PRI RESPONSE

CHINA STOCK EXCHANGES GUIDELINES ON CORPORATE SUSTAINABILITY-RELATED DISCLOSURE

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the stock exchanges' call for feedback on the Guidelines for Corporate Sustainability-related Disclosure.

ABOUT THIS CONSULTATION

Following the Chinese government's goal of high-quality development, guided by the China Securities Regulatory Commission (CSRC)'s three-year action plan on improving the quality of listed companies (2022-2025), the three main stock exchanges in China aim to standardise sustainability-related disclosure and provide guidance for listed companies to consider sustainability-related performance and impacts.

Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange issued consultations for their guidelines on corporate sustainability disclosure on Feb 8th 2024. The draft guidelines propose a reporting framework for corporate sustainability disclosure and aim to strengthen corporate sustainability reporting in China with a standardised framework. The reporting framework proposed in the guidelines is in line with the ISSB Standards including reporting on governance, strategy, impact, risk, and opportunity management, and metrics and targets. In addition, the guidelines set up separate disclosure requirements for Environmental, Social, and Governance issues. Proposed disclosure requirements attempt to focus on China-specific market issues while aligning with other globally recognised standards.

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KEY RECOMMENDATIONS

The PRI welcomes the issuance of the Guidelines on Corporate Sustainability-related Disclosure (hereafter the Guidelines) and the stock exchanges' efforts to incorporate internationally aligned mandatory sustainability-related reporting. The Guidelines incorporate existing globally recognised standards while also considering the China context with market-specific topics and metrics. We strongly support the alignment with IFRS S1 and S2 in the Guidelines. When effective, the Guidelines will provide a standardised reporting framework and a set of comprehensive metrics for listed companies to disclose their sustainability-related performance, as well as their impacts on the economy, society, and environment. Signatories regularly report to the PRI that the lack of comparable and more generally decision-useful corporate sustainability data[1] is a substantial barrier to their responsible investment practices. This significant step will help to bridge the data gap and provide investors with the data they need in their investment decision-making processes.

We however note that there are some adjustments made to IFRS S1 and S2 that are specific to the Guidelines. While we recognise the need to account for the current development phase of sustainability reporting in China and the reporting capacity of Chinese listed companies, we note that in order to uphold the principles of comparability across regions, the priority nonetheless should be to transition toward adoption of the ISSB standards to the fullest extent possible.

WHY INVESTORS NEED GREATER ALIGNMENT WITH THE ISSB STANDARDS

Decision-useful corporate sustainability reporting is a prerequisite for responsible investment. Investors currently lack such information across their portfolios, including the most basic sustainability-related data.[2] This makes it more difficult for them to allocate capital efficiently, accounting for sustainability-related financial risks and opportunities and addressing sustainability goals. A global system of comparable data can address this need, creating a strong baseline of reliable information.

National and regional policymakers and standard setters have an essential role to play in addressing this challenge through the introduction of sustainability disclosure requirements. Since investors need sustainability data from all portfolio companies, the PRI has called on jurisdictions to adopt the ISSB Standards by 2025 at the latest.

The ISSB Standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB), build on the framework established by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) – and other well-established voluntary sustainability reporting initiatives – and have been endorsed by the International Organization of Securities Commissions (IOSCO).[3]

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[1] As set out in the PRI's Investor Data Needs framework, to be decision-useful, sustainability information must be available, accessible, verifiable, comparable across multiple dimensions, a faithful representation and relevant to investors.

[2] For example, FTSE Russell found that of the 4,000 large and mid-size constituents in the FTSE All World index, only 58% disclose both Scope 1 and 2 carbon emissions. Source – Mind the gaps: Clarifying corporate carbon (2022).

[3] IOSCO's endorsement recommends that its 130 member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

Several jurisdictions are currently taking steps to adopt the ISSB Standards. Aligning China's reporting requirements to international standards offers the transparency investors need to manage sustainability-related risks and opportunities. ISSB adoption in China is also crucial to achieve global interoperability[4] of corporate sustainability disclosure requirements – promoting comparable data across investment portfolios – and to build on existing progress in reporting on sustainability-related risks and opportunities.

