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ESG in South-East Asia: Policy Considerations for Improving Performance Across Sustainability & Social Parameters in the Electric Vehicle Industry and Textile Industry

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INTRODUCTION

Put simply, 'ESG' stands for 'Environmental, Social, and Governance' – three pillars that broadly represent sustainability in practice. Individually, each of the three pillars – Environmental, Social, and Governance, represent specific areas of improvement for a business.

According to the United Nations Intergovernmental Panel on Climate Change (IPCC), climate change is widespread, rapid and intensifying. The effects of climate change and rising urban pollution will more strongly affect weaker socio-economic sections of the society. In this background, there is a growing recognition that businesses are some of the most important actors in our fight against climate change and in the path towards sustainability.

Today, ESG is going mainstream and becoming important for businesses, consumers, and governments. Business reputation is increasingly linked to performance on ESG and investors and consumers alike are moving towards ESG-friendly products and businesses. The need for high corporate governance standards is also being felt globally in light of this heightened responsibility. It is particularly challenging for small and medium enterprises to navigate around and incorporate these emerging business and investor considerations. The Confederation of Asia-Pacific Chambers of Commerce and Industry (**CACCI**) can, as a representative body of businesses globally, can be at the forefront of enabling business ecosystems that foster incorporation of ESG in its member countries. This paper raises certain considerations and recommendations with a view to helping CACCI assume this role.

A company could reduce its emissions and improve its waste management practices (the 'Environment' or 'E' pillar), it could improve its labour and employment practices, safety standards, diversity in workforce and social inclusion, (the 'Social' or 'S' pillar) and it could improve its stewardship policies and corporate governance and engage on better terms with its shareholders and other stakeholders (the 'Governance' or 'G' pillar). These improvements may appear to be disparate, but taken together, they all contribute towards setting a business on a sustainable path.

Businesses operate in society and depend on economic, natural, and human resources to effectively operate and yield returns. Many of such resources are common public goods and held by the state in public trust. Any business intending to utilise such resources towards its profit-oriented activities also need to bear the responsibility to act in a responsible and sustainable manner. These responsibilities are generally translated into three broad categories: duties towards the environment, duties towards the human resource, and duties towards the market. This constitutes the idea of ESG.

Without charting a path towards sustainability, companies may find themselves facing several risks – regulatory risks arising out of laws that seek to penalise polluters, liability and lawsuits arising out of employment malpractices, and compliance risks arising out of sub-standard corporate governance standards. A move towards ESG therefore, safeguards against such risks in many ways.

For the government as well, there are clear benefits that accrue from ESG. Businesses that are sustainable will be at a lesser risk of failing and may contribute towards a healthier business environment and economy. Lesser pollution and better safety standards mean that governments are less likely to spend more taxpayers' money towards mitigating harms arising out of such activities.

It has become imperative not only for specific businesses and countries, but also for transnational standard-setting organisations to progress the ESG agenda. This report aims to offer new, comparative insights that can follow the developments in the recent 27th Conference of the Parties to the United Nations Framework Convention on Climate Change in Egypt in November 2022 (**COP 27**), one of the most closely followed and significant annual events that brings together governments, global industry leaders, think-tanks and academia, and other stakeholders.

COP27 builds on the outcomes of the previous summit i.e. COP26 to deliver action on an array of issues critical to tackling the climate emergency – from urgently reducing greenhouse gas emissions, building resilience, and adapting to the inevitable impacts of climate change, to delivering on the commitments to finance climate action in developing countries. Faced with a growing energy crisis, record greenhouse gas concentrations, and increasing extreme weather events, COP27 seeks renewed solidarity between countries, to deliver on the

landmark Paris Agreement, for people and the planet.

At the same time, the UN Secretary General Antonio Guterres at COP27 also officially acknowledged 'greenwashing' i.e. use of unfair practices to claim progress on climate action. Egypt's COP27 presidency vision is to move from negotiations and planning to implementation. It is therefore incumbent to collectively move rapidly towards full, timely, inclusive, and at-scale action on the ground.

The last decade has seen significant developments in the incorporation of ESG factors in business operations and investing, globally. There is a rapidly growing acceptance amongst investors that competitive financial returns can be generated alongside social and environmental progress and companies are beginning to embrace international standards of sustainability. The launch of the Principles of Responsible Investing (PRI) network in 2006 by the United Nations (UN), and more recently the UN Sustainable Development Goals (SDGs), have especially helped in framing guardrails for business operations and investments. In Asia, there has been a recent increase in the awareness, adoption and impact of ESG metrics.

In a 2021 survey on the member countries of the Association of South-East Asian Nations (ASEAN), HSBC found that three factors leading to an increased attention to ESG are: half of the respondents cited pressure from employees; 46% cited the regulatory environments and 40% recognised the fact that employing ESG in one's strategy can improve returns or reduce risk.

ESG standards lay down certain minimum parameters against a variety of duties under these three categories, which when successfully met, enables businesses to seek higher ESG ratings. Similarly, ESG disclosures seek to inject transparency in the market by asking entities to disclose their performance on a variety of parameters under the three categories. ESG-compliant performance is highly crucial for businesses in the present environment. Given the alarming threats of global warming and declining employee trust, a self-conscious acceptance of conducting business operations in a responsible manner is appreciable.

While the adoption of ESG in practice may vary among jurisdictions (and may reflect the priorities of the domestic industry), there is a growing interest in businesses and investors in the Asia-Pacific region towards adopting ESG. Notably, the COVID-19 pandemic has also accelerated the relevance of ESG considerations to investors resulting in increased awareness and a shift towards 'sustainable investing'. However, challenges remain in this difficult, but necessary journey: sectors that are 'green' require greater government support to expand their activity, while sectors that are relatively unsustainable must be able to transition towards a more sustainable business enterprise without incurring financial or short-term regulatory risks that threaten its business continuity.

The advent of 'green' sunrise sectors – particularly the electric vehicle (EV) sector, assumes importance in terms of expansion, given its potential to address one of the largest sources of harmful emissions while also reducing reliance on fossil fuels. In light of the urgency of the need to transition towards a green future, the EV sector requires both regulatory and fiscal stimulus from the various governments, so that manufacturing, production and adoption of EVs can take place at an accelerated rate.

On the other hand, the textiles industry represents the challenges of a sector which is a large employer that continues to face reputational risks in relation to the enforcement of labour standards and (mal)practices adopted by supply chain partners. Particularly in Asian markets, there are added challenges: economies such as China, India, Bangladesh, Indonesia and Vietnam have historically built their value proposition as the world's factories on the foundation of low-cost manufacturing underpinned by what is perceived to be cheap, abundant labour and weak environmental and social protections. The main priority of the textiles industry therefore, lies in transitioning towards more sustainable business operations.

This report therefore aims to explore these two different sectors – the EV sector and the textiles sector, as they represent two contrasting, but important challenges faced by industries in the Asian economy. The report considers 6 jurisdictions, namely – Bangladesh, India, Indonesia, Philippines, and Vietnam, representing economies in South Asia and South East Asia which aim to be manufacturing hubs; and also Australia, a relatively developed economy which focuses more on imports rather than domestic production, to gain more holistic insights.

Against this background, while Asia-Pacific includes countries at various stages of

development in both the EV and textiles sector, there is an opportunity to learn from the experiences of other CACCI member countries in terms of regulatory and other challenges that may emerge. CACCI can assume a greater policy advocacy role in Asia in these matters, including by recommending principle-based approaches to overcome some hurdles in adopting ESG practices, specifically in relation to the EV and textile sectors.

This report reviews the state of ESG across a few parameters in the surveyed jurisdictions. Following this, the report delves deeper into the EV sector and the textiles sector in each surveyed jurisdiction, by identifying fiscal, regulatory and social aspects of relevant regulations and conducting a qualitative assessment of such regulations. The report seeks to identify issues that may restrict cross-border trade and investment in the two sectors. Finally, the report suggests certain actionable recommendations based on best practices identified through the cross-country research work.

REVIEW OF STATE OF ESG ACROSS THE SURVEYED COUNTRIES

The state of performance on ESG metrics in a particular country requires collective action by all stakeholders: the Government, businesses, and investors. This collective action is driven by both domestic laws and regulations, but also through voluntary efforts including stewardship standards and incorporation of sustainability considerations.

Globally, there are observable trends that suggest that on specific parameters, such as raising ESG debt, there is a concentration among 5 emerging market and developing economies.[i] However, over time, there is less concentration, indicating that the debt segment is expanding more.[ii] This also indicates that ESG considerations are also becoming more widely accepted than before.

In this section, we present a high-level summary of our review of several countries in South and South East Asia, namely, India, Australia, Bangladesh, Philippines, Indonesia and Vietnam with regard to environmental considerations in their laws.

ESG performance in the surveyed countries

According to a 2021 survey by Global Risk Profile assessing countries based on a variety of ESG metrics, Australia ranks the highest at rank 6 and falls in the 'Very Low Risk' category. It is followed by Vietnam, Philippines and Indonesia at ranks 104, 111, and 113 respectively, all in the 'Medium' category. India and Bangladesh follow at ranks 139 and 142 in the 'High Risk' category.[iii]

Most surveyed countries do not have explicit responsibility towards the environment under the general corporate law. All surveyed countries have a certain taxonomy for defining sustainable finance in place or are under development by the relevant authorities to prevent greenwashing. Most surveyed countries have a regime for ESG disclosures for public and listed companies based on international standards. On corporate social responsibility (CSR), only some countries have mandatory CSR spending obligations. All surveyed countries have also announced national decarbonisation undertakings and timelines.

Therefore, while the surveyed countries are all at different levels of ESG performance, they all have taken useful first steps in this regard and significant work is underway for the next wave of changes in this regard.

We have explored the above considerations in more depth below, based on a desktop / public information-based survey of the applicable laws and commitments in each surveyed country.

Do the surveyed countries have laws relating to ESG for regulated entities?

All the surveyed countries have laws that impose ESG related requirements on companies or banks/financial institutions. Some countries such as Vietnam and Indonesia also have non-binding corporate governance codes which prescribe such requirements.[iv] In India, for instance, the duties of directors of a company explicitly extend towards the environment.[v] There are also mandatory CSR spending requirements for companies above a certain net worth or turnover or net profit threshold.[vi] Bangladesh also has requirements for CSR spending on climate change mitigation for banks and financial institutions. Public or listed companies in Indonesia are required to submit a report on corporate social responsibility in their annual reports.[vii]

Do the respective regulators prescribe ESG related compliance requirements for regulated entities?

The regulators of each surveyed country have prescribed different requirements on the entities regulated by them to promote ESG related measures. In India, the top 1000 listed companies (by market cap) are required by the securities regulator (SEBI) to make certain ESG related disclosures.[viii] The Bangladesh Bank has mandated banks and financial institutions to report on a quarterly basis, green banking initiatives and activities.[ix] The Australian securities and prudential regulators and the Australian Stock Exchange have all recommended their regulated entities to make disclosures in line with the TCFD framework.[x] The Philippines securities regulator has also issued sustainability reporting guidelines for publicly listed companies which are applicable on a comply-or-explain basis.[xi]

India is among emerging market and developing economies that are leading domestic legislative efforts for codification of ESG-related considerations and policy efforts towards enabling ESG in business in a number of ways. India now requires the top-1000 companies by market capitalisation (discussed subsequently) to disclose their performance on sustainability parameters, which could progressively expand to cover more businesses

in the future; and the (Indian) Ministry of Finance and the United Nations Development Programme have been engaged in discussions to introduce frameworks for sustainability, including a national taxonomies for green and sustainable financing.

