GREENPEACE 绿色和平

GREEN INVESTMENT

The Greenpeace China Finance Campaign: uncovering hidden environmental risks

China's phenomenal economic growth during the last two decades has created unprecedented environmental challenges for the country and the world as a whole. Greenpeace firmly believes that such economic development should never be achieved by sacrificing the environment. We are not alone in this. In fact, a growing

Our goal will be to help fund managers, prime brokers and analysts to strengthen the environmental elements of their due diligence and financial analysis processes, for their own benefit and a sustainable future.

number of the world's business leaders now recognise the key importance of incorporating environmental concerns into the development of sustainable business models, and they are proactively formulating new business strategies designed to tackle such problems. They also realise that it is in their own interest to factor environmental issues into risk-assessment and investment decision-making processes.

Moreover, financial institutions played important roles in many global initiatives and actions to address climate change during 2007. Their involvement ranged from devising mechanisms to reduce greenhouse gas emissions and providing funding for the development of clean technology to organising campaigns that increased public awareness.

Without doubt, financial institutions are now a crucial force in the struggle to combat the world's environmental issues. For this reason, Greenpeace is committed to collaborating with pragmatic and creative financial institutions and investors worldwide. Our successful experience in doing this has proved that such collaboration can be both feasible and synergistic.

We are gradually extending this type of partnership to China. As in many other emerging markets, corporations that wish to invest in China and the financial institutions that back them face considerable hidden material risks. Such risks include non-compliance with or violations of environmental laws, or – even worse – large-scale pollution that causes irreversible damage to local communities. When material risks of these types come to light, the parties concerned may incur considerable penalties. Their business operations might even be halted. Scenarios of these kinds can badly damage the reputations and investments of companies, their managements and the financial institutions that back them.

The likelihood of such situations coming to light in China is increasing. The authorities and regulators are now more outspoken than ever in their condemnation of environmental crimes, and they are cracking down hard on corporations with poor environmental track records. It is imperative for financial institutions to step up to the plate, assess the environmental risks relating to their investment portfolio, and ensure that they incorporate more stringent environmental standards into their lending policies and practices.

The Greenpeace China Finance Campaign has been established to help them do this. We will share important information about environmental risks and issues that we uncover during the course of our on-the-ground experiences and investigations associated with our major campaign issues. Our goal will be to help fund managers, prime brokers and analysts to strengthen the environmental elements of their due diligence and financial analysis processes, for their own benefit and for a sustainable future.

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The best wind resource of China is accomplished by the natural breach of Tianshan Mountain

The Bali Conference's Aftermath:

Money doesn't grow on trees…unless they come from legal sources

There were few impressive moments at last December's UN Climate Change Conference in Bali. The developed nations failed to agree on a substantial emission target; and the US government was half-hearted in its response to calls for it to take concrete steps to curb its contributions to greenhouse gas (GHG) emissions – of which it is the world's largest producer – and action to mitigate climate change.

However, one breakthrough that can be hailed was a decision by the United Nations Framework Convention on Climate Change (UNFCCC) to address the issue of deforestation, which contributes approximately 20 percent to the world's GHG emissions. The Bali Conference's mandate includes a two-year negotiating period for addressing technical and policy issues associated with reducing emissions from deforestation. Developing countries now have opportunities to gain support for their capacity building, monitoring, reporting and other institutional requirements concerning this subject. The needs of local and indigenous communities, who have been suffering greatly from illegal forest logging, were also recognised.

How should these new global initiatives in the forestry sector affect the decisions of investors in the medium and long term? To answer this question, we need to bear in mind that, like other raw materials, the market for forest products is closely linked to the global economy. The entire industry has been negatively affected by the slowdown in the global economy and the decline in housing construction. These factors have reduced demand and put pressure on prices.

In the short term, the Bali mandate gives new momentum to attempts to combat illegal and destructive logging, especially in developing countries. Intergovernmental bodies and international and local NGOs are now making greater efforts to target illicit activities in this sector; and local and indigenous communities are gaining fresh support for their struggles on the ground.