KEY RECOMMENDATIONS:

- **Set up an inclusion timeline for all listed companies to disclose sustainability-related information following the requirements listed in the guidelines.**
- **Further alignment with IFRS S1 standards in the reporting framework**: the PRI welcomes the current alignment with IFRS S1 in the reporting framework. To adopt the ISSB to the fullest extent possible and to provide clearer guidance and education for the reporting entities and the users of sustainability reports, the stock exchanges may want to consider providing more clarity around materiality; changing the scope of issues covered from "have both financial materiality and impact materiality" to "have financial materiality and/ or impact materiality; and providing more guidance on the Metrics and Targets, especially on target setting. Please see our recommendations in the detailed response for suggestions on specific articles.
- **Alignment in climate-related disclosure with IFRS S2:** the current requirements ask reporting entities to disclose climate-related information following the general reporting framework, and include reporting requirements on the entity's transition plan and greenhouse gas emission. We recommend the stock exchange further align with detailed disclosure requirements in the IFRS S2, especially around climate-related metrics and targets. As for the transition plan, the stock exchange should specify that the reporting entities should ensure their transition plan is compatible with the transition to a green, low-carbon economy in line with China's 30-60 dual-carbon goal, and with limiting global warming to 1.5 °C in line with the Paris Agreement. Please see our recommendations in the detailed response for suggestions on specific articles.
- **On issue-specific disclosure requirements,** we recommend the stock exchange extend the scope to all listed companies to require primary environmental information disclosure, including on risks, impacts and dependencies on biodiversity, as is mandated by the Kunming-Montreal Global Biodiversity Framework Target 15; and considering disclosure around decent work under employment. Please see our recommendations in the detailed response for suggestions on specific articles.
- **Consider adding requirements regarding social issues in the general reporting framework, and just transition under the reporting framework and relevant Social Chapter articles.**

[4] Interoperability between jurisdictional reporting requirements – allowing companies to collect and report in a manner that effectively serves both local and global requirements – is a key concern for investors who allocate capital globally and require comparable sustainability-related information across their portfolios.

PRI'S PAST POSITIONS ON CORPORATE SUSTAINABILITY-RELATED DISCLOSURE IN CHINA

The PRI has been working on ESG disclosure in China since 2018, and we believe a mandatory and standardized ESG reporting framework would provide the Chinese market with comparable and more generally decision-useful reporting on key ESG issues. The above recommendations broadly align with our previous reports and submissions on corporate sustainability disclosures in mainland China and Hong Kong SAR:

- PRI report: ESG data in China: recommendations for primary ESG indicators (June 2019)
- PRI policy briefing: ESG Disclosure in China - Key considerations on policy design (December 2019)
- PRI policy briefing: ESG disclosure investor survey (September 2020)
- PRI's response to Consultation on the CSRC Listed Companies Information Disclosure regulation (August 2020)
- PRI's response to CSRC consultation on the Guidelines on Investor Relations Management of Listed Companies (March 2021)
- PRI's response to CSRC consultation on periodic reporting rules for listed companies (June 2021)
- PRI's response to MEE consultation on enterprise environmental disclosure (October 2021)
- PRI report: Investing for a just transition: Proposals for a just transition disclosure framework in China (August 2022)
- PRI's response to HKEX consultation paper on enhancement of climate-related disclosures under the ESG framework (July 2023)

DETAILED RESPONSE

SCOPING AND FRAMEWORK

Article 3 Reporting entities

PRI recommendation: setting up an inclusion timeline for all listed companies to disclose sustainability-related information following the requirements listed in the guidelines.

Currently, only listed companies in certain indices or those listed in both home and abroad are required to disclose. The PRI recommends that the stock exchange set up an inclusion timeline for all listed companies covered in the stock exchange and encourage a phased implementation. An expected mandatory reporting framework for all listed companies will enhance the disclosure environment and provide incentives for other companies currently not included in the mandatory list. In addition, this would provide more clarity and transparency for the users of sustainability reports.

