

# POLICY BRIEFING

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## CHINA'S SUSTAINABILITY REPORTING FOR LISTED COMPANIES

**November 2024**

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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 menu 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. More information: [www.unpri.org](http://www.unpri.org)

## ABOUT THIS BRIEFING

This briefing summarises the new sustainability reporting guidelines for listed companies published by the Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), and the Beijing Stock Exchange (BSE). Each stock exchange issued independent guidelines, but they are generally aligned in their requirements. These guidelines clarify expectations around conduct, such as expectations for entities in scope to incorporate sustainability into business strategy and development, in addition to disclosure requirements. The guidelines also importantly encompass both financial materiality and impact materiality. The guidelines were officially launched in April 2024, are effective from May 2024, and include issuers in specified indices in scope.

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## INTRODUCTION

On 8 February 2024, China's major stock exchanges, including the [Shanghai Stock Exchange](#) (SSE), [Shenzhen Stock Exchange](#) (SZSE), and the [Beijing Stock Exchange](#) (BSE), introduced exposure drafts of new sustainability reporting guidelines for listed companies. The guidelines were finalized on 12 April 2024 and are effective from 1 May 2024.

The guidelines will be mandatory for a significant number of companies starting in 2026, for the 2025 reporting period, marking a substantial shift in the regulatory landscape for corporate sustainability in China.

## KEY ELEMENTS

The guidelines provide a framework for listed companies to disclose sustainability-related information in a dedicated "Sustainable Development Report". The report should cover governance, strategy, management of impacts, risks and opportunities, and metrics and targets related to material sustainability topics. While the guidelines do not endorse ISSB (or TCFD), there are similarities in the structure.

The guidelines cover a range of sustainability topics, including climate change, ecosystem and biodiversity protection, circular economy, energy use, and anti-corruption measures. Following a double-materiality approach, the guidelines require listed companies to identify the financial materiality and the impact materiality of the topics and disclose relevant information accordingly.

## SCOPE

Companies included in the SSE 180 Index, SSE STAR Market 50 Index, the SZSE 100 and the 100 largest companies listed on ChiNext, a subsidiary of SSE, as well as companies dual-listed overseas must disclose a Sustainable Development Report in accordance with the guidelines.

Other listed companies are encouraged to disclose a Sustainable Development Report. If they do, the content should be consistent with these guidelines.

Mandatory disclosure will be required for the 2025 fiscal year report, due by 30 April 2026. A phased approach allows for qualitative disclosure of certain metrics in the 2025 and 2026 reports if quantitative disclosure is difficult.

## REQUIREMENTS

Companies are expected to be required to:

- Identify sustainability topics that have a significant impact on enterprise value (financial materiality) and a significant impact on the economy, society, and environment (impact materiality). The process for determining materiality should be disclosed.
- Disclose the governance structure, capabilities, and oversight of sustainability-related impacts, risks and opportunities.
- Disclose processes for identifying, assessing and managing sustainability-related impacts, risks and opportunities, as well as steps taken to address sustainability-related impacts, risks and opportunities, relating to the business model and financial planning.
- Disclose metrics and targets used to assess and manage relevant sustainability topics.

The guidelines provide detailed disclosure requirements for a range of sustainability issues, including:

- **Climate change:** Detail initiatives for reducing greenhouse gas emissions and adapting to climate impacts.
- **Pollution prevention:** Report on pollution control measures and waste management practices.
- **Ecosystem protection:** Outline efforts to protect and restore biodiversity and natural habitats.
- **Resource utilisation:** Describe efficiency in using resources and integrating circular economy principles.
- **Rural revitalisation:** Highlight contributions to rural development and infrastructure improvement.
- **Social contributions:** Disclose activities supporting community welfare and public interests.
- **Innovation and technology:** Detail investments in R&D for sustainable solutions and technological advancements.
- **Supply chain management:** Report on sustainable procurement practices and supplier assessments.
- **Employee well-being:** Outline health, safety, and development initiatives for employees.
- **Product safety:** Confirm adherence to safety standards and quality controls for products and services.

The guidelines set out reporting principles. Information should be objective, truthful, comparable, and timely. Methodology, assumptions and limitations should be clearly stated.

Companies are encouraged to engage with stakeholders in preparing the report. The board should approve the report, and it should be finished within 4 months after the fiscal year ends and should be disclosed not earlier than the annual report. Certain disclosure exceptions are allowed if the information is confidential or sensitive. Third-party assurance of the report is encouraged but not required. Assurance details should be disclosed as well.

## PENALTIES

Specific penalties related to the guidelines are not yet detailed but expected to include monetary fines. In severe cases, it could lead to delisting.

## NEXT STEPS

PRI [responded](#) the consultation and welcomed the issuance of the Guidelines and the stock exchanges' efforts to incorporate internationally aligned mandatory sustainability-related reporting. We suggested a few areas stock exchanges may want to consider to further align with the ISSB standards and PRI's position on the disclosure of sustainability-related issues.

The guidelines were officially launched in April 2024 and are effective from May 2024.

On 6 November 2024, the three stock exchanges issued [consultations](#) open until 21 November 2024 on their sustainability reporting handbooks, which provide a more in-depth and detailed guide for practitioners.