Nowell, K. Implementation of Cites Decision 17.228: Review of Implementation of Resolution Conf. 12.5 (Rev. Cop17) on Conservation of and Trade in Tigers and other Appendix I Asian Big Cats. Report by Kristin Nowell, CAT and IUCN SSC Cat Specialist Group. With additional support from WWF, <https://cites.org/sites/default/files/eng/com/sc/70/E-SC70-51-A03.pdf> and EIA 2020, Smoke and Mirrors; China's complicity in the global illegal pangolin trade, <https://eia-international.org/wp-content/uploads/EIA-Report-Smoke-and-Mirrors-Spreads.pdf>

¹⁴ ADM Capital Foundation 2018, Trading in Extinction: The Dark Side of Hong Kong's Wildlife Trade. Hong Kong, <https://www.admcf.org/wp-content/uploads/2019/11/Trading-in-Extinction-The-Dark-Side-of-HKs-Wildlife-Trade-Report-EN.pdf> and Byard, R.W. Traditional medicines and species extinction: another side to forensic wildlife investigation. *Forensic Sci Med Pathol* **12**, 125–127 (2016). <https://doi.org/10.1007/s12024-016-9742-8>; C4Ads: <https://www.c4reports.org/tipping-the-scales> og UNODC World Wildlife Crime Report 2020, United Nations Office on Drugs and Crime, 2020, https://www.unodc.org/documents/data-and-analysis/wildlife/2020/World_Wildlife_Report_2020_9July.pdf

¹⁹ EIA 2020, Smoke and Mirrors. China's complicity in the global illegal pangolin trade.

¹⁹ EIA 2020, Smoke and Mirrors. China's complicity in the global illegal pangolin trade.

¹⁹ EIA 2020, Smoke and Mirrors. China's complicity in the global illegal pangolin trade.

¹⁹ EIA 2020, Smoke and Mirrors. China's complicity in the global illegal pangolin trade.

¹⁹ EIA 2020, Smoke and Mirrors. China's complicity in the global illegal pangolin trade.

²⁰ EIA 2013, Hidden in Plain Sight. China's clandestine Tiger Trade, <https://eia-international.org/wp-content/uploads/EIA-Hidden-in-Plain-Sight-med-res1.pdf>

The Chinese authorities have also established approved stockpiles of body parts of certain threatened animal species. The National Forestry and Grasslands Administration and its regional bodies provide permits to pharmaceutical companies to purchase and use animal parts from these stockpiles. Pharmaceutical companies may also have private stockpiles that they can, with permission from the government authorities, offer to other companies. No up-to-date information has been published on the size of the government stockpiles, the quantities sold to the pharmaceutical companies or the size of the pharmaceutical companies' stockpiles.²¹ Similarly, there is no information available on the quantities of threatened wildlife used by the industry or individual companies in the production of medicines. There is thus no basis on which to assess the individual company's consumption of specific animal species.

2.3 Briefly about the threatened species used by China Grand Pharma

The Council on Ethics findings indicate that the company uses body parts from saiga antelope.

The saiga antelope (*Saiga tatarica*), or saiga, inhabits the arid and semi-arid steppes of Central Asia.²² The IUCN has listed the saiga as critically endangered²³ and it is included in CITES Appendix II.²⁴ Illegal hunting for horns and meat has resulted in a big fall in saiga numbers.²⁵ Saiga horn is used as an ingredient in some TCM products. In 2006, the major saiga horn consuming countries – China, Japan, Malaysia, South Korea, and Singapore – reported having a collective saiga horn stockpile of approximately 130 tonnes.²⁶ Based on the reported average annual saiga horn consumption and the persistent demand in these countries, the CITES Secretariat estimated that the stockpiles would be depleted at some point between 2016 and 2021.²⁷ In 2011, China reported having a national saiga horn stockpile of 115 tonnes.²⁸ China is estimated to consume between six to ten tonnes of saiga horn annually.²⁹

International trade in saiga horn has continued after the species was listed on CITES Appendix II in 1994. Several large-scale seizures have been made in recent years,³⁰ which would suggest the ongoing involvement of organized criminal syndicates in the illegal trade.³¹

²¹ See footnote 19.

²² Wildlife Conservation Society China, Saiga Antelope, <https://china.wcs.org/Wildlife/Saiga-Antelope.aspx>

²³ IUCN SSC Antelope Specialist Group. 2018. *Saiga tatarica*. *The IUCN Red List of Threatened Species* 2018: e.T19832A50194357. <https://dx.doi.org/10.2305/IUCN.UK.2018-2.RLTS.T19832A50194357.en>

²⁴ Appendix II includes species not necessarily threatened with extinction, but in which trade must be controlled in order to avoid utilization incompatible with their survival.

²⁵ See footnote 23.

²⁶ CITES CoP14 Doc. 56. 2007. Saiga antelope. <https://cites.org/sites/default/files/eng/cop/14/doc/E14-56.pdf>

²⁷ See footnote 26.

²⁸ CITES CoP16 Doc. 56. 2013. Saiga antelope, <https://cites.org/sites/default/files/eng/cop/16/doc/E-CoP16-56.pdf>

²⁹ See footnote 26.