FURTHER ALIGNMENT WITH IFRS S1 REQUIREMENTS

Article 5 Materiality

The reporting entity shall, taking into account the characteristics of the industry in which it is engaged and the business it operates, identify whether each of the issues set out in these Guidelines has a relatively significant impact on the value of the enterprise (hereinafter referred to as financial materiality) and whether the performance of the enterprise in the corresponding issue will have a significant impact on the economy, society and the environment (hereinafter referred to as the impact materiality), and explain the process of analysing the materiality of the issues.

In addition to the sustainable development issues that shall be disclosed as stipulated in these Guidelines, the disclosing entity shall also identify and disclose other issues of significance in light of the characteristics of the industry in which it operates, the stage of development of the industry, its own business model, and the value chain in which it operates, and so on. (Article 5, Guidelines on corporate sustainability-related disclosure)

We welcome that the Guidelines follow the principle of double materiality while aligning with the ISSB standards, in line with the IFRS Foundation's "building blocks" approach. All investors need sustainability-related information to inform their assessment of companies' risks and opportunities, and investors also increasingly need information to assess and interpret a company's impacts and their alignment with sustainability goals and thresholds.

To further align with the requirements and definition in IFRS S1 and improve consistency and clarity of disclosures for users of the sustainability reports, the stock exchange may consider adding the below clarifications in the article.

PRI recommendations:

1. Providing definition of material, which may refer to the IFRS S1: information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users of general purpose financial reports, which provide information about a specific reporting entity.

2. In addition to the impacts on the value of the enterprise, the stock exchange may add disclosure requirements regarding the impacts on the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. This is in line with the definition of a reporting entity's prospect defined in IFRS S1. This is also consistent with the wording used in Article 14 of the Guidelines.
3. Clarify the term "relatively significant impact" used to describe financial materiality. We suggest the stock exchange provide more clarity on how to assess financial materiality and remove the "relatively" part to avoid unnecessary confusion for reporting entities and users of sustainability reports.
4. The stock exchange may consider asking the reporting entity to consider the GRI Standards when assessing impact materiality. This would guide assessment for the listed companies, and help to ensure consistency of this assessment across companies.

Article 11 Reporting framework

For sustainability issues have both financial materiality and impact materiality, the reporting entity shall analyse and disclose information around the following four core aspects: governance, strategy, impacts, risks and opportunities management, and metrics and targets. (Article 11, Guidelines on corporate sustainability-related disclosure)

PRI recommendation: we welcome the alignment in the reporting framework with requirements in IFRS S1.However in terms of the issues required to be disclose, we suggest to change the scope of issues covered from "have both financial materiality and impact materiality" to "have financial materiality and/ or impact materiality", Disclosure around all material issues that may have impacts on the reporting entity's prospect is important for users of the sustainability reports to get comprehensive, decision-useful information.

To provide more guidance and education for the reporting entities and users of the sustainability reports, the stock exchange may consider explicitly mentioned relevant articles for the four core aspects.

Article 12 Governance

PRI recommendations: to further align with requirements in IFRS S1, the stock exchange may consider requiring further disclosure around:

1. how responsibilities for sustainability-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions, and other related policies applicable to the governance body(s) or individual(s);
2. management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee sustainability-related risks and opportunities, including information about:
    a. whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and
    b. whether management uses controls and procedures to support the oversight of sustainability-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.

This information would help investors to understand the internal controls that are in place for management to monitor, manage and thereby react to sustainability-related risks, opportunities and impacts.

Article 13-17 Strategy

Article 14 asks for disclosure of the entity's strategy around three aspects:

1) *disclose information on the sustainability-related risks and opportunities;*
2) *disclose information on the business model, suppliers, and key stakeholders in the value chain; and*
3) *disclose the material impacts on the economy, society and the environment from the reporting entity's activities.*

PRI recommendations:

1. By summarising the three aspects in a general introduction at the beginning of the article, provide clearer guidance on the reporting requirements of the full three aspects. Or the stock exchange may consider listing the three aspects in separate articles to provide guidance on structure, which helps both the reporting entities and users of the sustainability reports to collect and analyses relevant information. Under the current structure, it is unclear if the second and third aspects are all required to report, and some reporting entities may miss these parts..
2. The stock exchange may want to consider making requirements on business model, suppliers, and key stakeholders mandatory. This would enable users of sustainability reporting to understand the current and anticipated effects of sustainability-related risks and opportunities on the reporting entity's business model, key suppliers and other key stakeholders in the value chain. It would also further align the guidelines with the requirements in IFRS S1.
3. The stock exchanges may also consider adding a fourth aspect under Strategy disclosure, which disclose the material dependencies for the reporting entity.