India's International Financial Services Centre at GIFT City is also leading efforts towards creating an enabling framework for raising capital towards green and sustainable purposes by studying global best practices and the emerging requirements of the industry. India's recognition under its Companies Act, 2013, of the responsibilities of directors towards multiple stakeholders including the community and the environment is among the most forward-looking positions under corporate law, and can serve as an example for other jurisdictions.

What is the nature of corporate responsibility generally and are directors' duties also owed to the environment, stakeholders, society etc.?

In most surveyed jurisdictions, director's duties are generally owed only to the company and its shareholders. In India, however, the obligations of directors to act in the best interests of the company, its employees, the shareholders, the community and the protection of the environment, are statutorily and judicially recognised.[xii] Similarly, in Indonesia, the non-binding Code of Corporate Governance also requires the company to consider the interests of shareholders and other stakeholders such as employees, the communities and the environment they operate in.[xiii] In Australia, the director of a company has certain general duties such as the duty of care and diligence towards the company and its shareholders. While these obligations do not specifically refer to the environment, these are widely acknowledged to extend to the environment and climate related risks as well.[xiv] Other than this, most surveyed jurisdictions have a range of binding and non-binding instruments that prescribe enhanced corporate governance norms and risk management practices concerning environmental risks, particularly for banks and financial institutions.

Whether there is a national taxonomy for green / sustainable finance?

Some surveyed jurisdictions such as Bangladesh, Indonesia and Philippines have national taxonomies for sustainable finance in place while in the other jurisdictions, such taxonomies are under development by the concerned regulatory/government department.

Nearly all 6 jurisdictions have detailed regulations for green / sustainable / sustainability-linked / social bonds which are defined in relation to specified international benchmarks. Typically, these regulations also define eligible activities in which investment of the proceeds of such an issue are permitted, such as renewable energy, water and waste management and energy efficiency. The regulations also prescribe requirements for adequate disclosures, reporting, certifications, etc. to ensure that there is no greenwashing.[xv]

Further, certain banking regulators such as in Bangladesh and Indonesia have also set out requirements for banks and financial institutions to develop sustainable finance policies and increase their portfolio of sustainable funding.[xvi]

Whether there is a national framework for disclosures to assess performance on ESG parameters?

Most surveyed jurisdictions have regulations or guidance from stock exchanges which require public or listed companies to make disclosures in their annual reports or otherwise pertaining to environmental risks, and performance and actions taken on ESG parameters.[xvii] These disclosures are often prescribed with reference to international standards in this regard such as those of the TCFD or the GRI. For instance, in India, the ESG reporting requirement for the top 1000 listed companies (by market cap) includes certain climate-related disclosures pertain to energy consumption, greenhouse gas emissions, emission reducing projects, environmental clearances and impact assessments, renewable energy usage and details of any business continuity and disaster management plans.[xviii]

Whether there is a requirement for spending on corporate social responsibility (CSR)?

Some of the surveyed jurisdictions such as India have mandatory CSR spending requirements, for companies with a net worth or turnover or net profit beyond a certain threshold to spend at least two per cent of the average net profits of the company every financial year on CSR.[xix] In Bangladesh, banks and financial institutions are required to spend a minimum of 20% of their CSR budget (which is formed from the net profit on tax) on the environment and climate change mitigation, and are required to report their CSR activities.[xx] Similarly, in Indonesia, companies in the natural resources

sector are required to spend on CSR and report on the implementation of this obligation.[xxi] In the other surveyed jurisdictions, there is no mandatory CSR spending requirement.

Whether there is a national decarbonization undertaking and timeline?

All surveyed jurisdictions have national decarbonisation undertakings and timelines. While the targets of India and Australia are entirely unconditional, other countries have announced both conditional (on international support and funding) and unconditional targets. Further, Australia's obligations have been enshrined in law under the Climate Change Act, 2022.

THE ELECTRIC VEHICLES (EV) SECTOR

Introduction

The rapid increase in urbanisation, wealth, population in the last few decades has had a marked effect on the mobility of citizens. This large growth has been positive in many ways, including the development of a thriving auto industry and allied economic growth. However, there are a set of challenges which came along with it, the biggest being environmental damage as the transport sector accounts for about 17 per cent of global greenhouse gas emissions.[xxii] Many countries around the world are becoming aware of the fatal consequences of environmental pollution and are striving to reach their internationally committed climate targets. The EV industry is rising to this occasion to reduce carbon emissions and improve air quality by using friendlier and cleaner energy. In addition, the EV industry is also driving innovation, entrepreneurship, employment and is promoting new sectors like charging infrastructure, generation of electricity through renewable sources. Further, EV industry also has a significant role to play in terms of the 'Social' factor under ESG norms by promoting affordable, clean public and private mobility solutions for consumers, creation of new job opportunities as well as sustenance of existing jobs on account of transition to EVs from fuel-based vehicles. EVs have also shown signs to be prevalent in diverse populations like women, students and retired people due to the ease of convenience, thereby reducing the gender and class divide in various countries.

Global efforts to diversify supply chains combined with the drive to adopt green technology have created an opportunity for EV production, especially in South Asia.[xxiii] Various international organizations are also supporting governments in developing e-mobility policies and building capacity. The GEF Global Electric Mobility Program was launched in 2019 with a focus on 17 countries, including India, Indonesia, Bangladesh, Philippines to bring together the UN Environment Programme, the Asian Development Bank and others to support the introduction of zero-emission vehicles, including electric buses, cars and two-and three-wheelers in line with the UN Environment Assembly's Sustainable Mobility Resolution and the Paris Agreement.[xxiv]

With increasing scrutiny around ESG, major players and unicorn start-ups in the energy and transport sectors are investing in EV battery manufacturing, charging infrastructure, and fleets of EV vehicles (buses, cars, rickshaws and motorcycles) to achieve corporate sustainability goals. Regulators in most South Asian countries are encouraging priority sector lending, green finance and green taxonomies which will boost the growth of EV sector. Building tomorrow's EV ecosystem means radically building out the EV value chain by stimulating both supply and demand sides of the equation. This requires greater investment in public-private partnerships, infrastructure and technology development, accelerated low-cost EV model distribution (with total cost of ownership at or ahead of parity with internal combustion engines), integrated finance, government incentives to encourage EV adoption, carbon tax to discourage fossil fuel vehicles and a supporting green investment framework.

In Asia, governments are showing different levels of commitment towards electrification. For instance, by 2030, India and Indonesia will become the second- and third-largest electric two-wheeler markets in the world after China, growing by more than 60 per cent annually. Indonesia is banning all sales of fossil fuel motorcycles by 2040 and fossil fuel cars by 2050. Vietnam's biggest private player, Vinfast has both its own EV manufacturing facility within the country with the capacity to build around 950,000 EVs annually and is also rapidly expanding abroad. It has announced plans to invest USD 2 billion to start EV manufacturing in North Carolina, and USD 200 million to establish a U.S. headquarters in Los Angeles as part of its plan to sell its first EV in the United States. Australia has clear opportunities in minerals and energy exports (among others) that would add over USD 48.4 billion to the Australian economy annually through 2035. The Electric Vehicle Association of the Philippines (EVAP) forecasts an annual growth rate of 8-12% that will produce USD 33.6 million revenue from services and sales of 200,000 units by 2024. Bangladesh adopted an 'Automobile Industry Development Policy' 2021 which covers measures to boost manufacturing and import of EVs and is looking to implement more measures.

The greatest challenge to EV industry growth in South- East Asia remains the lack of charging infrastructure and a reliable electricity grid that does not rely on fossil fuels. Many countries are framing new policies, incentivising foreign investments, and encouraging public private partnerships to combat this issue. Consumer

education and incentives will be critical to growing the EV market. Information campaigns could focus on the health and environmental benefits of shifting to EVs as well as cost savings.

End-of-Life Vehicle (ELV) recycling and disposal are expected to soon become more serious challenges for Asian countries[xxv]. There is a large, unorganised, unregulated and informal scrappage industry that exists in Asian countries like India, Indonesia, Philippines, Vietnam, amongst others. In order to make EVs truly sustainable in the long run, it is imperative to ensure that there is an adequate, organised, regulated waste management framework, recycling, refurbishing and recall of inefficient and unfit vehicles. This will not only minimise hazardous waste ending up in landfills but will also be relevant to extract raw material out of discarded vehicles which could significantly bolster the EV industry. With the advancement in research and technology, various studies are being done to generate electricity from waste and even from winds produced from high speed vehicles [xxvi] . This two-fold approach of managing waste and generating electricity from it which can be further used to power EVs is a breakthrough movement for a sustainable EV industry. Ethical waste management and supply chain protocols will be the key to a wholesome EV sector in the coming years.

In the words of the Indian Supreme Court: "*It is an established principle of law that the right to life, as envisaged under Article 21 of the Constitution of India includes the right to a decent environment. It includes within its ambit the right of a citizen to live in a clean environment (….) We are of the view that no step is too small when it comes to fighting pollution. Small steps to reduce pollution when taken together will lead to large scale reduction in pollution which will result in much cleaner air, which eventually will result in a cleaner and better environment, healthier citizens and most importantly a healthier generation to come"*.[xxvii] With the ongoing Russia-Ukraine conflict resulting in high fuel prices, developed countries looking to reduce dependence on China, rising inflation and various political and economic conditions, the time is ripe for South Asia to take the leap and become the global EV hub for a safe and healthy environment in coming years.

STATE OF THE EV SECTOR IN DIFFERENT CACCI MEMBER COUNTRIES

PHILIPPINES

The Philippines has taken a proactive stance towards fostering development in the EV industry – by seeking to incentivise the manufacturing of EVs and related parts, developing the necessary infrastructure for charging and batteries, as well as implementing fiscal measures to make EVs more affordable and accessible to consumers.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• The Electric Vehicle Industry Development Act ("**EVIDA**") came into force on April 15, 2022, with the objective of promoting several environmental, sustainable and social targets. • The EVIDA provides a framework for fiscal incentives in: (i) Manufacturing – *tax incentives provided in relation to manufacturing and assembly of EVs*; (ii) Importation – *excise duties provided to imported hybrids (50%) and battery EVs (100%)*; (iii) Utilization – *discounts in motor vehicle user charges, registration and inspection fees.*	• EVs are prohibitively priced in the Philippines, given that domestic production of EVs has not yet materialized at scale, leading to imports being the primary source of EVs in the country. • The largest source of power in the Philippines is from coal (52%). Therefore, the electricity generated to power EVs comes from non-renewable sources, limiting the green credentials of the EV sector. • For example, articles suggest that certain EVs are priced double of their US retail price (as an illustration, while the Nissan Leaf costs around USD 56,000 in the Philippines, it is priced around USD 27,400- 31,800 in the United States). • A sufficient period of time has not lapsed to make a clear determination of whether there are any deficiencies in the EVIDA and the CREVI.
REGULATORY MEASURES	*SOCIAL ASPECTS*
• EVIDA provides for the framing of a 'Comprehensive Roadmap for the Electric Vehicle Industry' ("**CREVI**"), which has four components: (i) EVs and charging stations component; (ii) Manufacturing component; (iii) Research and development component; (iv) Human resource development component. • EVIDA provides for priority registration and renewal of registration for EVs; and expedited customs clearance. • EVIDA provides for mandatory installation of charging points in new buildings and encourages charging points at fuel pumps.	• Reduction of excise duties and customs duty pursuant to Tax Reform for Acceleration and Inclusion ("**TRAIN**") and EVIDA will help the affordability of EVs for consumers. • Certain private initiatives that have sought to make public transport through e-buses more affordable, and more similar state-backed programmes may follow suit. • For owners of private EVs, discounts in relation to vehicle use charges, registration and inspection charges reduce on-road costs. • EVs require around 6 times more minerals than a conventional vehicle – leading to concerns that mining these minerals may lead to human rights issues. 'Ethical battery' campaigns have begun, and the Department of Science and Technology is exploring alternative battery options that rely less on minerals.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	Yes, the EVIDA and CREVI extends to EVs generally, including battery EVs, hybrid-electric vehicles, light electric vehicles, and plug-in hybrid electric vehicles. The EVIDA and CREVI cover aspects related to manufacturing, infrastructure development, research and development, and human resource aspects to promote the EV sector.
Sufficiently long-term	While the CREVI typically is designed to only have a 1-year window, it is meant to be reviewed and revised each year. While this may not appear sufficiently long-term by itself, the CREVI is meant to, by design, become automatically part of the Philippine Energy Plan (which is meant to be operational until 2030) and the National Transport Policy (which does not have a specific end-period).
Periodically-revised	Yes, the EV regulations and policies are designed to be regularly reviewed and revised. The EVIDA imposes annual deadlines on the different responsible government departments/ state agencies to update the different components of CREVI.
Technologically neutral	Yes, the EVIDA and CREVI do not appear to provide differential treatment to different kinds of battery and charging technology.
Backed by institutional implementation	Yes, there is a designation of government agencies for implementation of various objectives under the EVIDA. These government agencies include, among others, the Department of Energy, the Department of Transport, the Department of Trade and Industry, and the Local Government Units. There is also flexibility to include public and private stakeholders as needed.