³⁰ See, for example, Saiga Conservation Alliance. Winter 2015/Spring 2016 Saiga News Issue 20, https://www.saigaresourcecentre.com/sites/default/files/migrated/media/351534/english_issue_20.pdf and Autumn 2016 Saiga News Issue 21, https://www.saigaresourcecentre.com/sites/default/files/migrated/media/357671/saiga_news_issue_21_english.pdf

³¹ In April 2018, Chinese authorities arrested members of a wildlife trafficking syndicate, seizing 1,276 saiga horns along with 322 elephant tusks, 70 bear teeth, and 44 bear gallbladders. General Administration of Customs. 2019, https://mp.weixin.qq.com/s?__biz=MzIwNzE3MzE2NQ==&mid=2652797529&idx=1&sn=340d04522fd23ab

3 The Council on Ethics' findings

Information on the companies' websites shows that China Grand Pharma manufactures products containing body parts from the saiga antelope through its subsidiary Xi'an Beilin Pharmaceutical. All of the products are described on the website, including their ingredients. Xi'an Beilin Pharmaceutical advertises two products – 复明颗粒 (Fuming Keli)³² and 复明片 (Fuming Pian)³³ – which are stated as containing saiga horn.

As an example of this, information for the Fuming Keli product, which is advertised on Xi'an Beilin Pharmaceutical's website, is shown below. Similar information can be found for the other product referred to in the recommendation.

[1e722010a5b60b9e3&chksm=8cfcb91bbb8b300d7332b5ea311b110b45935c78fe26bdb2f31b997dc1716fb164deb534668c&mpshare=1&scene=1&srcid=&pass_ticket=bYMP4cMt5afEjY6MQukK7kZWKtpElm1B8DzwbzzFrV6a1KHqyIpShFIqV%2Fdfka0#rd](http://www.beilinchina.cn/pro_370.aspx)

³² http://www.beilinchina.cn/pro_370.aspx.

³³ http://www.beilinchina.cn/pro_377.aspx.

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汉语拼音：Fuming Keli

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Fuming Keli - Example of product marketed by Xi'an Beilin Pharmaceutical which contains saiga horn. Description of the product on the company's website: http://www.beilinchina.cn/pro_370.aspx
Signs in the green circle mean ingredients. Signs in the red circle mean saiga horn.

Figure 1: Screenshot from 13 April 2021 of product containing saiga horn that is advertised by Xi'an Beilin Pharmaceutical.

4 Information from the company

The Council on Ethics contacted China Grand Pharma in February 2021 to request information about the company's use of threatened species in the manufacturing of medicines. The company did not respond to the Council's request.

In March, the Council sent the draft recommendation for exclusion to the company. This included a product – 活络丸 (Huoluo Wan)³⁴ which contains leopard bones. All leopard species that are used in the production of TCM are considered vulnerable on the IUCN Red List and are also included on the CITES Appendix I list. In its response to the Council, China Grand Pharma reported that it has ceased production of this product.

The company confirmed that the products Fuming Keli and Fuming Pian contain saiga horn, however added that: “the use of saiga horn is a very tiny amount in our product, and the application of saiga horn is strictly complied with the relevant law and regulations of China. Furthermore, it is not allowable to buy saiga horn directly from private market, and we are required to make application to the relevant government authorities to get approval prior to make any procurement.” China Grand Pharma stated that the products are only sold in the Chinese market and that such use of saiga horn is legal in China.³⁵

The company has not published any information about its use of threatened species in the production of medicines on its website or in annual reports. For example, there is no statement that the company has ceased production of medicines containing leopard bones nor any information concerning its future policy regarding the use of saiga horn. The website which markets the product containing leopard bones is still active.

5 The Council on Ethics’ assessment

Based on the available information, the Council has assessed whether there is an unacceptable risk that China Grand Pharma contributes to serious environmental damage through its use of threatened animal species in its production of traditional Chinese medicine.

The starting point for the Council on Ethics' assessment is that loss of species and biodiversity represent one of the greatest threats to life on Earth. The loss of species is irreversible and can have far-reaching impacts on other species, ecosystems and the livelihoods of local communities. The risk of loss of species has played a key part in other recommendations by the Council concerning biodiversity and serious environmental damage.

In this case, the Council places emphasis on the reports from UN organisations and other recognised international organisations that explain how the use of threatened wildlife in TCM products increases the risk of these species becoming extinct, and that the increasing demand for TCM is considered to be a contributing factor to the illegal international trade in some of these animals.

The Council's investigations have shown that China Grand Pharma manufactures two products through its subsidiary Xi'an Beilin Pharmaceutical which contain ingredients based on horns from saiga antelope, an animal that is threatened with global extinction. In the company's opinion, the quantities used are small. The company, however, has not disclosed the quantities used. The origins of the animal parts used by the company are also unknown.

The lack of information prevents the Council from being able to quantify how each of the company contributes to causing environmental damage. When there is no information about the quantity of body parts of threatened species that a company uses, where the animal parts originate from, what stockpiles of these exist and how these are replenished, the Council considers that the question of a company's contribution is a matter of whether or not

³⁴ http://www.beilinchina.cn/pro_432.aspx. Last visited, 28 April 2021.

³⁵ Email from China Grand Pharma to the Council on Ethics, 12 April 2021.

threatened species are included in the companies' production processes. When the activities themselves constitute a risk of species becoming extinct, there is also a risk that the company contributes to the depletion of biodiversity and serious environmental damage.

The company stated that it has stopped producing products containing leopard bones. This is positive and a step in the right direction. However, the company has wider production that is based on the use of threatened species. Until the company publicly announces a specific goal to stop using threatened species in its production and a time bound plan for when the use of such species will cease, the Council considers there to be an unacceptable risk of the company contributing to severe environmental damage.

6 Recommendation

The Council on Ethics recommends that China Grand Pharmaceutical Holdings Co Ltd be excluded from investment by the Government Pension Fund Global due to an unacceptable risk that the company contributes to severe environmental damage.

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