Article 18 Impacts, risks, and opportunities management

PRI recommendations: we welcome the alignment with IFRS S1 in this article. To enhance this alignment and provide investors with further transparency on how risks, opportunities and impacts are assessed, the stock exchange may consider requiring the following disclosures.

1. In addition to the methodology the reporting entity uses to identify and assess sustainability-related impacts, risks, and opportunities, the process and related policy the entity used;
2. The inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes);
3. Whether and how the entity uses scenario analysis to inform its identification of sustainability-related risks.

Article 19 Metrics and targets

This article requires the reporting entity's disclosures on sustainability-related targets and relevant metrics, including progress towards any targets it is required to meet by relevant law or regulation, or specified in these Guidelines.

PRI recommendations:

1. Clarify the term "sustainability-related targets" mentioned in this article is different, or not limited to, the Sustainable Development Goals (SDGs). In the original Chinese text, the term could be misunderstood as referring only to the SDGs.
2. Specify that the metrics disclosed by an entity shall include metrics associated with particular business models, activities, or other common features that characterise participation in an industry – this would help to ensure that relevant information is provided by companies, and to enhance comparability of reporting across companies;
3. In terms of targets, for each target, the stock exchange may consider adding the below disclosure requirements to further align with the requirements in IFRS S1 and improve investors' understanding of these targets and progress against them:
    a. the metric used to set the target and to monitor progress towards reaching the target;
    b. the specific quantitative or qualitative target the entity has set or is required to meet;
    c. the period over which the target applies;
    d. the base period from which progress is measured;
    e. any milestones and interim targets;
    f. performance against each target and an analysis of trends or changes in the entity's performance; and
    g. any revisions to the target and an explanation for those revisions.

ALIGNMENT IN CLIMATE-RELATED DISCLOSURE WITH THE CORE CONTENT OF IFRS S2

As for the climate-related disclosure listed in Chapter 3 section 1, we welcome the alignment with the structure of the core content listed in IFRS S2 (Article 21). Chapter 3 also includes articles regarding climate resilience (Article 22), transition plans (Article 23), GHG emission (Article 24-27), and technology and products related to carbon reduction (Article 28). These articles are also in line with the proposed requirement listed in HKEX's proposed enhancement on climate-related disclosure, and some requirements listed in EU ESRS standards.

Article 21 General requirements

This article asks the reporting entity to disclose climate-related information following the requirements listed in Chapter 2, sustainability-related information disclosure framework. Specifically, the reporting *entity shall disclose around governance, strategy, impact, risk and opportunity management, as well as metrics and targets. In addition to the above four aspects, the reporting entity should follow other articles listed in Chapter 3 section 1 to disclose climate-related information.*

PRI recommendations:

Given that climate-related risks, opportunities and impacts often have consequences that investors wish to consider in decision-making, we recommend that if an entity determines there are no material climate-related risks and opportunities that could reasonably be expected to affect its prospects, it should disclose that fact and explain how it came to that conclusion – including underlying analyses and decision-making processes.

Further, we recommend the stock exchange consider the below climate-related disclosures within IFRS S2, in addition to the content required in the reporting framework listed in Chapter 2:

1. In disclosure on *metrics and targets* to report an entity's performance in relation to its climate-related risks and opportunities, the stock exchange may want to consider including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation. We recommend that the stock exchange follow requirements listed in IFRS S2 Metrics and Targets and require the reporting entity to disclose:
    a. information relevant to the cross-industry metric categories
    b. industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry, and
    c. targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets
2. Specifically, the stock exchange may consider the below metrics for information relevant to the cross-industry metric categories, including the following information required under IFRS S2:
    a. greenhouse gases
    b. climate-related transition risks
    c. climate-related physical risks
    d. climate-relate opportunities
    e. capital deployment
    f. internal carbon prices

The above-mentioned cross-industry metrics would provide useful information about climate-related risks and opportunities. From the user perspective:

- Investors need information on exposure to physical risks, transition risks and climate-related opportunities to predict the future impact of such exposure.
- Investors need information on how issuers are financing their transition plans and the amount allocated to predict future financial performance, financial position and cash flows.
- Investors need information on internal carbon prices to assess a company's internal management of climate-related risks and opportunities.