CROSS-BORDER TRADE AND INVESTMENT

- While there are some qualitative restrictions with respect to foreign investments in small and medium enterprises, the Philippines liberalized its laws governing foreign investments in June 2022.
- The EV sector and the automobile industry in general do not appear to be included in the latest 12th Regular Foreign Investment Negative List that sets out investment thresholds for foreign investors in different sectors under the Foreign Investments Act, 1991. There do not appear to be any specific limits on foreign investments in the EV sector under the Foreign Investments Act.
- As the Philippines sustainable finance framework relies on international standards in relation to eligible 'green' and sustainable projects, it is likely that the EV sector is able to rely on the following:

  (i) The Sustainable Finance Framework;

  (ii) Philippine Sustainable Finance Guiding Principles of the central bank of the Philippines – the Bangko Sentral ng Pilipinas (**BSP**) which aim to guide sustainable finance;

  (iii) BSP circular issued to banks to encourage sustainability practices.

  There do not appear to be any specific challenges in the legal and regulatory framework in relation to the availability of green and sustainable finance options.
- However, the revised legal position under the Foreign Investments Act is that foreign nationals may now invest in SMEs with a minimum capital of USD 100,000 if the enterprise: (i) is involved in advanced technology as determined by the Department of Science and Technology; (ii) is endorsed as a start-up or start-up enabler pursuant to the Innovative Startup Act; or (iii) has a majority of its direct employees as Filipinos, and the number of Filipino employees is not less than 15.

BANGLADESH

Bangladesh has recently published its 'Automobile Industry Development Policy 2021' which states that the primary objective of the Policy is to '*accelerate the pace of EV adoption across large part of the vehicles produced by 2030, especially passenger and commercial vehicles like bus, truck, three-wheeler auto rickshaw, sedan cars etc.*' Further government action by way of implementation of the proposed 'Electric Motor Vehicle Registration and Operation Guidelines' is expected which will more comprehensively cover EVs.

FISCAL MEASURES

- The 'Automobile Industry Development Policy 2021' states that the following facilities will be provided to ensure large-scale adoption of EV and EV production, whilst reducing vehicle emissions:
  - (i) incentives for purchasing and scrapping;
  - (ii) interest subvention on loans (taken towards the acquisition of the EV);
  - (iii) waiver of road tax and lower registration fees; and
  - (iv) creation of a 'National Energy Efficient Vehicle Production Fund' to ensure energy efficient vehicle production.
- There are certain financial incentives provided for local manufacturing of EVs, subject to meeting certain progressive production rate requirements.

UNIQUE CHALLENGES TO THE INDUSTRY

- There are no clear methods to track progress of the implementation of the policy announcements under the 'Automobile Industry Development Policy 2021', with certain proposals such as the setting up of a 'Technology Acquisition Fund' to invest in research and development of commercially viable technologies for electric powered cars such as batteries and charging stations appearing to not have been implemented.
- According to media reports, the costs of an EV are prohibitively high in Bangladesh, with the former President of the Federation of Bangladesh Chambers of Commerce and Industry reportedly stating that the price of an EV is almost double of that of a conventional vehicle. This may partly be due to import duties with respect to manufacturing.
- There have been efforts in conjunction with Government departments in Bangladesh to frame policies that addresses environmental pollution concerns arising out of recycling certain kinds of batteries, such as the 'National Strategy for Used Lead Battery Recycling in Bangladesh'. However, Bangladesh does not have a broader photovoltaic (PV) waste policy that addresses harms associated with other kinds of fuel cells and batteries.

REGULATORY MEASURES

- The 'Automobile Industry Development Policy 2021' envisages the following measures:
  - (i) installation of a wide network of charging stations and battery recycling industry;
  - (ii) establishment of a dedicated EV cell in Bangladesh Road Transport Authority ("**BRTA**") to provide quick service to the customers; and
  - (iii) running an intensive public outreach program focused on creating awareness about the benefits of EVs.

  However, the status of implementation of these measures is not clear.

SOCIAL ASPECTS

- One of the objectives of the 'Automobile Industry Development Policy 2021' is to ensure that several Skill Development Centres are set up to run adequate training programs to '*ensure conducive atmosphere for energy efficient vehicle industry and creation of jobs*'. The employment opportunities that will be generated will also progress the social aspects.
- However, according to reports, EVs in Bangladesh are still not accessible by all due to prohibitively high costs. This issue with affordability may contribute to its relatively lower intake among consumers.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	While the 'Automobile Industry Development Policy 2021' covers EVs among other classes of vehicles, it is expected that the 'Electric Motor Vehicle Registration and Operation Guidelines' will cover EVs more comprehensively.
Sufficiently long-term	Yes, the 'Automobile Industry Development Policy 2021' is aimed to be implemented over a 10-year period (i.e., until 2031). However, the term of the proposed 'Electric Motor Vehicle Registration and Operation Guidelines' is not clear.
Periodically-revised	Yes. The 'Automobile Industry Development Policy 2021' states that it can be revised from time to time considering new demands and changes, based on the findings of impact evaluation and monitoring activities. However, to support this ad-hoc process, the National Council on Automobile Industry Development is also required to regularly review the 'Automobile Industry Development Policy 2021' to keep it up-to-date with evolving national development priorities and is required to sit at least twice in a year.
Technologically neutral	While the definition of EVs under the 'Automobile Industry Development Policy 2021' refers only to vehicles powered exclusively by one or more electric motors whose traction energy is supplied by rechargeable battery installed in the vehicle, other forms of vehicles typically classified under EVs (hybrids, alternate fuelled vehicles etc.) are covered under the definition of 'energy efficient vehicle'. Thus, while the 'Automobile Industry Development Policy 2021' covers all types of EVs in effect, the nature of treatment may be different as they fall under different definitions/ categories.
Backed by institutional implementation	Yes. The 'Automobile Industry Development Policy 2021' envisages the constitution of a National Council on Automobile Industry Development to monitor and evaluate the implementation of the policy at the national level. This Council will be headed by the Minister, Ministry of Industries with 38 other members from different government departments/ state agencies.

CROSS-BORDER TRADE AND INVESTMENT

- There do not appear to be any specific entry barriers to foreign firms undertaking activities in relation to EVs in Bangladesh. According to recent reports, Indian automobile manufacturer Omega Seiki has recently announced an investment of USD 12.2 million to set up an EV manufacturing facility in Bangladesh.
- According to the Bangladesh Investment Development Authority, foreign investment is permitted in a majority of sectors up to 100% on a non-discrimination basis.
- The central bank of Bangladesh, the Bangladesh Bank, has published a Sustainable Finance Policy for banks and financial institutions which incorporates a detailed taxonomy for green and sustainable finance including applicable sectors/areas, and screening and monitoring requirements. The Bangladesh Bank has also mandated banks and financial institutions to develop green banking policies and give preference to environmental and energy-efficient industries.
- There are some sectors where prior clearance/ permission from the relevant line ministry/ state agency/ authority is required. Out of the 17 sectors, medium and large industries that use natural

gas/ condensate and other minerals as raw materials are included. This may include facilities that aim to manufacture certain components of EVs such as batteries.

- In practical terms, it appears that foreign investors find it necessary to have a local partner (even if there is no specific regulatory requirement to this effect).

INDIA

Electric mobility is intended to assist India in meeting its Sustainable Development Goals (SDGs), reducing/easing traffic congestion, and decoding the complicated code of developing sustainable cities. India has taken a proactive stance towards fostering development in the EV industry – by seeking to incentivise the manufacturing of EVs and related parts, developing the necessary infrastructure for charging and batteries, as well as implementing fiscal measures to make EVs more affordable and accessible to consumers. On the occasion of the nation's 75th Independence Day, Prime Minister, Narendra Modi stated an intent for the nation to reach the next level of energy independence through the use of biofuels, solar energy, and EVs. He also emphasised that 'Aatmanirbharta (self-reliance)' must be seen from the prism of national security and that the private sector needs to be more 'vocal for local' and the industry should boost domestic manufacturing in the EV sector.

Mr. Nitin Gadkari, Hon'ble Union Minister of Road Transport & Highways, Government of India recently remarked that electric vehicles will become as affordable as petrol vehicles in 2023. According to Mr. Nitin Gadkari, the number of EVs sold in India surged across all vehicle categories by 800% and almost 1.7 million EVs were registered in 2022, representing a significant uptake in EVs.