As a result, investors are beginning to ask forest product companies more critical questions about the sources of their raw materials. Companies that have major operations or source raw materials in sensitive regions, such as Sarawak in Malaysia and the Paradise Forests of Papua New Guinea, are being exposed to greater regulatory and reputational risks. The government in Indonesia, where illegal logging is linked with money-laundering, is expected to punish poor environmental compliance more severely in the future.

The forestry sector today:

Deforestation and Climate Change: The carbon-sinking function of forests plays a crucial role in global climate and weather patterns. According to the Intergovernmental Panel on Climate Change (IPCC), more carbon is presently locked up in forest ecosystems than the total amount in the atmosphere. On the other hand, greenhouse gas (GHG) emissions created by tropical forest deforestation account for one-fifth of the world's total.

Lost assets and revenue: According to a World Bank report, illegal logging on public land in developing countries creates an annual loss to those countries of US$10 billion.

Financing: The forestry sector is mainly financed by banks, rather than equity markets. Since project financing is unpopular in the industry, the Equator Principles – a set of voluntary standards to ensure financial institutions invest in a socially responsible way by complying with environmental management best practices – are often not applicable. According to Banktrack (http://www.banktrack.org) the banks that have forest sector policies to guide their business operations include ABN AMRO, Banco do Brasil, Bank of America, Barclays, CITI, Fortis, Goldman Sachs, HSBC, ING, JPMorgan Chase, Morgan Stanley, Rabobank and Royal Bank of Canada.

The China factor: China is the world's factory for plywood, furniture and paper products. Its exports of wood-based products are growing at a faster rate than domestic consumption. Much of the wood China imports to produce these products originates in countries that are plagued by severe illegal logging and deforestation. In many cases, this illegal timber is imported, processed, and exported as "laundered" products. Ports and stores in the USA, Europe and Japan are being flooded by these "Made in China" products, which attract consumers with their low prices. In view of this situation, the Chinese government last year issued Guidelines on Sustainable Silviculture Overseas for Chinese Enterprises. This provides practice and evaluation standards for Chinese companies that engage in forest cultivation activities abroad. It also clearly stipulates that such enterprises should protect High Conservation Value Forests. The document was the first national guideline to recognise the rights of indigenous communities over their land and forests as a major principle. It requires companies to obey local laws and decrees concerning silviculture and forest management, and to observe international conventions, bilateral agreements and Chinese laws and decrees as well.

If a company seems coy about releasing full data on its environmental performance and improving the traceability of its products, it probably lacks business strategies to address the latest developments within the industry and it is likely to trail behind its competitors.

Financial institutions like HSBC, CITI and ABN AMRO have been aware of these material risks for years, and they have forest policies in place to guide their business operations and lending practices. Other institutions, such as the International Finance Corporation, have taken swift action when problems have been uncovered (see the report about Olam in this issue).

In a broader sense, the disclosure of a company's environmental performance and its implementation of environmental policies should be a key factor in evaluating its future outlook. Unfortunately, many Asian forestry companies have poor track records on these two topics. If a company seems coy about releasing full data on its environmental performance and improving the traceability of its products, it probably lacks business strategies to address the latest developments within the industry, and it is likely to trail behind its competitors.

On the other hand, businesses that have already undergone a certification assessment or audited their products via a credible chain-of-custody scheme, such as the one operated by the Forest Stewardship Council (FSC), will occupy increasingly stronger positions in the marketplace. The FSC reports that, as of February 2008, its principles and criteria were being used to certify timber and non-timber forest products from around 95 million hectares of the world's forests in 85 countries – roughly 7 percent of the world's production forests. Meanwhile, the FSC's supply chain grew by a record 40 percent during 2007. Demand for such products is surging, and the additional cost of certification is compensated for by the willingness of customers to pay a slight premium to take action against climate change and deforestation (see the report on B&Q in this issue).