- Investors need industry-based metrics as these are often the most relevant means for investors to incentivise and provide capital support to companies which are the best performers within their sector.

3. For climate-related targets, the stock exchange may consider the below disclosure requirements for each target the reporting entity has set, as is required under IFRS S2:

    a. the metric used to set the target;

    b. the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);

    c. the part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region);

    d. the period over which the target applies;

    e. the base period from which progress is measured;

    f. any milestones and interim targets;

    g. if the target is quantitative, whether it is an absolute target or an intensity target; and

    h. how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.

Article 22 Climate resilience

PRI recommandation:

PRI welcomes that the stock exchange encourage scenario-analysis to be used in climate resilience assessment. To further align with IFRS S2 requirements, when scenario analysis was carried out, in addition to the assumptions and method the reporting entity used, the reporting entity should disclose the information about the inputs the entity used, and the reporting period in which the climate-related scenario analysis was carried out. This would allow investors to better understand the results of this analysis and any limitations or dependencies.

Article 23 Transition plan

PRI recommandations:

We welcome that the consultation document requires disclosure of the entity's transition plan. We recommend that the stock exchange:

1. Specify that the reporting entity should disclose its plans to ensure its business model and strategy are compatible with the transition to a green, low-carbon economy in line with China's 30-60 dual-carbon goal, and with limiting global warming to 1.5 °C in line with the Paris Agreement;

2. Require disclosure on the entity's climate-related targets, and any GHG emission targets the reporting entity is required to meet by local laws and regulations;

3. Incorporate additional disclosure requirements on transition plans within IFRS S2 that improve investors' understanding of targets and how these will be achieved, such as:
    a. agreed near term actions to deliver on the underlying strategy and key dependencies;
    b. further information on financing the transition and alignment of engaging activities;
    c. details on individuals, governance structures responsible for implementation; and
    d. reporting on plans for net-zero alignment where relevant

Articles 24-27 GHG emissions

Article 24 requires the absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO_2 equivalent. Reporting entities shall disclose their Scope 1 greenhouse gas emissions and Scope 2 greenhouse gas emissions, and entities with relevant capacity may disclose Scope 3 greenhouse gas emissions.

The PRI supports the proposed approach for disclosure of Scope 1 and 2 greenhouse gas (GHG) emissions and measurement methodologies. Investors need this reporting to understand an issuer's climate-related impacts and exposure to transition risks.

PRI recommendation:

To provide more guidance and clarity to the reporting entities and users of sustainability reports, we recommend that the stock exchange consider setting up a timeline for mandatory Scope 3 reporting. The PRI supports disclosure of Scope 3 GHG emissions where they are a significant portion of a reporting entity's overall emissions profile. Whie Scope 3 GHG emissions are often difficult to report, these are the most impactful kind of emissions for some industries. Leaving them out could mean that a large share of actual emissions, where material, are not reported.

Article 26 lists disclosure requirements for measurements.

PRI recommendations: the stock exchange may consider:

1. Given the importance of the comparability of data for investors and other users of the sustainability reports, adding a list of acceptable methods for measuring a reporting entity's GHG emissions:
    a. Greenhouse Gas Protocol, the most widely used and recognised international standard for calculating GHG emissions; or
    b. The protocol required by local legislation;
2. In addition to the standards, approach, assumptions, and calculation tools, including the measurement input the entity uses to measure its greenhouse gas emissions, and disclose the reason why the entity has chosen the measurement approach, inputs, and assumptions it uses.

Article 27 proposes requirements for emissions reduction.