FISCAL MEASURES	***UNIQUE CHALLENGES TO THE INDUSTRY***
• The National Electric Mobility Mission Plan (NEMMP) 2020 is a national mission document providing the vision and the roadmap for the faster adoption of EVs and their manufacturing in India. • As part of the NEMMP 2020, to assist the acceptance of EVs in the country, the Department of Heavy Industry (DHI) being the nodal authority for the automotive sector had launched a flagship scheme called Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicles (FAME) in India in 2015. The 1st Phase of this FAME scheme was initially launched for a period of two years, commencing from 1st April 2015, which was subsequently extended from time to time and the last extension was allowed up to 31st March 2019. The first phase (Phase 1) of FAME Scheme was implemented through four focus areas namely (i) Demand Creation, (ii) Technology Platform, (iii) Pilot Project and (iv) Charging Infrastructure. Market creation through demand incentives was aimed at incentivizing all vehicle segments i.e. 2-wheelers, 3-wheelers auto, passenger 4-wheeler vehicles, light commercial vehicles and buses. The demand incentive was available to buyers of EVs in the form of an upfront reduced purchase price to enable wider adoption. • Based on the experience gained during Phase 1 of FAME Scheme and suggestions of various stakeholders including industry associations, DHI notified the second phase of implementation. FAME-II is proposed to be implemented over a period of three years which has been further extended by two years i.e. up to March 2024. The expenditure to be incurred under FAME II is planned to be	• High manufacturing costs due to lack of easy availability of raw materials like lithium-ion cells. • Range anxiety coupled with lack of adequate and accessible charging infrastructure. • Lack of affordable EV models and options to cater to all types of consumers. • Dependency on fossil fuels to meet the increased electricity requirements. • Lack of specialised finance options, separate and affordable insurance options for EVs. • Negative showcase of EV fire accidents by media houses. • Concerns of customers around EVs' durability, reliability, safety, availability of spare parts, service centers and resale value. • Lack of awareness amongst the public on the environmental and eventually health benefits of EVs.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
primarily towards demand incentives, with the total budget allocation of USD 1.22 billion. The DHI has also sanctioned 2636 charging stations in 62 cities across 24 States/UTs under FAME-II. • The Production Linked Incentive (PLI) scheme worth USD 2.2 billion was introduced by the Indian government in 2021 for investments in advanced chemistry cell (ACC) battery manufacturing and worth USD 3.5 billion approved for automotive manufacturing focusing on EVs and hydrogen fuel cell vehicles. The PLI scheme aims to improve the supply chain for manufacture of EV components by enhancing domestic manufacturing capacity across a range of EV components, strengthening downstream operations and increasing investments in EV technology and less reliance on imports. This will considerably lower the cost of EVs and provide the necessary infrastructure to support the EV sector. • Goods and Services Tax (GST) rates modified: - Reduced from 12% to 5% on EVs sold with batteries; - Reduced from 18% to 5% on charger or charging stations for EVs; and - Hiring of electric buses (of carrying capacity of more than 12 passengers) by local authorities be exempted from GST. • The Ministry of Road Transport and Highways (MORTH) exempted EVs from permit requirements and recommended that states reduce or waive road taxes for EVs.	
REGULATORY MEASURES	*SOCIAL ASPECTS*
• Phased Manufacturing Program (PMP) notified for EV parts, to promote indigenous manufacturing of EVs, their assemblies/sub-assemblies, and parts/sub-parts/inputs of the sub-assemblies. • Vehicle Scrappage Policy was launched in 2021 to remove old, unsafe and unreliable vehicles; boost the availability of low-cost recycled inputs like plastic, steel. It also encourages public private partnership (PPP) models to develop scrapping facilities. • Charging Infrastructure Guidelines issued to enable faster adoption of EVs by ensuring safe, reliable, accessible and affordable	• Affordable public transport options in the form of electric rickshaws, private ride hailing services like BluSmart in select cities. • . • Smart applications, websites, portal for disseminating information on charging spots, tariffs, payment gateways and helpline numbers coming up. For instance, NITI Aayog under a collaborative knowledge exchange programme with the UK government and as part of the UK–India Joint Roadmap 2030, has developed a portal called 'E-

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
charging infrastructure; promote affordable tariff regimes; generate employment; create initial EV charging infrastructure. The Indian government intends to carry out phase-wise installation of a proper network of charging infrastructure with at least one charging station per grid of 3 km x 3 km in the cities and one such station to be set up at every 25 km on both sides of highways. • Insurance regulator of India – IRDAI has come up with a mandate to incentivise electric car owners.	Amrit'. 'E-Amrit' is a one-stop destination for all information on EVs - busting myths around the adoption of EVs, their purchase, investment opportunities, policies, subsidies, etc. This portal intends to complement initiatives of the government on raising awareness on EVs and sensitizing consumers on the benefits of switching to EVs. • Growth of new employment opportunities, innovative business models and entrepreneurship. A survey has indicated that the Indian EV sector witnessed a 108% employment growth cutting across genders over last two years with Bengaluru at lead. • Incentives like free parking, toll waivers etc. initiated in various states to drive consumers towards EV purchases. • Collaborations and tie-ups by private sector enterprises in the logistics and e-commerce sector to promote EVs. With an objective to build a supply chain that will minimise the environmental impact of operations, the e-commerce giant Amazon India partnered with Mahindra Electric to expand its electric distribution fleet. Amazon India announced in 2020 that by 2025, its delivery fleet will include 10,000 EVs in India.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	Yes, schemes like FAME-II, PLI are comprehensive in nature.
Sufficiently long-term	Yes, these schemes are of tenures ranging from 3-5 years. DHI may use its powers as nodal agency to extend them further.
Periodically-revised	Yes, periodic review of incentives/subsidies is envisaged under the schemes through specially constituted committees under the relevant frameworks.
Technologically neutral	Yes, the schemes are technologically agnostic with the flexibility for beneficiaries to adapt their own technologies. However, scheme like FAME-II seems to provide differential treatment to different kinds of vehicles like two-wheelers, three-wheelers, e-buses, e-trucks.
Backed by institutional implementation	Yes, DHI is the nodal agency tasked with overall planning, implementation and review of the FAME-II scheme, whereas Ministry of Heavy Industries (MHI) oversees the PLI scheme.

CROSS-BORDER TRADE AND INVESTMENT

The Indian government has been implementing several programmes to encourage the growth of electric mobility, including 100 per cent foreign direct investment (FDI) through the automatic route in the EV sector.

The EV market in India has attracted major carmakers recently. However, it is mainly dominated by a leading Indian home-grown brand - Tata Motors. Tata Motors has currently holds a leading position in the green mobility space with a market share of 88% in the electric 4-wheeler market, as per reports. Other Indian automobile manufacturers may also look to boost their market share through schemes such as 'Make in India'.

The entry of foreign players has also been observed in the sector. Recently, a joint venture has also been entered into by Suzuki Motor Corp., Toshiba Corp. and Denso Corp. to open a first of its kind joint manufacturing facility for lithium-ion (Li-ion) cells in Gujarat and convert it into a global export hub. The joint venture is also expected to receive incentives under the PLI scheme for ACC manufacturing in India. The battery pack manufacturing joint venture is likely to lead to a stable supply of Li-ion battery packs in India in the course of promoting sustainable cars in the country and will contribute to the 'Make in India' initiative by the Indian government. As per recent reports, certain other foreign affiliated companies like MG Motors have also set up local manufacturing units to launch affordable EVs in Indian market. The company is planning to source batteries locally to keep the prices competitive. This augurs well for the Indian EV market by encouraging foreign investment while promoting domestic manufacturing and growth of EVsHowever, India also has a 60% import duty on fully imported cars that cost USD 40,000 or less, and a 100 per cent import duty on vehicles that cost more than USD 40,000. Despite 100 per cent FDI being allowed to set up automobile manufacturing units in India, other concerns like high import duty may require review by the Government as this may affect global carmakers looking to enter Indian markets. As an example, according to media reports, Tesla is engaging in discussions with Indian central government to reduce such import duties.

No separate license is required for setting up charging station under the Electricity Act, 2003.

Regulatory approvals under environmental laws and labour legislations might be required for setting up business for manufacturing of EVs. However, the Indian government is considering amendments to labour law to make them more investor friendly and promote ease of doing business in India.

Regulatory approvals might also be required depending on local state policies. However, it is likely that states will look to compete to attract investments in manufacturing and assembly to boost production and employment. This may lead to rationalisations over time with respect to compliance and regulatory approvals.

INDONESIA

Indonesia with its vast reserves of nickel - a key component in batteries for EVs is emerging as an attractive player in the EV market. The EV and EV battery industry in Indonesia is still relatively new, but it is growing in both market potential and strategic importance. Indonesia is charging up to meet the EV industry.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• Presidential Regulation 55 of 2019 (PR 55/2019) is the umbrella legislation in Indonesia to regulate the EV sector. • PR 55/2019 provides for fiscal incentives for 12 types of activities, which include research and development, training, production-related activities, battery swap and charging services, and other infrastructure. • Law No 1/2022 on Fiscal Relations stipulates the exemption of EVs from vehicle tax and title transfer fee. • Government Regulation No. 73/2019 which changed the basis of the Sales Tax on Luxury Goods (LST) rate on motor vehicles. • Tax holiday of 20 years given to companies that invest more than USD 1.91 billion.	• There is a clear gap in the vision and steps being taken to achieve the mission set forth in Indonesia. There are no clear methods to track progress of the implementing regulations envisaged under PR 55/2019 seem to be not in place. Further, Ministry of Energy and Mineral Resources mentioned an ambitious national target requiring that only electric motorcycles be sold from 2040 forward and that all vehicles sold from 2050 be EVs. However, this statement has not been reflected in any strategic document or policy. • High investment costs for charging stations, absence of standards for charging station operations, lack of land availability in strategic locations and untested business models for charging/battery swap stations. • Biggest energy source for electric power plants is coal - which is a non-renewable source of energy. • ESG issues surrounding nickel which is a key raw material for EV production, as it is not completely eco-friendly. • Lack of participation from states apart from Jakarta and Bali.
REGULATORY MEASURES	***SOCIAL ASPECTS***
• PR 55/2019 also provides for some non-fiscal incentives aimed at easing business licencing, provision of supporting infrastructure, energy, guaranteed availability of raw materials, immigration and employment amongst others. • National Energy Grand Strategy, Ministry of Energy and Mineral Resources (MEMR) which includes plans to reduce oil imports and promote EV development. • Ministry of Energy and Mineral Regulation No. 13/2020 on Provision of Charging Infrastructure for battery EVs. • The Indonesian central bank, Bank Indonesia, are considering providing additional incentives related to credits for green projects, including	• Collaboration between public and private enterprises to provide easy access of charging station to EV owners. • Jakarta and Bali emerging as test cities due to tourist inflow, showcasing EV popularity to wider audience. • Electrification of public transport is visible. Local online ride hailing services like Grab, Gojek also offer the option of electric motorbikes. • Recently conducted Indonesia Electric Motor Show 2022 (IEMS) to provide opportunity to socialize the EV ecosystem. • Government Regulation 22 of 2021 deals with waste management under B3 and Non- B3

low-interest rate EV financing to further encourage EV sales.	category and collection, storage, transportation, utilisation etc. of such waste.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	While PR 55/2019 has been promulgated in Indonesia, there seems to be a lack of comprehensive guidelines for implementation of the regulation.
Sufficiently long-term	There is a lack of clarity on whether PR 55/2019 is sufficiently long term in nature.
Periodically-revised	There is a lack of clarity on the mechanism for periodic review of the legislation.
Technologically neutral	PR 55/2019 seems to be limited only to one type of EVs i.e. BEVs.
Backed by institutional implementation	There is a lack of clarity on whether PR 55/2019 is backed by institutional design for implementation.

CROSS-BORDER TRADE AND INVESTMENT

Presidential Regulation 10 of 2021 sets out the business fields open to investment ('positive investment list'). The general principle under the positive investment list is that a business sector is open to 100 percent foreign investment unless it is subjected to a specific type of limitation. Transport and Energy are two important sectors that had previous foreign ownership restrictions, which have now been lifted.

Special exception if the investments are carried out within special economic zones for technology-based start-ups.

Indonesia holds the world's largest nickel reserves and is leveraging those reserves to attract foreign investment in the battery supply chain. Incentives being provided to foreign investors in Indonesia.

Foreign investments can only be in the form of limited liability companies that are established and located in Indonesia with approval from the Minister of Law and Human Rights of Indonesia.

In 2020, the government banned nickel ore exports which is a key component in battery production for EVs with a two-fold objective: (i) to increase domestic production; (ii) to attract foreign investors to invest in manufacturing operations within Indonesia.