National governments are also taking action to ensure that the timber products they import come from legal and ethical sources. China has played a leading role in driving demand for wood during recent years. In fact, Greenpeace investigations reveal that half the trees now being traded in the global market end up in China, where they are used either to meet domestic needs or to manufacture finished goods for export overseas. In 2007, the Chinese government's State Forest Administration took the lead by developing guidelines to regulate the overseas logging operations of Chinese companies. Obviously, this will not be the final action it takes on the subject. Customs officials and companies should – and will – do more in the future to

Investors are beginning to ask forest product companies more critical questions about the sources of their raw materials.

Changes in primary forest areas and illegal logging activities in major forestry countries

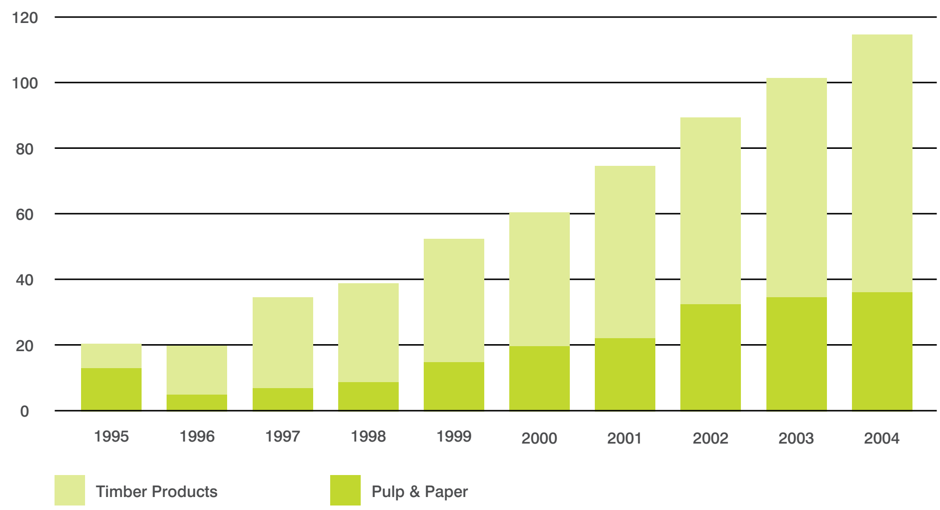
(Figures = 1,000 hectares)

Country	Primary Forest Area		Annual Lost Area	Total Lost Area	Illegal Logging Rate (%)
	1990	2005			
Indonesia	70,419	48,702	-1448	-21,717	70-80
Papua New Guinea	29,210	25,211	-267	-3,999	70-100*
Malaysia*	22,376	20,890	-99	-1,486	Up to 35
Russia (i)	N/A	N/A	N/A	N/A	10–15 (northwest) 50 (far east)
Brazil	460,513	415,890	-2975	-44,623	60-80*
Solomon Islands (ii)	2,768	2,172	-40	-596	N/A*
Equatorial Guinea*	1,860	1,632	-15	-228	N/A*

* Source: FAO Global Forest Resources Assessment; The World Bank Report No. 36638-GLB August 2006
* Data for Malaysia, Solomon Islands and Equatorial Guinea refer to total forest areas rather than primary forest areas
* The World Bank has estimated that the illegal logging rate in Papua New Guinea is 70-80%, whereas Greenpeace estimates it is 90-100%
* Source for the illegal logging rate in Brazil: An Amazon Tree Saga: From the Forest to the Market, Greenpeace International 2005
i. The FAO's data for Russia are not cited, because we believe Russia supplied faulty statistics to the FAO by claiming that the area of primary forests increased, whereas in reality their destruction across the country continued throughout this period.
ii. No specific data is available for the illegal logging rate in the Solomon Islands. But in 2004, the total amount of logging reached a historical high, with over 1 million cum exported, which was four times the estimated sustainable level of 225,000 cum.