PRI recommendations:

1. In the article text, specify that the emission reduction requirements are meant for greenhouse gas emissions;
2. To provide more clarity to investors on the nature of greenhouse gas emission reduction targets, the stock exchange may consider requiring the reporting entity to disclose the following information required under IFRS S2:
    a. Which greenhouse gases are covered by the target
    b. Whether Scope1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target
    c. Whether the target is a gross greenhouse gas emission target or net greenhouse gas emission target

ISSUE-SPECIFIC DISLCOSURE REQUIREMENTS

In our 2019 report ESG data in China: recommendations for primary ESG indicators and the findings in the relate investor survey in 2020, we recommended a mandatory framework including a standardised set of primary ESG disclosure indicators. Our research shows that both international and Chinese ESG disclosure practices are based on a similar set of ESG indicators. We are glad to see the Guidelines cover almost all the primary ESG indicators that we proposed in the report and briefing, which will provide the information investors need to integrate ESG data into their investment decisions. The PRI also welcomes the topic alignment with EU ESRS standards and HKEX's ESG reporting requirements.

Article 30 Pollution

PRI recommendation: per our response to the Ministry of Ecology and Environment consultation on enterprise environmental disclosure, we recommend that the stock exchange extend the scope of reporting entities to require primary environmental information disclosure, including indicators related to GHG emissions, air pollutants, water, energy, and waste for all listed companies.

Article 32 Biodiversity

PRI recommendation: We recommend the stock exchange to further promote disclosure on both impacts and dependencies on biodiversity, as is mandated by the Kunming-Montreal Global Biodiversity Framework Target 15. The disclosure requirements can be further aligned with the TNFD disclosure recommendations, including on disclosure related to governance and strategy from listed companies regarding nature and biodiversity.

Article 49 Employment

PRI recommendation: per the PRI's response to the recent ISSB consultation on social issues and PRI's paper How Investors can Advance Decent Work, and as per ILO core conventions, stock exchanges may consider further align disclosure requirements with the following four categories:

1. social dialogue and worker voice;
2. equal opportunity and treatment;
3. payment of a living wage; and
4. benefits, safety and social protection

Please refer to page 19-21 in PRI's ISSB submission for further details.

OTHER TOPICS

Consideration of social issues in the general reporting framework

PRI recommendation:

As per the PRI's response to the recent ISSB consultation on social issues and PRI's research on investor data needs, the stock exchanges may also consider including social issues and human rights considerations in the general reporting framework on 1) governance, 2) strategy, 3) impacts, risks and opportunities management, and 4) targets and metrics.

We found in our research that investors are asking for this type of information to judge corporate performance and that these categories align with the UNGPs, OECD Guidelines, GRI, recent European disclosure standards, and ISSB's approach to other sustainability in general and climate in particular.

Just transition

More than 160 investors representing US$10.2 trillion in assets have endorsed the PRI's Statement of Investor Commitment to Support a Just Transition on Climate Change. In doing so, they have committed to integrating workforce and social dimensions in their climate practices, laying out expectations for businesses to achieve a just transition to a net-zero and climate-resilient economy. To effectively integrate just transition issues into their decision-making, investors will need companies to provide clear, consistent and comprehensive information about the social issues they face during the low-carbon transition. In the PRI report Investing for a just transition: Proposals for a just transition disclosure framework in China, we proposed a disclosure framework on just transition that is in alignment with existing globally recognised reporting standards or framework, for companies to disclose their recognition of and commitments to addressing a just transition, including around their strategies, actions and policy advocacy. We suggest the stock exchange to consider integrating the metrics in the proposed framework in the reporting framework and relevant existing articles in the Social Chapter.

PRI recommendations:

1. In Article 12 Governance, including just transition into the scope of sustainability-related impacts;

2. In Article 14, including just transition into the scope of the impacts to the business model and key stakeholders in the value chain, including:
    a. social impact identification and assessment and management;
    b. green and decent job creation;
    c. support for affected communities and regions; and
    d. support for supply chain.
3. In Article 23 on transition plan, including the reporting entity's commitment and/or policies on decarbonisation/ the low-carbon transition and its intention to consider just transition issues;
4. In Article 49 on employment, including:
    a. protection of workers' rights related to the transition
    b. skills development related to the transition

For detailed metrics, please refer to the recommended disclosure and metrics proposed in the disclosure framework proposed in the report.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the stock exchanges and Chinese regulators further to improve sustainability-related financial disclosure in China.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org