VIETNAM

The EV market in Vietnam is a promising market although it still requires strong and explicit government's support in policy, tax incentives, price subsidies, standards and technical regulations, toward EV development. With its vast nickel reserves, Vietnam also has the potential to become an exporter of EVs and raw material required to develop batteries.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• The Vietnamese government has announced tax incentives like: - exemption of registration fee for battery EVs for the first 3 years and 50% fee reduction for the next 2 years; - reduction of the excise tax rate for battery EVs to a 1- 3% for a period of five years starting from March 1, 2022.	• Lack of robust, comprehensive national policy specific to EV sector. • High production costs, initial investment for upgrading and converting technology and low demand for EVs is preventing manufacturers from shifting to production of EVs. • Lack of a strong electricity grid and dependence on coal for electricity generation. • Regulations governing periodic inspection and maintenance of in-use two-wheelers are still absent, which explains the country's high level of emissions and noise pollution from two-wheelers.
REGULATORY MEASURES	***SOCIAL ASPECTS***
• Guidelines for the National Energy Development Strategy until 2030 with a Vision to 2045, is the first official national document that requires the promotion of e-mobility and energy storage in line with global trends. • National Transportation Vehicle Development Strategy was released with an aim to develop environmentally friendly vehicles. • Regulations to gradually restrict motorbikes on city streets by 2030 in major cities like Hanoi, Hai Phong, Danang and Ho Chi Minh. • Directive 03/ CT-TTg on reinforcement of controlling air pollution in January 2021 to reduce air pollution in the country. • Decision 687, Law on Environmental Protection and certain decrees passed to implement 'make-use-recycle' model, waste management.	• To overcome one of the biggest challenges of charging infrastructure in Vietnam, VinFast, a key private player is leading the way in setting up charging stations throughout the country. • A new ecosystem of buyers, suppliers, distributors, and customers contributing to jobs and the economy is emerging, including in areas related to recycling, waste management. • Non-requirement for a driver's license and the safety of low-speed vehicles attract customers from various age and gender groups like teenagers, women, and retired people. • Start-ups and private companies in Vietnam are driving the growth and adoption of EVs through various solutions including digital and technology solutions to serve the specific needs of Vietnamese people through AI, blockchain and even solar energy.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	There is a lack of comprehensive policy specific to the EV industry.
Sufficiently long-term	A sufficiently long-term policy coupled with technical guidelines for implementing of the vision for EV sector seems to be not present in Vietnam.
Periodically-revised	There is a lack of clarity on whether the existing policies will be reviewed periodically.
Technologically neutral	There is a lack of clarity on whether the policies are technologically agnostic.
Backed by institutional implementation	There is a lack of clarity on the institutional design and implementation of policies in Vietnam.

CROSS-BORDER TRADE AND INVESTMENT

Decree 31 provides for *inter alia* list of preferential investment business lines which also includes producing environmentally friendly means of transport, amongst other things.

The limit prescribed for foreign investment in 'Road Passenger Transportation' sector is less than or equal to 49% in the form of Business Cooperation Contract (BCC)[1] or JV with Vietnamese partner.

Public Private Partnership Law, 2020 lists transportation, electricity grid and power plants as prioritized sectors for FDI and private public partnerships.

Free trade agreements signed by Vietnam might attract more foreign investment.

Interested investors have a chance of first mover advantage as Vietnam may soon provide incentives to this sector.

In practical sense, discretion to allow foreign investment is exercised by Vietnamese government authorities and transaction might get rejected if they decide that the foreign investors have not met their requirements based on their view.

All FDI projects require approval by the provincial People's Committee in which the project would be located and from National Assembly for large scale projects.

AUSTRALIA

Australia's role in the global automobile industry moved from being a producer to an importer over the last few decades. However, with the emergence of EVs, Australia seeks to commence and promote manufacturing activities in relation to EVs and related components such as batteries once again. The focus on EVs underlies Australia's objective of phasing out vehicular emissions and its reliance on renewable sources of energy.

FISCAL MEASURES

- As part of the Powering Australia Plan, there is a proposal to introduce an electric car discount to make EVs cheaper by removing inefficient taxes from low-emissions vehicles. In particular, it has been proposed that import tariffs and the Fringe Benefits Tax will be removed from models below the luxury car tax threshold.
- An Australian Driving the National Fund aggregating USD 322 million has been proposed to establish a hydrogen refuelling network on major highways.
- There is a proposal for the Australian Government to develop a National Battery Strategy and a National Reconstruction Fund, which is intended to drive investments across a range of activities, including clean energy component manufacturing, ensuring greater supply of minerals, on-shore processing and value-adding.

UNIQUE CHALLENGES TO THE INDUSTRY

- While Australia looks under its recent consultation paper on National Electric Vehicle Strategy in September 2022 to also manufacture EVs, batteries and other related components, the manufacturing industry in relation to automobiles and associated parts in particular requires revival.
- Given the subdued manufacturing activity within Australia, issues with regard to EVs primarily arise in relation to supply: the National Electric Vehicle Strategy highlights certain concerns such as (i) limited availability of affordable EVs across all vehicle types; (ii) range anxiety due to gaps in EV charging networks and hydrogen refuelling infrastructure; and (iii) lack of information for consumers.
- It appears that Australia has not yet implemented a comprehensive national policy in relation to EVs, with the proposed policy only having been issued in September 2022 for public consultation.

REGULATORY MEASURES

- Pursuant to the Powering Australia Plan, the Australian Government proposes to establish a real-world vehicle testing program that accurately measures fuel efficiency of vehicles. On average Australian households incurs an additional expenditure of USD 485 annually for fuel more than the advertised fuel efficiency of their vehicle.
- Pursuant to the National Electric Vehicle Strategy, the Australian Government is committing to transition 75% of its fleet (comprising of both leases and purchases) to EVs by 2025. Certain states in Australia have announced measures in relation to mandatory transition to EVs: for example, the Australian Capital Territory and the South Australian governments intend that all new passenger vehicles sold in their areas are to be fully electric by 2035.

SOCIAL ASPECTS

- The proposal under the Powering Australia Plan will make certain kinds of EVs more accessible and affordable to the common public that are below the luxury car tax threshold.
- While the Powering Australia Plan envisages creation of 6,04,000 new jobs by 2030 on an aggregate basis, a portion of this will arise out of proposed advances in the EV sector.
- Certain initiatives by state governments have also sought to address harms arising out of disposal of EV batteries. For example, the Circular Economy Business Innovation Centre of the Victorian Government has launched a programme that aims to identify a sustainable business model for retired EV batteries. The project will involve feasibility studies, pilot projects and business case development in relation to retired pure electric lithium-ion batteries, a by-product of the EVs industry.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	The Powering Australia Plan does not cover EVs comprehensively, and the National Electric Vehicle Strategy has only been issued for public consultation. However, the National Electric Vehicle Strategy covers several aspects that strongly encourage EV adoption, including fiscal and non-fiscal incentives, and measures to improve supportive infrastructure.
Sufficiently long-term	Yes, the National Electric Vehicle Strategy aims to achieve phased objectives in different aspects in relation to transition and EVs by 2025, 2030, 2035, 2040 and 2050. This provides long-term policy certainty and direction.
Periodically-revised	The National Electric Vehicle Strategy states that it will need to be '*dynamic and adaptive*', and will therefore require '*ongoing reviews to measure and inform adjustments*' needed to meet the goals. However, the process appears to be entirely *ad-hoc* in nature, and will therefore need to be observed over a period of time to test whether this flexibility is effective.
Technologically neutral	Yes, the National Electric Vehicle Strategy and the Powering Australian Plan broadly aim to cover all forms of EVs.
Backed by institutional implementation	There are two agencies that are primarily referred to in the National Electric Vehicle Strategy: the Clean Energy Finance Corporation and the Australian Renewable Energy Agency. These entities are responsible for increasing investments to reduce transport-related emissions. The state and federal Governments in Australia are responsible for framing policies related to EVs and to ensure their implementation.

CROSS-BORDER TRADE AND INVESTMENT

- While there are industry-led efforts towards a proposal for a sustainable finance taxonomy, the Australian Government has not formally implemented a taxonomy. Green and social bond issuances have taken place under voluntary adoption of international standards. While there are no specific challenges that appear to be there in raising finance, the implementation of a taxonomy and disclosure standards could help encourage further investments.
- While there are no specific entry barriers, the entry of foreign firms through the investment route may be subject to approval from government authorities, depending on whether the investor is a foreign government or non-government investor, the type of acquisition, whether the investment is likely to raise national security concerns, the monetary thresholds relevant to the investment etc.
- For non-government foreign investors, approval is required before they acquire a 'substantial interest' (generally at least 20%) in an Australian entity with a valuation above the relevant monetary threshold. Land acquisition in Australia (to set up the industry) could also require approval.

PRELIMNARY RECOMMENDATIONS FOR THE EV SECTOR

The following recommendations have been identified basis our review of country-specific practices captured in the previous section, and may be applicable generally for CACCI member countries:

- Providing financial incentives for owning and operating EVs such as vehicle purchase subsidies, tax exemption or tax reduction, free parking, toll waivers, affordable insurance and lower electricity prices could potentially increase the uptake.

- Public-private partnerships (PPP) should be promoted as it is a promising way forward to accelerate the development of the EV industry by tapping the state capacity of government and private sector's financial resources, technology and professional skills.

- The government bodies may consider developing special economic zones, publicising investment opportunities for private sector and foreign investment and reforming administrative procedures to ensure ease of doing business in the EV sector.

- New buildings, whether residential or commercial, shopping complex, hospitals, restaurants, workplaces etc. should have electric charging facilities.

- Existing petrol pumps, whether public or private, especially on highways and in remote locations should be mandated to also provide charging facilities.

- A harmonized information portal with information on variety of issues like adoption of EVs, purchase options, investment opportunities, policies, subsidies, incentives, insurance, charging stations network, charging tariff etc. can be helpful by making information accessible to the public. This portal can complement initiatives of the government on raising awareness on EVs and sensitizing consumers on the benefits of switching to EVs. Additionally, the government websites should also have organised, authentic and latest material on existing policy framework in their respective countries in official languages as well as translations in foreign languages for ease of investors, other stakeholders.

- Implementation of an institutional mechanism to periodically review and possibly harmonize existing policies in relation to the EV sector, particularly in connection with manufacturing and uptake of EVs, to have a uniform, unambiguous framework which can provide clarity to investors and consumers.

- Innovative measures depending on geographical and tropical conditions like setting up of floating solar plants to navigate the challenge of land acquisition in Indonesia can be looked into.

- Policies to manage electric waste, battery recycling in order to make EVs a truly eco-friendly choice are needed. Recalling, refurbishing and recycling of waste batteries will not only avoid a huge burden on landfills but will also help manufacturers secure the supply of critical materials, such as cobalt and lithium.

- Government mandated quality tests, inspections and checks for both public and private electric vehicles to ensure that manufacturers are adhering to adequate quality controls and risk of accidents is mitigated. Mandating periodic inspections and maintenance of in-use two-wheelers and providing subsidies to drivers of older and high-polluting two-wheelers to eliminate these vehicles from the fleet are actions which are needed to reduce air pollution and to accelerate EV uptake .

- Given the safety of low-speed vehicles, non-requirement for a driver's license for certain kinds of vehicles can also boost EV sales.

- Minimise fossil fuel subsidies to encourage EV transition, levy carbon tax on vehicles, factories with carbon emissions beyond a certain threshold.

- Constitute technical groups to study reasons for range anxiety in consumer groups in a particular region when using EVs as they could identify underlying reasons and solutions to address these issues.

- Review measures to increase investments in research and development and promote entrepreneurship.