Trends in China's Wood Imports 1995-2004

(unit: million cum RWE)



ensure that China's wood imports come from legal and sustainable sources.

The heightened concerns expressed about climate change at the Bali conference are pushing developing countries to tighten their regulations and enforce laws to reduce emissions from deforestation. In return for this, their regulators will receive fresh incentives, in the form of new mechanisms that resemble the Kyoto Protocol's Clean Development Mechanism (CDM). The exact details of these are among the many technical questions that will be debated and resolved in the course of the Kyoto II negotiations during the coming two years.

Even though it will take some time to create effective ways to substantiate emission reduction incentives, all the reasons mentioned above should prompt investors to re-evaluate and take the material issues that exist in the forest sector into account. They should ensure that they weed out companies with poor environmental performances in the course of their due diligence procedures.

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Malaysian timber stored at the Shekou Port, Guangzhou, Guangdong Province, China. Timber from the ancient tropical rain forests of South East Asia is imported into China to be made into plywood and sold to local traders for the Chinese market.

B&Q: committed to greening the supply chain in China

Consumers are showing an increasing preference for certified forestry products, according to a report on the sector by Eurosif (the European Social Investment Forum), whose affiliate members account for over €600 billion-worth of assets. Furthermore, this trend is motivating retailers to enforce stricter environmental guidelines for their suppliers.

B&Q, the world's third-largest home furnishing retail chain, is taking a lead on this issue in its operations in China. At a press conference hosted by Greenpeace China last June, the company announced it plans to overhaul its supply chain and take steps to guarantee the legality of all the timber products on the shelves of its 60 stores there.

> **The company is gradually tightening controls over its supply chain within the next two years, in order to ensure that all the product lines it sells in China come from certified ecologically responsible forestry operations.**

B&Q Asia's Chief Executive Officer Steve Gilman said that his company recognised that problems existed after Greenpeace raised concerns about the sources of some of its products. "Certainly the supply chain challenges in China are not unique to B&Q," noted Mr Gilman. "However, despite these challenges and the additional costs, B&Q is committed to implementing measures to ensure we are part of the solution to deforestation, not part of the problem."

The company will gradually tighten controls over its supply chain within the next two years, in order to ensure that all the product lines it sells in China come from certified ecologically responsible forestry operations, such as those certified by the FSC. Greenpeace research in China, Africa, Papua New Guinea and Indonesia will certainly contribute to B&Q's implementation of this plan.

The company has also immediately stopped selling flooring made from merbau, an endangered tropical species that almost exclusively comes from Papua New Guinea. In fact, a Greenpeace survey shows that home improvement companies in China sell many tropical hardwood species. Besides merbau, this includes teak from Burma, jatoba from the Amazon, and sapelli from Africa, all regions where illegal and destructive logging takes place. The survey also revealed that few of these companies implement policies that strongly prioritise purchases of FSC-certified timber products, or ban timber products that are made from wood from illegal operations or which use vulnerable species.

While the trend towards green purchasing policies is still relatively new among retailers, B&Q's decision does at least provide its customers with a chance to make responsible choices. Moreover, China's emerging middle class is predominantly young and predisposed to green living ideas, according to "The Value of China's Emerging Middle Class", an article published in the McKinsey Quarterly during 2006. B&Q is therefore positioning itself to reap a rich harvest as the result of its eco-friendly stance.

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Three Yunnan farmers encircle the stump of a tree logged illegally in natural forest by giant multinational logging company APP. The farmers have all lost their land to APP.

Helping Banks to Avoid Getting Lost in the Forest

Merbau timber from Indonesia stored at the Yuzhou Wood Market on the banks of the River Pearl, Guangzhou, Guangdong Province, China. Precious Merbau timber from the ancient tropical rain forests in Indonesia imported into China will sold to local traders and fashioned into house fittings and furniture and sold to the Chinese market.

