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**To Norges Bank**

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**Recommendation to exclude China Traditional Chinese Medicine Holdings  
Co Ltd from the Government Pension Fund Global**

## Summary

The Council on Ethics recommends to exclude China Traditional Medicine Holdings Co Ltd (China TCM) from the Government Pension Fund Global (GPF) 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, GPF owned shares in China TCM totalling USD 11.76 million, corresponding to a 0.47 per cent ownership interest in the company.

China TCM 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 produces several different products, the ingredients of which include the body parts of threatened species. These animal parts are horns from Saiga antelope, leopard bones and pangolin scales. China TCM has confirmed that the company uses the body parts of endangered animals and has informed about the company's inventory of such items.

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.

Although the company's manufacturing of TCM products is in compliance with government requirements, in light of the extensive illegal trade in threatened species, the Council is of the view that emphasis must be placed on the fact that the companies do not disclose information regarding traceability of purchases or where the animals originate from. The Council finds that the lack of such information and transparency in the company's practice constitutes an unacceptable risk that the company's use of threatened wildlife may originate from illegal sources.

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 TCM has stated that it does not have plans to substitute ingredients based on threatened species in its production of TCM. Until the company publishes a specific goal to stop using threatened species in its production and a time bound plan for when its use of such species will cease, the Council considers that there is an unacceptable risk of the company contributing to severe 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 Traditional Medicine Holdings Co Ltd<sup>1</sup> (China TCM) against the Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global (the Ethical Guidelines).<sup>2</sup>

At the end of 2020, the GPFG owned USD 11.76 million worth of shares in China TCM, corresponding to an ownership interest of 0.47 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 TCM'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 severe environmental damage pursuant to section 3 (c) of the Ethical Guidelines.

When assessing severe 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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup> 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.

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<sup>1</sup> Issuer Id 119088

<sup>2</sup> 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>

<sup>3</sup> 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](https://www.ipbes.net/system/tdf/ipbes_7_10_add.1_en_1.pdf?file=1&type=node&id=35329)

<sup>4</sup> See footnote 3.

<sup>5</sup> 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 severe 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,<sup>6</sup> 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 TCM, the Council has based its assessment on information published on the company's website. The Council has also received information from China TCM.

## 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 billion in 2023.<sup>10</sup> Medicines make up around 30-40 per cent of the TCM market.<sup>11</sup> 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,<sup>12</sup> and, for some

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<sup>6</sup> 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

<http://www.china-tcm.com.cn/enPhone/company/president.aspx?nodecode=106002001>, <http://www.china-tcm.com.cn/en/company/president.aspx?nodecode=104003001><http://www.china-tcm.com.cn/en/invest/index.aspx?nodecode=104004006><sup>10</sup> 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/>

<http://www.china-tcm.com.cn/en/company/president.aspx?nodecode=104003001><http://www.china-tcm.com.cn/en/invest/index.aspx?nodecode=104004006><sup>10</sup> 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/>

<http://www.china-tcm.com.cn/en/invest/index.aspx?nodecode=104004006><sup>10</sup> 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/>

<sup>10</sup> 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/>

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

<sup>12</sup> 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

species, this is the primary reason why these animals are at risk of becoming extinct.<sup>13</sup> 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.<sup>14</sup> 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".<sup>19</sup> 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.<sup>20</sup>

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.<sup>21</sup> 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

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<sup>13</sup> 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>

<sup>14</sup> 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](https://www.unodc.org/documents/data-and-analysis/wildlife/2020/World_Wildlife_Report_2020_9July.pdf)

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

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<sup>20</sup> 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>

<sup>21</sup> See footnote 19.

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 TCM

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

#### *Saiga antelope*

The saiga antelope (*Saiga tatarica*), or saiga, inhabits the arid and semi-arid steppes of Central Asia.<sup>22</sup> The IUCN has listed the saiga as critically endangered<sup>23</sup> and it is included in CITES Appendix II.<sup>24</sup> Illegal hunting for horns and meat has resulted in a big fall in saiga numbers.<sup>25</sup> 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.<sup>26</sup> 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.<sup>27</sup> In 2011, China reported having a national saiga horn stockpile of 115 tonnes.<sup>28</sup> China is estimated to consume between six to ten tonnes of saiga horn annually.<sup>29</sup>

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<sup>30</sup> which would suggest the ongoing involvement of organized criminal syndicates in the illegal trade.<sup>31</sup>

#### *Leopard*

The body parts from leopards used in TCM can originate from the following species –leopard (*Panthera pardus*), snow leopard (*Panthera uncia*), and clouded leopard (*Neofelis nebulosa* and *N. diardi*). All are listed as vulnerable according to the IUCN Red List and are also included in CITES Appendix I. With the exception of *N. diardi*, all three species are native to China and are subject to special state protection.