THE TEXTILES SECTOR

Introduction

The textiles industry has long been touted as a major polluter, particularly on account of fast fashion. Investors and consumers are scrutinizing the environmental costs of disposable garments, and there is more focus on the enforcement of minimum labour standards in the production and supply chain processes.[xxviii] This has, in some ways, led to the emergence of concepts such as 'Extended Producer Responsibility' (EPR) – defined by the Organisation for Economic Co-operation and Development (OECD) to be a policy approach under which producers are given a significant responsibility – financial and/ or physical – for the treatment of disposal of post-consumer products.[xxix]

According to reports, the number of items of clothing sold per person has risen rapidly since the 1990s, with the volume of clothing produced set to increase from 62 million tonnes in 2015 to 102 million tonnes in 2030.[xxx] The broader objective of the textile industry is that investor demands and consumer behaviour will change the way these clothes are produced and disposed, ensuring that these processes are undertaken in a sustainable manner.[xxxi]

The response to poor supply chain conditions is also clear: as an example, the discovery of sweatshop-like conditions in factories in Leicester in the United Kingdom supplying the online retailer Boohoo led to a 40% drop in Boohoo's share price, exhibiting the strong link that connects performance on ESG parameters and financial implications.[xxxii] Such incidents have led to industry leaders committing to very high standards of governance and transparency – for example, a fast fashion company has tied its CEO's objectives directly to sustainability; commitments have been made to cut water usage, CO2 emissions, electricity, chemicals and pesticides; and commitments have been made that recycled and sustainable material will be used.[xxxiii]

These challenges are increasingly important for the textile industry in Asia, which has traditionally been large employers and has been perceived as having extremely unfavourable work conditions. As different segments of the economy chart their path towards transition and greater sustainability, there is now an onus on the textile industry to also identify the challenges in its path towards transition, and to also design suitable industry-wide and company-level responses that help accelerate the transition.

This transition is likely to benefit the industry in the long-term, by reducing regulatory risks, physical risks (arising out of climate change), as well as financial risks as the chances of an adverse discovery may lead to reputational risks and significant commercial implications.

STATE OF THE TEXTILES SECTOR IN DIFFERENT CACCI MEMBER COUNTRIES

PHILIPPINES

Philippines is in the midst of expanding its textile sector with a vision for long term growth and development. Notably, the depth of the regulatory measures adopted by Philippines reflects the willingness of its government to make it one of the top textile sectors in South-East Asia.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• In order to incentivise the textile industry, the 10-year plan envisages reduction in the value added tax (VAT).	• The law in Philippines does not permit importing of used garments for recycling. • Philippines requires revisions in approach by which the economic, social and environmental footprints are managed sustainably.
REGULATORY MEASURES	***SOCIAL ASPECTS***
• The government of the Philippines intends to make the Philippines one of the top 15 garments suppliers between 2023 and 2025 and top 10 garments suppliers between the years 2026 and 2029. • The Board of Investments (BOI) of the Philippines has been changing their focus to tap into new opportunities in the emerging sustainable fashion markets to nurture green growth. • Their 10-year plan envisages sustainable production by inter alia encouraging use of solar energy, adopting best practices on waste management and encouraging waste minimization, e.g. offcut pieces of fabrics made into rags, bags and accessories.	• One of the missions of their 10-year plan is to break the cycle of poverty by providing employment to members of society who have less opportunity in the formal labour sector. • Their 10-year plan also envisages adoption of innovative methods & processes to entice the current generation of tech-savvy labour force to join the industry, e.g. customizing designs via an app or 3D body imaging, wearable technology.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	The BOI has made a 10-year plan to nourish links between government, industry and the private sector and establish a dedicated trade office.
Sufficiently long-term	Yes, the 10-year plan seems to provide for short term strategies and milestones (2020-2022), medium term strategies and milestones (2023-2025) and long-term strategies and milestones (2016-2029).

CROSS-BORDER TRADE AND INVESTMENT

The Philippines government has approved the Foreign Investments Act, Public Service Act, and the Retail Trade Liberalization Act which aim to attract foreign investors by easing the barriers to inbound foreign investments.

About 80 per cent of the textile and garment exports of Philippines are shipped to the United States, while the rest goes to the European Union, Australia, Canada and ASEAN countries.

BANGLADESH

Bangladesh's journey in becoming one of the largest and most prominent textile manufacturing hubs in South East Asia is remarkable. Bangladesh with its recent enactment in textile sector is now looking to improve its social sector and attract foreign investments.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• In 2016, Asian Development Bank (ADB)'s board approved a USD 30 million loan facility for an agreement between ADB and BRAC Bank for utilising the amounts towards finance the construction and upgrade of ready-made garment factories in Bangladesh. • The Textile Act, 2018, enacted in 2018, provides that the Government may as it deems fit, provide incentives for attracting local and foreign investment for achieving the purpose of the Textile Act, 2018.	• Many labourers in the textile industries of Bangladesh have lost their lives due to industrial hazards including fire in various industrial accidents like the collapse of Rana Plaza in 2013.
REGULATORY MEASURES	***SOCIAL ASPECTS***
• The Textile Act, 2018 envisages the establishment of a one-stop service centre for the purpose of ensuring quick delivery of services relating to implementation of any textile related projects or initiative by any entrepreneur or investor with respect to any infrastructural facilities along with all ancillary services, facilities, incentives, approvals, clearance certificates, license, permits, etc.	• Post the collapse of the Rana Plaza in 2013, many international organizations as well as global retailers and foreign governments, and including IFC took proactive steps in order to improve safety and labour conditions in the textiles industry in order to prevent such tragedies in the future. • The purpose of the Textile Act, 2018 is to inter alia modernize the textile sector for creation of huge employment opportunities and creation of skilled manpower.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	Yes, pursuant to the Textile Act, 2018, it appears that all the buying houses with local and foreign investment and liaison offices of buyers and brands will have to come under registration and it is a good initiative to bring the textile industry under regulation. Further, the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) signed the United Nations Fashion Industry Charter for Climate Action in 2019 with the UNFCCC for reducing GHG emissions by 30 per cent by 2030.
Sufficiently long-term	Yes, given that the Textile Act of 2018 is recently enacted for addressing the various issues, it is presumed that the same will be in force for a couple of decades.

CROSS-BORDER TRADE AND INVESTMENT

- Bangladesh enjoys tariff-free market access in the EU, Canada, Australia and other major textile and garments markets. An increasing number of international investors and famous fashion brands, such as Zara, H&M, Gap and Levi's, are already manufacturing and importing clothes from Bangladesh.

- Under the Bangladesh Export Processing Zones Authority (BEPZA) and Bangladesh Economic Zones Authority (BEZA), 100% FDI is allowed in the textile and apparel sector.

INDIA

India with its rich history of textiles, right from the origin of 'khadi' has always been self-reliant in terms of textile industry and is emerging as a leader through 'Make in India' and 'Atmanirbhar' mindset. The textile and apparel sector is one of the oldest industries in India, which contributes nearly 2% to the nation's GDP and is about 7% of the nation's industry output. India also holds 4% share of the global trade in textiles and apparel. The share of textile exports in overall exports of India stands at 11.4%[xxxiv].

From the period of April 2000 to March 2021, the amount of FDI in the textile sector is about USD 3.9 billion. The highest contributors of FDI in this sector are Japan, Mauritius, Italy, and Belgium. In terms of exports during this period, USA was the top export destination accounting for 27% of the total share, followed by the EU (18%), Bangladesh (12%) and the UAE (6%)[xxxv].

Recently, the Government of India (GoI) has introduced numerous schemes and initiatives to boost the textile sector, with a vision for the sector to be worth USD 300 billion by 2025-26. In a recent meeting with members of the textile industry, the Indian Minister of Textiles, Piyush Goyal, shared that the aim is to achieve USD 100 billion textile exports in the next 5-6 years, up from USD 42 billion last year[xxxvi]. According to Kearney, this could help generate 7.5 million to 10 million direct new jobs in textiles.

These initiatives promote technology upgradation, infrastructure creation and development, skill development and sectoral development to create a conducive environment in the textile sector.

Recently, India's textile industry has witnessed numerous positive developments, such as dominance in home textiles and various geopolitical factors that have put forth the "China Plus One" sourcing strategy[xxxvii]. Additionally, the country is also self-sufficient in raw materials which is certainly a favouring factor.

The GoI also has an accentuated focus on the sector and has launched various schemes to boost textile manufacturing, trading and volumes. Some of these include[xxxviii]:

- Remissions of Duties and Taxes on Exported Products (RoDTEP): Remissions of duties and taxes on exports to help exporters partially offset production costs
- Production-Linked Incentive (PLI): A PLI scheme to promote manufacturing in man-made fibre garments and fabrics as well as technical textiles
- Mega Integrated Textile Region and Apparel (MITRA): A plan to create world-class infrastructure with plug-and-play facilities to boost global competitiveness.

In addition, the Indian Government is also pushing for digitalisation with schemes and assistance for adopting technology through all stages of the value chain including manufacturing and warehousing. Along with providing trained labour through skill development programs, the Indian Ministry of Textiles also has various zonal Textile Research Associations (like the Bombay Textile Research Association (BTRA), Northern India Textile Research Association (NITRA) etc.)[xxxix] that focus on research and development including quality assessments, testing and consulting.

With these schemes, initiatives and programs, India will able to establish itself as a top textile manufacturing and exporting country.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• Amended Technology Upgradation Fund Scheme (ATUFS): ATUFS was launched in January 2016 to promote ease of doing business in the country to achieve the vision of generating employment and promoting exports through "Make in India'' with "Zero effect and Zero defect" in manufacturing, and to provide credit linked Capital Investment Subsidy (CIS) to units for purchase of benchmarked machinery in different segment of textile sector (excluding spinning).	• Poor wages, high production targets, poor working conditions and tense relationships between management and workers. • Textile waste is third largest source of municipal solid waste in India and majorly contributes to environmental distress.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• National Technical Textile Mission: The National Technical Textiles Mission was approved for a period of 4 years (2020-21 to 2023-24) with an outlay of USD 180 million for developing usage of technical textiles in various flagship missions, programmes of the country including strategic sectors. • PM-MITRA: The scheme aims to attract capital for 'Make in India' and boost employment through setting up of 7 PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks in greenfield/brownfield sites with world class infrastructure with an outlay of USD 543 million for a period of seven years up to 2027-28. • A USD 733 million package was launched in June 2016 to boost employment and export potential in the apparel and made up segments. • One of the most prominent and beneficial schemes undertaken by the government is the Production Linked Incentive or the PLI scheme. The main focus of this scheme is to maximise the leverage in attaining the economies of scale. The scheme also aims to revamp the textile industry to make it competitive and globally recognized. • The PLI Scheme for Textiles to promote production of man-made fabrics (MMFs), MMF apparel, and Products of Technical Textiles in the country to create 60-70 global players, attract fresh investment of USD 2,322 million approximately and generate almost 750,000 new employment opportunities. The PLI scheme intends to identify the bottlenecks and difficulties in the production of world-class material in Indian textile mills. The scheme aims to increase the levels of production of MMFs – which is expected to lead to the increase of manpower in one of India's high potential sectors. It is estimated that over 3 lakh skill-enhanced jobs will be added to the work economy. The workforce will be trained in skill development and practices done in countries like China, Thailand and the Philippines. One of the important highlights of the PLI scheme is a reduction in the customs duty, which has previously been a deterrent for importers of raw materials. Through this scheme, the GoI has covered a plethora of factors ranging from technology, infrastructure, regulations, skill development and fiscal benefits to boost the sector. It is an example of India's commitment to becoming a global leader in textile manufacturing and exports by bringing about much needed changes to upgrade the sector holistically.	

FISCAL MEASURES

REGULATORY MEASURES

- The Indian government has notified uniform goods and services tax rate at 12% on man-made fabrics (MMF), MMF yarns and apparel, which came into effect from January 1, 2022.

- The Scheme for Integrated Textile Parks (SITP) provides support for creation of world-class infrastructure facilities for setting up of textile units.