In early 2007, Greenpeace published a report entitled "Carving up the Congo" (http://www.greenpeace.org/international/press/reports/carving-up-the-congo-exec). This documented the illegal logging activities that were taking place and the social conflicts that existed in logging concession areas in the Democratic Republic of the Congo (DRC). The DRC is the world's fourth-largest forest carbon reservoir, and it accounts for eight percent of all the carbon stored in the world's living forests. Our report estimated that 40 percent of its forests were in danger of being lost.

Our research also revealed that a company named Olam International was playing a key role in illegal timber trading activities in the DRC. Following the report's publication, we sent details of its findings and relevant documentation to the International Finance Corporation (IFC), which owned a 3.35 percent stake in this Singapore-based global timber trader.

IFC is a signatory of the Equator Principles, a voluntary set of guidelines and policies that address environmental and social issues in project financing. It has also incorporated environmental policies for forest protection into its investment decision-making. According to its published documents, IFC had previously reviewed Olam's projects and had concluded that they satisfied its sector-specific guidelines and performance standards.

In December 2007, IFC announced that it had decided to sell its entire stake in Olam, which was valued at US$7.5 million, due to "policy considerations".

Although the incident showed that it is not always easy to make a graceful exit from questionable investments, it did have a positive aspect. The Greenpeace investigation helped IFC to avoid even greater damage to its reputation and its investments. Even more significant was the swift action IFC took, which underlined its commitment to "walk-the-talk", as well as its indirect acknowledgement of the gap that existed between its sound policies and their problematic implementation. It also highlighted the influence that work on the ground by NGOs can have on financial institutions. This influence is likely to increase in the future.

The IFC case was not unique. A few years ago, Citigroup and HSBC both suffered intangible damage to their reputations as a result of their respective financial support given to Rimbunan Hijau (RH) and Samling, two Malaysian-based forestry companies. The Rainforest Action Network organised a boycott of Citi's credit card business that ran for some years, until the bank eventually promised to implement a forest policy and change its business relationship with RH by requesting the logging company to obtain credible and independent certification for its Papua New Guinea operations.

The Olam case is an excellent example of the positive role that NGOs can play, especially in emerging markets where problems exist in terms of compliance and regulatory oversight.

Some financial institutions may simply dismiss such cases as the result of NGOs creating trouble for their clients and their investments. However, they will eventually encounter great difficulties in finding foolproof strategies to contain the "NGO risk". On the other hand, the fieldwork conducted by NGOs can be a good way for them to discover hidden material issues concerning their investments. The Olam case is an excellent example of the positive role that NGOs can play, especially in emerging markets where problems exist in terms of compliance and regulatory oversight.

For years, international financial institutions have been heading into the Chinese market to form joint ventures and buy stakes in Chinese banks. The huge influx of capital this has created has caused excess liquidity, which in turn is encouraging financiers to underestimate the risks they are taking, and encouraging them to over-invest. An Olam-type incident could occur in China at any moment.

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A Paper Tiger Loose in the Forests

Asia Pulp & Paper (APP), one of the region's biggest pulp and paper manufacturers, is a perfect example of the intensifying environmental risks and social conflicts that exist in the forest sector. Its record also serves as a warning about the jungles that international financiers can find themselves ensnared in.

Registered in Bermuda, APP is controlled by the Sinar Mas Group, one of Asia's largest conglomerates. Its operations – mainly in Indonesia and China – currently have the capacity to produce 3.3 million tonnes of pulp and more than 7 million tonnes of paper and packaging materials a year. The company aims to increase the annual capacity of its global paper and board production operations to 10 million tonnes by 2010. Most of this new capacity will be built in China.

APP embarked on a loan-driven expansion programme in the late 1990s, a time when cheap credit was readily available in the market. It attracted foreign financiers to finance its debts to the tune of US$13.4 billion. However, the company's growth estimates were not backed by sustainable sources of wood.