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

<sup>23</sup> 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>

<sup>24</sup> 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.

<sup>25</sup> See footnote 23.

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

<sup>27</sup> See footnote 26.

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

<sup>29</sup> See footnote 26.

<sup>30</sup> 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](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](https://www.saigaresourcecentre.com/sites/default/files/migrated/media/357671/saiga_news_issue_21_english.pdf)

<sup>31</sup> 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=340d04522fd23ab1e722010a5b60b9e3&chksm=8cfcb91bbb8b300d7332b5ea311b110b45935c78fe26bdb2f31b997dc1716fb164deb534668c&mpshare=1&scene=1&srcid=&pass\\_ticket=bYMP4cMt5afEjY6MQuKk7kZWktpEImlB8DzwbzzFrV6alKHqyIpShFIFqv%2Fdfka0#rd](https://mp.weixin.qq.com/s?__biz=MzIwNzE3MzE2NQ==&mid=2652797529&idx=1&sn=340d04522fd23ab1e722010a5b60b9e3&chksm=8cfcb91bbb8b300d7332b5ea311b110b45935c78fe26bdb2f31b997dc1716fb164deb534668c&mpshare=1&scene=1&srcid=&pass_ticket=bYMP4cMt5afEjY6MQuKk7kZWktpEImlB8DzwbzzFrV6alKHqyIpShFIFqv%2Fdfka0#rd)

According to the IUCN, illegal hunting and trafficking in animal parts are threats to leopard populations.<sup>32</sup> Close to 5,400 Asian leopards have been seized since 2000. Investigations conducted for CITES indicate that Asian demand is increasingly being met through illegal imports from Africa.<sup>33</sup> In 1993, the Chinese authorities banned the use of tiger bone in TCM, however leopard bone was permitted as a substitute, which has contributed to increasing demand for leopards. According to the Chinese authorities, only existing stockpiles of leopard bones can be used by pharmaceutical companies.<sup>34</sup> The quantities and provenance of these stockpiles are not publicly known.

### *Pangolin*

There are eight species of pangolin that have their natural habitats in Asia or Africa. The Chinese pangolin (*Manis pentadactyla*), Sunda pangolin (*Manis javanica*) and Indian pangolin (*Manis crassicaudata*) were afforded stronger protection in China in 2020 and assigned special state protection.<sup>35</sup> According to the IUCN, the first two species are critically endangered, while the Indian pangolin is endangered. One African species is classified as endangered (*Phataginus tricuspis*), while the others are considered vulnerable. International trade in pangolins has been prohibited since 2017, when all eight species were listed in CITES Appendix I.

In 2020, Chinese authorities removed pangolin scales (from Chinese pangolin) from the list of important ingredients in TCM in the most recent edition of *Pharmacopoeia*. However, it is still permitted to use pangolin scales in the production of so-called patent medicines, which are medicines approved for commercial production by the Chinese authorities.<sup>36</sup>

In 2007, the government authorities announced that the use of pangolin scales by pharmaceutical companies would be regulated through the special marking certification and labelling system (see section 2.2).<sup>37</sup> This entails that approved hospitals and pharmaceutical companies are permitted to purchase pangolin scales from government stockpiles. Furthermore, the pharmaceutical companies can manufacture and sell TCM products containing pangolin scales which have been registered and labelled in accordance with the special marking system. It has been reported that scales that are not certified or labelled are being sold illegally in China.<sup>38</sup>

It is estimated that, between 2009 and 2016, the government authorities released an average of 26 tonnes of pangolin scales per year.<sup>39</sup> The size of the government stockpiles and the origin of the pangolins are unknown. No information regarding withdrawals from the stockpiles has

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<sup>32</sup> See the threat assessments for each of the leopard species at [www.iucnredlist.org](http://www.iucnredlist.org)

<sup>33</sup> 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.