- The Integrated Processing Development Scheme (IPDS) scheme was set up in order to facilitate the textile industry to meet the required environmental standards and to support new Common Effluent Treatment Plants (CETP)/ upgradation of CEPTs in existing processing clusters as well as new processing parks specially in the coastal zones.

- There are also various sectoral schemes to support traditional textile sectors like handlooms, handicraft, silk and jute.

- Technical textiles include products manufactured for their functionality and use in other sectors. It includes textiles for automotive applications, medical textiles, geotextiles, agro-textiles, and protective clothing, to name a few. The GoI is working on promoting technical textiles through mandatory use of 92 items by government organisations covering agriculture, horticulture, highways, railways, water resources, and medical applications. The GoI also has plans to set up a separate export promotion council for boosting shipments of technical textiles.

- Apart from the central laws, states have also initiated measures to boost activity in the textile sector in India. A few examples are outlined below:

  - **Gujarat**

    The Gujarat government introduced the Textile Policy effective until 2023, which provides incentives for investors and enterprises in the sector.

    The incentives include interest subsidies on eligible activities like weaving, knitting, dyeing, printing and technical textiles to name a few. The interest subsidies are between 4% to 6% for large organisations, depending on the number of direct

UNIQUE CHALLENGES TO THE INDUSTRY

SOCIAL ASPECTS

- The US DoL has started restricting imports of goods appearing on a list of goods produced by child labour or forced labour in certain countries that violate International Labour Standards. Indian companies need to be more cognisant of this aspect and take steps to conduct business which is in line with the 'Social' metrics of ESG.

- 'Make in India', 'Support small business', 'Support Indian Designers' campaigns are gaining popularity through social media. Special loan schemes for women entrepreneurs.

- Scheme for Capacity Building in Textile Sector (SAMARTH) was formulated, under the broad policy guidelines of "Skill India" initiative and in alignment with the framework adopted for skilling programme by Ministry of Skill Development and Entrepreneurship. The scheme is approved till March 2024.

- Young consumers being encouraged to donate old/unwanted clothes in return of discount coupons by certain clothing brands like H&M. Proper recycling of these clothes can help in avoiding them reaching landfills.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
employees. A Power Tariff Subsidy is also available for eligible new enterprises and for expansion and forward or backward integration. The state also provides assistance with costs of machinery and technology. Any eligible enterprise or body can also avail support for establishing a textile park from the state.	
- **Maharashtra** Maharashtra also released a new textile policy for 2018-2023 to give an impetus to the textile sector in Maharashtra. Significantly, the policy creates a textile development fund to finance better infrastructure in the sector. It also continues the scheme of providing USD 1.1 million or 9% of project cost for setting up of textile parks. To promote green initiatives, the policy also envisages a subsidy for producing non-conventional yarn and to promote non-conventional power (solar and wind) energy projects in textile plants. Credit linked capital subsidy is also envisaged for silk entrepreneurs, weavers and weavers' groups for silk dyeing / processing / weaving machinery. Capital subsidy will be provided to cooperative spinning mills.	
- **Andhra Pradesh** The Andhra Pradesh government established "The Textile, Apparel, and Garments Policy 2018-2023" to create an enabling ecosystem for value added activities in the textile industry. One of the major aims of the policy is to promote the state as a destination for global textile production and to attract new investments in textile and related activities. The Policy includes land and infrastructure support in ways that new and existing enterprises in the industrial parks or standalone locations can get upto 50% of the land cost or 5% of the project cost, subject to certain conditions. All projects depending on their size and function - whether mega, ultra-mega or standalone are eligible for some support. The policy also provides capital subsidies for new and expansion projects based on their size or capacity.	

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	The Ministry of Textiles is developing a New Textile Policy which is currently underway. Existing PLI Schemes and governemnt initiatives that focus on specific aspects of the textile and manufacturing sectors are comprehensive.
Sufficiently long-term	Yes – most of the schemes like SAMARTH, ATUFS, PM Mitra and SITPS are approved for varying periods between 2024 and 2028.

CROSS-BORDER TRADE AND INVESTMENT

100% foreign direct investment under automatic route (no government approval required) is allowed in the textile sector. FDI in the textiles and clothing industry reached $3.75 billion as of March 2021. India's textile and apparel exports are predicted to reach $65 billion by 2025-26, expanding at an 11 percent CAGR.

Free Trade Agreements have also emerged as a preferred path for the Indian government to boost investment in textiles and exports. The India UAE Comprehensive Economic Partnership Agreement and the India-Australia Economic Cooperation and Trade Agreement are both expected to give a major fillip to India’s textiles trade with both countries permitting cheaper import of raw material and export of textiles and apparel. The government is also negotiating FTAs with key importers to boost its cost competitiveness.

The proposed free trade agreement (FTA) with the EU is expected to give greater market access for several domestic sectors such as textiles, leather and sports goods in the EU. The India-UK FTA is also expected to push Indian exports of labour-intensive sectors like leather, textile and jewellery.

As stated in a written parliamentary response by the Minister of State for Textiles, the government, under its Market Access Initiative (MAI) scheme also provides financial support to various Export Promotion Councils (EPCs) and trade bodies engaged in promotion of textiles and garments exports, for organising and participating in trade fairs, exhibitions, buyer-seller meets, etc. Further, during the COVID-19 pandemic, virtual exhibitions also became an alternative mode of marketing, to get access to opportunities in the global markets.

INDONESIA

Indonesia is one of the world's top ten textile producing jurisdictions and one of the top exporters. The country is looking to grow its textile industry by adopting various measures including setting up necessary infrastructure, investing in research and development and having a clear masterplan to boost its economy.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• The government of Indonesia has a 4.0 Masterplan which aims to propel the country into the top five largest textile producers in the world by 2030. • In 2007, the government introduced a textile machinery restructuring program that provides incentives such as a 10% discount on machinery and a lower interest rate. Executed by the Directorate for Textiles and the Ministry of Industry, the program aims to distribute funds to the value of USD 11.3 million to 200 companies in 2011. The Ministry of Finance Decree No.80/2011 exempts textile machinery imports from custom duties. • In May 2020, the government announced a renewal of the safeguard tariffs on 107 types of fabrics and six types of yarns. • Tariffs on cotton imports have also been reduced to 0% to support the domestic textile industry.	• Challenges with production costs, cost of raw materials, energy and labor costs. • Outdated machinery has been holding back productivity in textile exports as an estimated 70% of all machinery in use being classified as 'old' (10-25 years) according to the Ministry of Industry. • Discussions with the autopart association indicate that they would like to see duty free imports of rubber, glass and plastics but the Ministry of Industry refused to support this in response to countering demands by domestic producers. These issues highlight the occasional contradictions between protecting domestic manufacturers and supporting strategic sectors such as textiles which need to upgrade machinery or autopart manufacturers, which are considered a next generation industry.
REGULATORY MEASURES	*SOCIAL ASPECTS*
• The Indonesian government is looking to enhance its support for the textile industry. The current administration has improved the country's logistics by building new highways and ports. • It is also curbing the import of illegal textiles and tightening import rules for textiles and textile products. • The Textile Centre (BBT Bandung) launched a melt spinning laboratory facility. This facility is designed to be used by the national textile industry to assist in the efforts to develop raw materials for yarn with special functions, including for medical purposes. Material development will have an impact on increasing the competitiveness of the national textile and textile products industry.	• The Ministry of Industry runs 13 research and development centres across the country on products including textiles, leather, and batik. The research and development centres in Yogyakarta assist 1,000 firms per year and 90% of these are sponsored by their local government to attend trainings.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	The 4.0 roadmap, along with other initiatives and regulations that promote textile manufacturing are comprehensive as they cover numerous areas of the production and manufacturing process.
Sufficiently long-term	The roadmap is supposed to be a mid-to-long term initiative with its implementation and impact. Previous initiatives like BBT Bandung's melt factory and the research centres are long term projects.

CROSS-BORDER TRADE AND INVESTMENT

In 2020, Indonesia has imposed tariffs on imports of some textile products for a period until November 2022, in a bid to protect local producers from a surge of imports of fabrics, curtains and yarn.

VIETNAM

Recently, Vietnam's textile and garment industry has witnessed the largest export turnover and growth rate among the country's export products. In 2019, export value reached USD 39 billion. Vietnam's market share increased from 1.7% to 2.5% from 2005-2017, making it one of the five largest textile exporters in the world. The sector is known to employ over 2.5 million people currently, which is approximately 20% of the nation's industrial workforce. Recently, there has been a shift of textile enterprises from China, Taiwan and Hong Kong to Vietnam. This is due to the CPTPP and EVFTA agreements that give tax advantages to Vietnam-originated textile products. Other significant factors are the current tension in US-China trade relations, Vietnam's favourable business environment and economic and political stability.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• The Ministry of Finance has stated that there will be an extension on the list of import tax exemptions for items such as raw materials, various supplies and components for processing and manufacturing export products. • Vietnam is currently a participant to 16 Free Trade Agreements (FTAs). FTAs offer favourable conditions for enterprises to expand their export markets. Recent trade agreements include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), EU-Vietnam FTA (EVFTA), UK-Vietnam FTA (UKVFTA) in effect, and the Regional Comprehensive Economic Partnership (RCEP). Through these FTAs, Vietnam seems to have been prioritizing international trade with partners outside the ASEAN region.	• Low cost manufacturing using traditional technology has had a huge impact on the environment due to significant energy and water consumption, greenhouse gas emissions (GHG), hazardous waste generation, and the discharge of toxic effluents. • 20% of water pollution in the country is caused by chemical processing, like dyeing and printing. • Discarded clothing is also a concern for landfill in Vietnam.
REGULATORY MEASURES	***SOCIAL ASPECTS***
• The first Textile Task Force was established in towards the end of 2019 and was co-chaired by the Ministry of Planning and Investment, Vietnam Environment Administration and Vietnam Textile and Apparel Association (VITAS) to promote waste water treatment and recycling and reuse in plants and industrial parks in the contribution to the country's water security. The World Bank's Water Resources Group has been active in Vietnam since 2016. • Pre-pandemic, the government aimed to stimulate industries such as textiles in hope of economic growth. This was to be done by expanding industrial parks and connecting local manufacturers with more developed partners.	• Vietnam's entry into these trade deals will also ensure alignment with national standards like employee rights and environmental protection. The CPTPP and EVFTA require Vietnam to conform to the International Labor Organization's (ILO) standards. Trade agreements enable the country to benefit from reduced tariffs, within the ASEAN Economic Community (AEC) and with the EU and US to attract exporting companies to produce in Vietnam and export to partners outside ASEAN. • Since 2014, United States Agency for International Development (USAID) has collaborated with Central Institute for Economic Management (CIEM) to reform administrative procedures for paying taxes and employee social security contributions. USAID helped drive reforms that jumped Vietnam's ranking by 82 places in the 2018 Doing Business Report, from 168 to 86. • The reforms to the tax laws and procedures have led to the number of separate

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
	payments being reduced from 32 to 14, saving businesses up to 374 person-hours each year. • The online platform for social security payments has also provided much needed transparency for workers. Workers were able to track the status of their social security payments for the firm time in just a few clicks. Workers can also check if their employer has fulfilled their obligation to pay employee social security contributions.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	So far, there is no direct policy that could be found for the textile industry. Some initiatives that relate to workers and sectors that benefit from the FTAs are comprehensive.
Sufficiently long-term	The FTAs and other social initiatives seem relatively long-term.

CROSS-BORDER TRADE AND INVESTMENT

Vietnam has recorded USD 22.24 billion from textile and garment exports during January to July 2022, noting 20.40% growth year-on-year. The preliminary data was recently released by General Department of Customs, Vietnam. According to the data, the USA accounted for around 50% of the total export values constituting USD 11.14 billion during the first 7-month period of 2022. Shipments to Japan and South Korea valued USD 2.06 billion and USD 1.68 billion, respectively.