The collapse of global pulp prices in 2001 resulted in APP defaulting on most of its loans. Since then, it has begun to restructure its debts, although about US$4.5 billion that it owes its creditors has not yet been included in the restructuring exercise.

One of its subsidiaries, APP China, is shielded from foreign creditors, and it has been expanding significantly there during the past few years. Unfortunately, it has also been gaining a notorious environmental record. In March 2005, APP began to operate the Jinhai Pulp Mill on Hainan Island, China, which it is feeding by unscrupulously exploiting the island's natural forest resources and by planting large numbers of eucalyptus trees, including many in protected conservation areas. In fact, Greenpeace China has discovered that APP has been clearing large areas of natural forest in the Wuzhishan mountain area in order to establish eucalyptus plantations ever since 1997. Later, we also revealed that the company is planting large areas of eucalyptus in natural forests in the Hainan Yinggeling Natural Reserve.

Because of its vast appetite for raw materials, APP had to begin buying huge quantities of timber in Hainan when the Jinhai Pulp Mill began production. The company established timber-buying offices in many cities and large towns. It claimed that it would only buy timber from plantations, and that it would reject supplies from ancient forests and natural forests. But this has not been the case.

In August 2002, APP went into partnership with the provincial government to start an enormous forest-pulp-paper integration programme in Yunnan. Yunnan is one of China's most important biodiversity areas. Seventy percent of all the country's legally protected wild animal species can be found in the province, and 20 percent of them can only be found there.

Within a year, APP had acquired 1.83 million hectares as the foundation of this programme. Greenpeace carried out three field investigations in Yunnan during June, September and November 2004. We obtained irrefutable evidence that APP had performed a lot of illegal logging. These facts have since been confirmed by various official reports, including two released by the State Forestry Administration in April and December 2006.

Meanwhile, APP's operations in the tropical rainforests of Indonesia have been widely criticised by environmental groups and local communities. Although the company originally pledged it would conduct high conservation value studies on the forests where it was logging, in order to determine which areas warranted protection, it later reneged on this commitment entirely. The Forest Stewardship Council (FSC) certifier hired by APP to conduct these assessments later dropped it as a client, because it believed APP was not acting in good faith.

In November 2007, the FSC issued a statement that dissociated it from APP. It ordered APP and companies in which it is a major shareholder not to use its name until APP proves it has stopped destroying or converting forests in the course of its operations.

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IPO Review:
Why this refrigerant maker's climate strategy deserves a cool response

While HFCs remain very popular substitutes for HCFCs in the Japanese and US markets, making them is undoubtedly becoming an increasingly risky business. By focusing on HFC production, Dong Yue is obviously putting all of its eggs into one basket.

With a market share of about 26 percent, the Dong Yue Group (HKSE: 189) is China's largest manufacturer of refrigerants, which accounted for 54 percent of its total revenues in 2006. It is also a major producer of fluoropolymer.

The company realises that HCFCs (hydrochlorofluorocarbons), its main refrigerant products, will be phased out in the future, as stipulated in the Montreal Protocol, an international treaty to protect the ozone layer by phasing out ozone-depleting substances. However, the products it intends to replace them with – HFCs – are also known to cause global warming and contribute to the climate change crisis, and they must likewise be phased out under the terms of the Kyoto Protocol. In fact, the global warming potential (GWP) – a measure of how much a greenhouse gas contributes to global warming – of HFCs is up to a thousand times greater than that of CO2, the best-known greenhouse gas (see chart below).

Product	Classification	Ozone-depleting Potential (ODP)	Global Warming Potential (GWP) 20 Years	Global Warming Potential (GWP) 100 Years (2007 update)
C02	Natural Refrigerant	0	1	1
Ammonia	Natural Refrigerant	0	0	0
R22	HCFC	0.055	5160	1810
R142b	HCFC	0.08	5490	2310
R152a	HFC	0	437	124
R134a	HFC	0	3830	1430
R32	HFC	0	2330	675
R125	HFC	0	6340	3500
R415B	HFC/HCFC	0.014	1620	550
R418A	HFC/HCFC/HC	0.053	4970	1740

To get a clear picture of Dong Yue's future business potential, it is important to look at the company's climate strategy. While such a strategy will not generate material upside in the near term, it will have a major impact on the company's growth in the long run.

