

DG CNECT

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Video call between Commissioner Thierry Breton and Huawei [redacted] and
[redacted]
24 November 2020

BRIEFING NOTE *(Commission Internal)*

Scene setter/Context of the meeting:

Article 4(1)a
third indent
international
relations
and Article
4(2) first
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commercial
interests

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KEY messages

5G cybersecurity and certification

- The EU Toolbox sets out an EU coordinated approach to 5G cybersecurity, an unprecedented step in an area of very strong national competence as it affects national security. It shows EU Member States' commitment to take decisions based solely on security and on a solid assessment of risks and to adopt measures, which do not necessarily imply the exclusion of any player, as long as the defined rules are respected, in a manner consistent with our values of openness and freedom.

- The Toolbox is a document agreed by all EU Member States but it does not have a binding effect. At the same time, as 5G networks are of fundamental importance for Europe's future, the Commission is strongly committed to promote coherence and convergence in national approaches and therefore we strongly encourage and expect Member States to deliver on their political commitment to use the Toolbox as a basis to develop national measures.
- From the Commission side, we will continue to follow closely the developments in Member States. We will also continue to support the full implementation of the Toolbox in all Member States and to work with national authorities within the NIS Cooperation group in order to exchange good practices and promote convergence. In addition, we will also mobilise relevant EU instruments (telecoms legislation, review of NIS Directive, cyber certification, etc.) to support the Toolbox objectives.
- Certification is one among many tools that will contribute to ensuring safe digital infrastructures across Europe. The European cybersecurity certification framework, established under the Cybersecurity Act Regulation (entered into force in June 2019), will provide European industry and digital service providers with tools they can use to demonstrate to the global market that their products and services provide state of the art cybersecurity features. A dedicated subgroup within the NIS Work Stream on 5G is currently working on issues related to 5G standardisation and certification.

Europe's digital sovereignty and strategic autonomy

- Technological sovereignty is a positive agenda. It is about enabling the EU to develop technologies and put on the market European solutions that are competitive and to enrich the alternatives available globally and diversify the sources of supply. And, it is also about enabling the EU to develop technologies that are in line with its principles, values and requirements.
- We will invest in key projects (e.g. data & cloud, microelectronics, connectivity, batteries, clean hydrogen) to develop and deploy strategic digital and industrial capacities and infrastructure, which do not overly depend on non-EU supply and the risks this entails (e.g. supply chain disruption, penetration of compromised equipment, technologies that do not allow meeting European requirements and values).
- This also implies protecting ourselves against unfair and abusive practices in trade, ensuring reciprocity in access to international procurement markets, addressing the distortive effects of foreign subsidies in the Single Market, and adapting the European competition framework to ensure that it meets the challenges of the green transition, digital transformation as well as the global context.
- The EU has shown that when we act together – as we did with the GDPR – we can set standards that the rest of the world follows. We must have mastery and ownership of key technologies in Europe.

Global standards/6G

- The institutional partnership “Smart Networks and Services” (SNS) is one of our main tools to support the emergence of a strong industry in this field, in line with our objectives of technological sovereignty.

- As for 5G, we will support the emergence of a single comprehensive standard ensuring interoperability and the necessary economies of scale in an area where R&D investments are massive.

Market access in the Chinese telecom sector

- All companies doing business in the European Union enjoy the benefits of the Single Market as long as they comply with the EU rules. What we expect is that EU companies have the same treatment in China.
- We urgently need to prepare tomorrow's growth by investing today in critical technologies such as 5G, as well as 6G and beyond. Mastering these technologies from end-to-end and investing in them will allow Europe to grow as a global industrial power.

Line to take

- Listen to Huawei's demands/complaints.
- The EU is not discriminating against any company. We operate according to rules and regulations and in full transparency.
- The 5G cybersecurity Toolbox is based on an objective, risk-based approach.
- The EU is committed to setting open global standards for emerging technologies and will remain the most open region for trade and investment in the world, provided that anyone who comes to do business here accepts and respects our rules.

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Reciprocity and market access. The EU and China held several high-level meetings over the last months, which all had digital high on the agenda:

- EU-China Summit on 22 June;
- Digital Dialogue on 10 September (chaired by EVP Vestager and Vice Premier Liu He);
- Leaders' meeting on 14 September (chaired by President Michel and President Xi - President von der Leyen and Chancellor Merkel also participated).

From its part, the EU delivered a clear message on the digital economy in the bilateral relations at these meetings, namely:

- The development of new digital technologies must go hand in hand with the respect of fundamental rights and data protection;
- The outstanding issues on cybersecurity and disinformation remain a concern;
- More work is urgently needed from China on the issues of rebalancing market access -including in the digital sector- and on sustainable development; and
- The EU stands ready to cooperate with China based on principles of sustainability, reciprocity and level playing field.

Article 4(1)a
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Huawei key financial figures and information

Huawei has more than 194 000 employees and operates in over 170 countries and regions. In Europe, Huawei currently employs over 13 300 employees and runs 2 regional offices and 23 R&D sites.

Table: Huawei Financial Highlights 2015-2019

	2019		2018	2017	2016	2015
	(USD Million)	(CNY Million)				
Revenue	122,972	858,833	721,202	603,621	521,574	395,009
Operating profit	11,145	77,835	73,287	56,384	47,515	45,786
Operating margin	9.1%	9.1%	10.2%	9.3%	9.1%	11.6%
Net profit	8,971	62,656	59,345	47,455	37,052	36,910
Cash flow from operating activities	13,085	91,384	74,659	96,336	49,218	52,300
Cash and short-term investments	53,127	371,040	265,857	199,943	145,653	125,208
Working capital	36,890	257,638	170,864	118,503	116,231	89,019
Total assets	122,947	858,661	665,792	505,225	443,634	372,155
Total borrowings	16,060	112,162	69,941	39,925	44,799	28,986
Equity	42,316	295,537	233,065	175,616	140,133	119,069
Liability ratio	65.6%	65.6%	65.0%	65.2%	68.4%	68.0%

Notes: 1. Converted into United States dollars ("USD") using the closing rate at the end of 2019 of USD1.00 = CNY6.9840
2. Starting from January 1, 2019, the Group has applied IFRS 16 in preparation of its financial statements. Details about the changes to related accounting policies can be found in note 4 to the consolidated financial statements summary. As permitted by the standard, the Group has used the modified retrospective approach for transition. Comparative information has not been

Huawei shareholder and management structure

Huawei is a private company wholly owned by its employees. Through the Union of Huawei Investment & Holding Co., Ltd., they implement an Employee Shareholding Scheme involving 104,572 employees. Only Huawei employees are eligible to participate. No government agency or outside organization holds shares in Huawei.

The Shareholders' Meeting is the company's authoritative body, making decisions on major issues such as the company's capital increase, profit distribution, and selection of the members of the Board of Directors/Supervisory Board.

The Board of Directors (BOD) is the highest body responsible for corporate strategy, operations management, and customer satisfaction. The BOD's mission is to lead the company forward. It exercises decision-making authority for corporate strategy and operations management.

The BOD and its Executive Committee are led by rotating chairs. During their terms, the rotating chairs serve as the foremost leader of the company.

An independent auditor is responsible for auditing a company's annual financial statements. KPMG has been Huawei's independent auditor since 2000.

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