<sup>34</sup> CITES CoP14 Doc. 52 Annex 1. Report on Implementing Resolution Conf. 12.5 of CITES from the CITES Management Authority, People's Republic of China. Available from: <https://www.cites.org/sites/default/files/common/cop/14/doc/E14-52A01.pdf>; CITES CoP18 Doc.71.1 Annex 5

<sup>35</sup> National Forestry and Grasslands Administration. 2020, <http://www.forestry.gov.cn/main/3095/20200608/170847961137579.html>

<sup>36</sup> EIA 2020, Smoke and Mirrors. Eight formulations for patent medicines prescribe pangolin scales as an ingredient in the 2020 edition of Pharmacopoeia of the People's Republic of China.

<sup>37</sup> State Forestry Administration, Ministry of Health, SAIC, China Food and Drug Administration and the National Administration of Traditional Chinese Medicine. 2007. 关于加强赛加羚羊、穿山甲、稀有蛇类资源保护和规范其产品入药管理的通知: <http://www.trafficchina.org/node/66>

<sup>38</sup> Challender, D. and Waterman, C., Implementation of CITES Decisions 17.239b) and 17.240 on pangolins (*Manis spp.*), IUCN, 2017, [E-SC69-57-A.pdf \(cites.org\)](https://www.cites.org/E-SC69-57-A.pdf) and EIA 2020, Smoke and Mirrors.

<sup>39</sup> See footnote 38.



been published since 2015. The system permits the sale of pangolin scales between private companies, but has no proper traceability.

UNODC has reported an extensive illegal trade in pangolins that has grown significantly in recent years. Since 2016, virtually all seizures have been pangolin scales.<sup>40</sup> In 2019, 128 tonnes were seized, an increase of 200 per cent from five years earlier.<sup>41</sup> Asian demand is now being met by illegal imports from Africa, which are principally for the Chinese market. UNODC also states that "Before the Appendix I listing [reference to CITES in 2017], the amount of pangolins seized was much larger than the legal trade, implying that the industries where pangolins are used have long drawn on illegal sources."<sup>42</sup>

### 3 The Council on Ethics' findings

Based on a review of company websites, it appears that China TCM and some of its subsidiaries manufacture products that contain ingredients from body parts of threatened wildlife. The websites provide a description of all the products, including the ingredients.

China TCM's subsidiary, Sinopharm Group Dezhong (Foshan) Pharmaceutical Co Ltd<sup>43</sup> advertises the product 羚羊感冒片 (Lingyang Ganmao Pian.)<sup>44</sup> According to the list of ingredients, this product contains Saiga horn. The product is also included in a pdf document available on China TCM's website.<sup>45</sup>

The subsidiary, Sinopharm Zhonglian Pharmaceutical Co Ltd<sup>46</sup> advertises the product 大活络丸 (Da Huo Luo Wan) that has leopard bone as one of its ingredients.<sup>47</sup> Another subsidiary, Sinopharm Group Fengliaoqing (Foshan) Pharmaceutical Co Ltd, also appears to produce Da Huo Luo Wan, which is marketed in the above-mentioned pdf document, and which, according to the list of ingredients, contains leopard bone. The latter company also produces another product 佛山人参再造丸 (Foshan Renshen Zaizao Wan), which is advertised on a third-party website and which, according to the list of ingredients, contains leopard bone.<sup>48</sup>

Information for the product, Da Hun Luo Wan, which the subsidiary Sinopharm Zhonglian Pharmaceutical Co. Ltd markets, is shown in figure 1 as an example. Similar information can be found for the other products discussed in the recommendation.

China TCM's subsidiary, Sinopharm Group Fengliaoqing (Foshan) Pharmaceutical Co Ltd marketed the product 通络活血丸 (Tongluo Huoxue Wan) on its website until August 2020, which according to official standards<sup>49</sup> contains pangolin. The company's website is no longer active, but the product is marketed on a third-party website<sup>50</sup> where pangolin is on the list of ingredients.

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<sup>40</sup> UNODC, World Wildlife Crime Report 2020, United Nations Office on Drugs and Crime, 2020.

<sup>41</sup> C4ADS 2020, Tipping the scales. Exposing the Growing Trade of African Pangolins into China's Traditional Medicine Industry, <https://www.c4reports.org/tipping-the-scales>

<sup>42</sup> See footnote 40, p. 66.

