

# PRI RESPONSE

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## CSRC CORPORATE DISCLOSURE REGULATION RULES CONSULTATION

January 2025

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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 China Securities Regulatory Commission's consultation on corporate disclosure regulation rules.

# ABOUT THIS CONSULTATION

The China Securities Regulatory Commission (CSRC) is updating its corporate disclosure regulation rules, including *Measures for the Administration of Information Disclosure of Listed Companies* ([the Measures](#)); Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 — Contents and Formats of Annual Reports ([No.2 document](#)); and No.3 — Contents and Formats of Semi-Annual Report ([No. 3 document](#)). The updated files are open for [public comment](#) until **26<sup>th</sup> January 2025**.

Key updates in this revision include content updated based on regulation implementation practices, such as risk disclosure requirements and sustainability disclosure; content updated based on specific topics, such as reporting outsourcing and timing of reporting on significant issues; and several adjustments per law or regulation updates.

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# KEY POSITIONS

The PRI welcomes CSRC's update of the corporate disclosure regulation rules including the Measures, and the annual and semi-annual reporting rules. China has made significant progress in corporate sustainability disclosure last year, with the launch of stock exchanges' Guidelines on Corporate Sustainability Disclosure (stock exchanges' Guidelines) and the Ministry of Finance's corporate sustainability disclosure standard. The high level of alignment with the ISSB Standards in these frameworks will have significant positive impacts as it would contribute to the global alignment of sustainability reporting standards, and bolster the connection of global capital with local businesses as well as those in other regions.

The CSRC's update of the corporate disclosure regulation rules complements these frameworks with regulatory clarity, which will further ensure the implementation and effectiveness of the stock exchanges' Guidelines. Clarifying sustainability-related financial reporting requirements would support the delivery of the ISSB global baseline and help provide investors with the decision-useful sustainability data across their portfolios they need and currently lack.<sup>1</sup> This will also help investors to allocate capital efficiently, accounting for sustainability-related financial risks and opportunities and addressing sustainability goals<sup>2</sup>.

The PRI's key positions are:

- **We welcome adding a sustainability-related disclosure requirement to the Measures Article 3 referencing existing instruments.** This will effectively set up the foundational requirement for sustainability development-related disclosure for listed companies in China. This would strengthen the regulatory power of the stock exchanges' Guidelines and leave room for future sustainability-related rules that CSRC may publish in the future. This also aligns with our comments in our 2020 response that the Measures should specify that "issuers should disclose all financially material factors, including environmental, social, and governance (ESG) factors on a mandatory basis."
- **Regarding Article 16 on risk disclosure, clarify that if the adverse impact is sustainability-related, the listed company should follow the relevant requirement in Article 3, i.e. follow the rules in the stock exchanges' Guidelines and CSRC rules.** This will not add additional reporting burden to the listed companies, but instead avoid confusion and duplication in disclosure for relevant issues, and provide investors with the decision-useful sustainability information they need.

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<sup>1</sup> 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).

<sup>2</sup> Investors around the world are increasingly committed to incorporating and pursuing sustainability outcomes such as those posed by the UN SDGs, Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. Legal analysis from the [Legal Framework for Impact \(LFI\) project](#) found that while there are differences across jurisdictions and investor groups, where investing for sustainability outcome approaches can be effective in achieving an investor's financial goals, the investor will likely be required to consider using them and act accordingly. The global LFI analysis and local LFI policy reports, such as the [Japan Report](#), have consistently found that for investors to be able to pursue sustainability outcomes, market mechanisms such as mandatory sustainability disclosure are critical.

## 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 standardised ESG reporting framework would provide the Chinese market with comparable and 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)
- PRI's response to [China stock exchanges' sustainability disclosure guidelines](#) (February 2024)
- PRI's response to the [Ministry of Finance's consultation on corporate sustainability disclosure standards - basic standards](#) (June 2024)
- PRI's response to the [HKICPA's Exposure Draft HKFRS S1 and S2](#) (October 2024)

*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 CSRC further to promote the application of a sustainability disclosure in line with the global baseline in China.*

Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).

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