Some factors that need to be considered are:

1) The availability of newer products that compete with HFCs. These include natural refrigerants that are already used widely in the European market and which are cost-effective alternatives. Natural refrigerants are naturally occurring substances, such as hydrocarbons, CO2, ammonia, water and air – the so-called "Gentle Five'. Their advantages over HCFCs and HFCs are: (1) they are ozone and climate-friendly and (2) they are extracted from the natural abundance of raw gases that exists on the earth, whereas HCFCs and HFCs require expensive processing and licensing. For more information about natural refrigerants, please see http://www.greenpeace.org/raw/content/china/zh/reports/natural-reg.pdf) .

2) Sector trends. China is the world's biggest manufacturer and consumer of HCFCs. Dong Yue's emphasis on HFC production indicates that the company does not believe the Chinese government and the market will automatically phase out HFCs in the near future. However, as previously mentioned, a cloud already hangs over the future of HFCs, because they are one of the six greenhouse gases listed in the Kyoto Protocol, and it is widely assumed that their use will be curbed. Moreover, Greenpeace's interviews with an industrial specialist reveal that some individual sub-sectors have already voluntarily started to move away from HFCs. For example, 75 percent of the domestic refrigerators now made in China use Greenfreeze, a natural refrigerant that Greenpeace introduced into the European and Chinese markets in the mid-1990s.

A number of European countries, including Austria, Denmark, France, Norway, Switzerland, Germany, and Great Britain, have already introduced legislation that either bans or places heavy penalties on the use of HFCs. In addition, the joint efforts now being made by ASEAN members to tackle climate change are likely to lead to emission caps that will further darken their future outlook.

While HFCs remain very popular substitutes for HCFCs in the Japanese and US markets, making them is undoubtedly becoming an increasingly risky business. By focusing on HFC production, Dong Yue is obviously putting all of its eggs into one basket.

3) The implications of global climate politics. Future climate negotiations are likely to have an adverse effect on Dong Yue's income from a project that capitalises on the Kyoto Protocol's clean development mechanism (CDM). According to its prospectus, the company derives revenue by capturing the HFC-23 that it generates in the process of producing HCFC-22. The GWP of HFC-23 is 12,000 times greater than that of C02. The CDM allows captured HFC-23 to be turned into certificates of emission reduction (CER) that can be sold to developed countries. As the prospectus notes, leveraging on the

CDM entails a number of business risks, such as a potential increase in the tax rates the company pays and the imposition of an emission cap by the Chinese government. Another risk concerns the assessment of GHGs generated by industrial production for CER purposes. In order to register and sell more CERs, some Chinese chemical plants are reported to be adapting their facilities so that they deliberately release up to twice the amount of HFC-23 (see http://www.reuters.com/article/email/idUSL137011320070813?sp=true). The controversy about such activities is certain to increase in the near future, and it will sharply reduce the income Dong Yue derives from the CDM.

Investors who are concerned about environmental risks and climate change should certainly pay close attention to these troubling aspects of Dong Yue's business strategy. In fact, they are probably doing so already. Its shares closed 10 percent below their IPO price on the first day of trading, and they have fallen by nearly 30 percent since then.

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Natural refrigerants are already used widely in the European market. They are cost-effective alternatives to HFCs.

Greenpeace in China

Greenpeace China was established in Hong Kong in 1997 and has since set up offices in Beijing and Guangzhou.

China's phenomenal economic growth in the last two decades has brought unprecedented environmental threats to the country and the world. Greenpeace believes that development should not come at the expense of the environment. We are committed to seeking and building a green growth pattern, together with the people of China.

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It needs solutions. It needs change. It needs action.**