AUSTRALIA

Australia as an importer of textiles is going through overhaul issue resulting in massive waste and is in urgent need of reforms for the same.

FISCAL MEASURES	*UNIQUE CHALLENGES TO THE INDUSTRY*
• The Australian Environment Minister has recently announced that clothing textiles would be included in the product stewardship priority list, with a financial commitment of up to USD 645,000 in funding to support product stewardship efforts. • Product stewardship schemes (also known as extended producer responsibility) help share the cost of managing the end of life of a product among industry, government and consumers, minimising the health and environmental impact of a product over its entire lifecycle.	• Australia is the second highest consumer of textiles in the world which has caused massive waste management issues. An average Australian dumps about 23 kilograms of clothing in landfill every year. • Another challenge for the industry is the composition of textiles globally, with approximately 60 per cent of all clothing made from synthetic materials. This includes polyester, acrylic and nylon textiles, which are all derived from plastic. • In total, more than 800,000 tonnes of leather, rubber and textiles were discarded in 2018-19 with a recycling rate of just 7% according to the recent National Waste Report of 2020.
REGULATORY MEASURES	***SOCIAL ASPECTS***
• Australia's first Commonwealth led Industry Clothing Textiles Waste Roundtable hosted by the Australian Government in 2021 involved a round table conversation on: - Driving national leadership and coordinated action to improve product stewardship of clothing textile waste; and - Establish a commitment for coordinated action on clothing textiles waste that supports the National Waste Policy Action Plan. • Australian Fashion Council (AFC) has recently called for imposition of levy on clothing imports to reduce textile waste in Australia.	• There is lack of clarity as to whether any social aspects are dealt by any policies or by any labour specific organisation in Australia. Expert consultation may be required to facilitate this analysis.

QUALITATIVE ASSESSMENT OF FRAMEWORK

Comprehensive	In 2019, the Australian Circular Textile Association (ACTA) was established which is the first collaborative industry body formed to realise full resource efficiency and drive the transition towards a circular economy for textiles within Australia. Under the round table discussion hosted by the Australian Government in 2021, there was broad agreement to a hold a National Summit later in 2021 to develop a set of product stewardship goals for a circular economy for clothing textiles. There is lack of clarity on whether any subsequent steps were taken. Further, the Australian Competition & Consumer Commission (ACCC) is proposing to make a new information standard for care labelling for clothing and textiles to allow suppliers the option to provide this information through internationally recognised symbols or written words. However, there seems to be no concrete policy in force as of today.
Sufficiently long-term	There is lack of clarity on whether the policies are sufficiently long term.

CROSS-BORDER TRADE AND INVESTMENT

India and Australia have in 2022, signed an economic cooperation and trade agreement (ECTA) to ensure barrier free trade in several commodities between the two countries. The signing of the India-Australia ECTA will eliminate the duty disadvantage for Indian companies exporting textile products to Australia.

PRELIMNARY RECOMMENDATIONS FOR THE TEXTILES SECTOR

The following recommendations have been identified basis our review of country-specific practices captured in the previous section, and may be applicable generally for CACCI member countries:

- The general global consensus is that ESG accountability and responsible supply chains are closely linked since the most significant ESG impacts are found in the supply chain and not in direct operations. Therefore, the ESG related compliances can become important for small-medium enterprises (SMEs) involved in global supply chains as non-compliance may have adverse impact on their reputation and may also face a decline in business due to sanctions, exclusion from supply chain, etc. Given that SMEs generate about 70% of the worldwide employment, SMEs have the ability to advocate for sustainability-oriented legislations and create awareness on integrating ESG aspects in their businesses. SMEs can also be instrumental in advocating for welfare of labourers in the textile manufacturing industry.

- Consumer behaviour in developed markets does have an impact on the willingness of the textile brands adopting sustainable measures. More and more consumers are now considering whether or not a product is environmentally friendly and produced in a socially responsible manner. In this regard, a global ethical fashion guide or a sustainability index reflecting the sustainable measures adopted by the textile brands can become a useful method to cause more and more textile manufacturing companies to adopt and transition to sustainable measures including measures to protect workers, environment.

- Further, a key driver for sustainability in the textile sector in the aforementioned developing nations is the increasing cross-border trade and subsequent free-trade and lateral agreements. Trade agreements set important standards for production and manufacturing which nations have to adhere to. Environmental and social standards now extend not only to manufacturers but also to their supply chain. This makes all parties involved in the manufacturing process accountable for their impact on overall sustainability and pushes them to accept and implement globally accepted standards.

- Fiscal measures should be undertaken by all governments and/or concerned authorities in order to put forth incentives for their respective textile sectors to transition to more environmentally sustainable practices. Such measures could include grant of incentives to attract foreign investments, amendments to the laws or tax incentives for entities (i) raising green finance, (ii) undertaking sustainable production of textiles, and (iii) encouragement of circular economy by inter-alia providing tax incentives for entities adhering to the indicated recycling measures and measures.

- There are other useful global examples beyond the practices in the surveyed jurisdictions. For instance, in 2017, Swedish government put forth tax breaks and reduced the rate of VAT from 25% to 12% on repairs for consumer goods, with the aim of nudging people to fix their broken appliances rather than throwing them out. Such initiatives could be implemented at a manufacturing level for machinery and textile appliances and governments in developing countries could assist businesses with upgrading and fixing existing machinery. [xl] If governments are able to introduce the right taxation and fiscal measures, they will be able to create a virtuous cycle of change that will nudge business and investors from the take-make-use-waste paradigm to a resource efficient circular economy, based on new innovations and business models for reuse, repair, remanufacture and recycling.[xli]

- Regulatory measures should be undertaken by all the governments and/or concerned authorities in order to ensure that global best practices and standards linked to global trade and consumer demand requirements can be adhered to. For instance, having a definitive metric for the textile sector that can promote recycling and waste management to the highest extent possible can set a great precedent for how manufacturers need to operate in the future. A single window regulatory approval can also make the processes efficient and ensure quick implementation. The governments and/or concerned authorities should also ensure that there is a periodic review of the policies to iron out the creases and ensure higher sustainability in their respective textile sectors.

[i] See Rohit Goel, Deepali Gautam, Fabio Natalucci, 'Sustainable Finance in Emerging Markets: Evolution, Challenges, and Policy Priorities', IMG Working Paper, Monetary and Capital Markets Department (September 2022), available here: https://www.imf.org/-/media/Files/Publications/WP/2022/English/wpiea2022182-print-pdf.ashx (last accessed on November 9, 2022).

[ii] *Ibid*.

[iii] See https://risk-indexes.com/esg-index/ (last accessed on November 8, 2022).

[iv] SSC and IFC, Vietnam Corporate Governance Code of Best Practices For Public Companies in Vietnam (August 2019), available at https://ecgi.global/node/7738 (last visited on October 3, 2022); National Committee of Governance, Indonesia's Code of Good Corporate Governance (2006).

[v] Section 166(2), Companies Act, 2013.

[vi] Section 135, Companies Act, 2013.

[vii] POJK Regulation No. 29/POJK.04/2016 on Annual Reports by Issuers or Public Companies.

[viii] SEBI Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 titled 'Business responsibility and sustainability reporting by listed entities' dated May 10, 2021.

[ix] Bangladesh Bank, Policy Guidelines for Green Banking (February 27, 2011), available at https://www.bb.org.bd/en/index.php/about/guidelist (last visited on October 1, 2022); Bangladesh Bank, Policy Guidelines for Green Banking (August 11, 2013), available at https://www.bb.org.bd/en/index.php/about/guidelist (last visited on October 1, 2022).

[x] APRA, Prudential Practice Guide, CPG 229: Climate Change Financial Risks (November 2021) available at https://www.apra.gov.au/sites/default/files/2021-11/Final%20Prudential%20Practice%20Guide%20CPG%20229%20Climate%20Change%20Financial%20Risks.pdf (last visited on September 30, 2022); ASIC Commissioner Cathie Amour, Managing Climate Risk for Directors, available at https://asic.gov.au/about-asic/news-centre/speeches/corporate-governance-update-climate-change-risk-and-disclosure/ (last visited on September 30, 2022); ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, 4th edn, (February 2019), available at https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf (last visited on September 30, 2022)..

[xi] SEC Memorandum Circular No. 4/2019, Sustainability Reporting Guidelines for Publicly Listed Companies (February 15, 2019), available at https://www.sec.gov.ph/corporate-governance/sustainability-report/ (last visited on October 3, 2022).

[xii] Section 166(2), Companies Act, 2013.

[xiii] National Committee of Governance, Indonesia's Code of Good Corporate Governance (2006).

[xiv] Noel Hutley SC and Sebastian Hartford-Davis, Memorandum of Opinion, 'Climate Change and Directors' Duties', The Centre for Policy Development and the Future Business Council (October 7, 2016), available at https://cpd.org.au/wp-content/uploads/2016/10/Legal-Opinion-on-Climate-Change-and-Directors-Duties.pdf (last visited on September 30, 2022); Noel Hutley SC and Sebastian Hartford-Davis, Supplementary Memorandum of Opinion, 'Climate Change and Directors' Duties', The Centre for Policy Development (March 26, 2019), available at https://cpd.org.au/wp-content/uploads/2019/03/Noel-Hutley-SC-and-Sebastian-Hartford-Davis-Opinion-2019-and-2016_pdf.pdf (last visited on September 30, 2022); Noel Hutley SC and Sebastian Hartford-Davis, Further Supplementary Memorandum of Opinion, 'Climate Change and Directors' Duties', The Centre for Policy Development (April 23, 2021), available at https://cpd.org.au/wp-content/uploads/2021/04/Further-Supplementary-Opinion-2021-3.pdf (last visited on September 30, 2022); Also see https://www.allens.com.au/insights-news/insights/2020/05/climate-change-guide/a-high-risk-jurisdiction-climate-change-and-directors-duties/ (last visited on September 30, 2022).

[xv] For example, see OJK Regulation No. 51 of 2017 on Application of Sustainable Finance to Financial Institutions, Issuers and Public listed companies (2017), available at https://www.ifc.org/wps/wcm/connect/bab66a7c-9dc2-412f-81f6-f83f94d79660/Indonesia+OJK+Sustainable+Finance+Regulation_English.pdf?MOD=AJPERES&CVID=lVXU.Oy (last visited on October 2, 2022).

[xvi] Bangladesh Bank, Policy Guidelines for Green Banking (February 27, 2011), available at https://www.bb.org.bd/en/index.php/about/guidelist (last visited on October 1, 2022); Bangladesh Bank, Policy Guidelines for Green Banking (August 11, 2013), available at https://www.bb.org.bd/en/index.php/about/guidelist (last visited on October 1, 2022).

[xvii] SSC et al., Environmental and Social Disclosure Guide, available at https://sseinitiative.org/wp-content/uploads/2014/08/20161212_ES-Disclosure-Guideline-ENGLISH.pdf (last visited on October 3, 2022); SSC and IFC, Sustainability Reporting Handbook for Vietnamese Companies, available at https://www.ifc.org/wps/wcm/connect/49bf4b6c-9287-4ad1-91a2-60badb7aebb3/vietnam_sustainability-reporting-handbook.pdf?MOD=AJPERES&CVID=jSEIeSV (last visited on October 3, 2022).

[xviii] SEBI Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 titled 'Business responsibility and sustainability reporting by listed entities' dated May 10, 2021.

[xix] Section 135, Companies Act, 2013.

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