<sup>43</sup> <http://www.dezhong.com/>

<sup>44</sup> <http://www.dezhong.com/products.aspx?qid=47>

<sup>45</sup> <http://www.china-tcm.com.cn/UploadFiles/files/2017/9/20170921050539373.pdf>

<sup>46</sup> <http://www.sinopharmzl.com/>

<sup>47</sup> <http://www.sinopharmzl.com/Product/4/163.aspx>

<sup>48</sup> <https://m.360lj.com/product/2517.html>

<sup>49</sup><sup>50</sup> <https://www.yaopinnet.com/zhaoshang/y21/yy161721.htm>

<sup>50</sup> <https://www.yaopinnet.com/zhaoshang/y21/yy161721.htm>

**Da Huo Luo Wan – An example of a product containing leopard bone that Sinopharm Zhonglian Pharmaceutical Co. Ltd advertises**

A description of the product on the company’s website <http://www.sinopharmzl.com/Product/4/163.aspx>  
 The characters in the green circle mean ingredients. The characters in the red circle mean leopard bone.



Figure 1: Screenshot of the product containing leopard bone that Sinopharm Zhonglian Pharmaceutical Co. Ltd advertises on its website.

There are indications that the company has had a stock of pangolin scales. On 26 February 2018, China TCM (referred to as Beijing City China Traditional Medicine Company) received permission from the Anhui Provincial Forestry Bureau to sell 300 kg of pangolin scales and 45,000 bags of vinegar-processed pangolin scales to the company Anhui Shitian Chinese Medicine Yinbian Company Limited. Figure 2 below shows an excerpt of the permit, as it appeared on Anhui Province Forestry Bureau’s website in 2018. The link is no longer active.<sup>51</sup> The Council is not aware of whether China TCM still has a stock of pangolin scales.



Figure 2: Screenshot of the permit to sell pangolin scales granted by the Anhui Provincial Forestry Bureau to China TCM in February 2018.

## 4 Information from the company

At the Council on Ethics’ request, China TCM provided information on the company’s use of threatened animal species in its production of medicines. The company has not commented on the draft recommendation.

China TCM confirmed that it has a stock of body parts from a threatened wild animal species and has also stated the quantities, the year in which they were purchased and that it has resold from the stock to its subsidiaries. The company confirms that it uses body parts from threatened animal species and has also shared copies of permits for such use from the authorities.

The company says that it uses qualified suppliers, which means that "Merchants selling and operating wildlife must be equipped with a 'License for Operation and Utilization of Wildlife and Products thereof', specifying the type of operation, quantity, period and use" and the products must be labelled according to the special marking system which shows that the company has approved licences from the National Forestry Administration.

China TCM also writes that it does not have plans to substitute ingredients based on threatened animal species in its production of medicines.

## 5 The Council on Ethics' assessment

Based on the available information, the Council has assessed whether there is an unacceptable risk that China TCM contributes to severe 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 severe 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 TCM produces several products containing ingredients based on Saiga antelope, leopard and pangolin, which are all threatened by global extinction. The company has provided information to the Council and has confirmed that it produces medicines containing ingredients from one specific threatened species and that it has a stock of such animal parts. The Council finds it positive that the company has shared this information, but notes that it does not state from where the stocks originate. The permit the company has shared provides no information about this. The Council's investigations show that the company has also held a significant stock of pangolin scales, from which it has sold to other companies. China TCM has not provided any explanation for this nor commented on the use of body parts from other threatened animal species used in the company's products.

China TCM states that it uses suppliers who comply with national requirements, including the product labelling regulation. However, the company does not inform whether it has traceability for its purchases or knows the provenance of these. When considering the extensive illegal hunting and trade in these animals, as well as the lack of transparency in the company's practices, the Council finds that there is an unacceptable risk of the company using threatened species that may originate from illegal sources.

The lack of information has prevented the Council from being able to quantify how each company contributes to environmental damage. Since 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 finds that the question of a company's contribution is a matter of whether the body parts of threatened animal species are used in its pharmaceutical production or not. 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 severe environmental damage.

The Council notes that China TCM has no plans for substituting ingredients based on threatened wildlife in its medicines. Until the company publicly announces a specific goal to stop using threatened species in their 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 companies contributing to severe environmental damage.

## 6 Recommendation

The Council on Ethics recommends that China Traditional Chinese Medicine 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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