CDP DISCLOSURE INSIGHT ACTION

CDSB Climate Disclosure Standards Board

A BRIEF INTRODUCTION TO CLIMATE DISCLOSURE IN CHINA

This policy briefing by CDP and the Climate Disclosure Standards Board (CDSB) is one of a series looking at climate disclosure regulations in G20 countries.

The context for climate disclosure in China

There is strong momentum for greater climate risk disclosure regulation in China. The People's Bank of China and six other major Chinese regulatory agencies[1] recently stated that they intend to improve existing sustainability reporting regulation. Legal foundations also support regulation in China through the existence of environmental, social and governance (ESG) reporting requirements mandated through listing rules issued by stock exchanges. However, there is currently no mandatory requirement for companies to disclose climate-related financial and non-financial information in mainstream reports.

These are the main legal foundations that support climate disclosures in China:

- Seven government agencies have collectively issued guidelines stating China's intention to develop a 'green financial system'.
  The 'Guidelines for Establishing the Green Financial System' (Article 17) plan to introduce a mandatory environmental disclosure regime for listed companies and bond issuers. The Ministry of Environment Protection (MEP) and the China Securities Regulatory Commission (CSRC) have agreed to cooperate in establishing and improving the mandatory environmental disclosure regime.
  The roadmap will have three stages:
  - **2017**: disclosure for 'key polluter' companies will be mandatory and voluntary for other listed companies
  - **2018**: all listed companies will be required to disclose on a 'comply or explain' basis
  - **2020**: all listed companies will be required to disclose
- CDP have been invited by CSRC to support research into international best practise for climate disclosures. This is intended to assist their understanding of CDP's disclosure platform, how listed Chinese companies are performing and what they could learn to improve their reporting practices;
- ESG reporting guidelines have been issued respectively by the Shanghai, Shenzhen and Hong Kong Stock Exchanges;
- The Financial Supervisory Commission in Taiwan mandates that listed companies that meet financial or sectoral criteria are to publish a Corporate Social Responsibility (CSR) Report in accordance with GRI G4 standards;
- The Company Law of the People's Republic of China has a broad CSR provision in Article 5;
- The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) have guidelines that state-owned enterprises are required to submit social responsibility or sustainability reports to the SASAC.

[1] The agencies are the People's Bank of China, the Ministry of Finance, National Development and Reform Commission, the Ministry of Environment Protection, China Banking Regulatory Commission, China Securities Regulatory Commission, and China Insurance Regulatory Commission

What value would mandatory climate disclosure bring to China?

China would benefit on several levels from implementing globally recognized high-quality reporting requirements, including the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) as well as the recommendations of the G20 Green Finance Study Group.

- Companies and investors would become more resilient to systemic risks and would be better able to identify future opportunities;
- Widespread climate disclosure will support China's policy of Ecological Civilisation and will support implementation of the new Emissions Trading Scheme;
- The availability of economy-wide high-quality information on climate-related risks and opportunities will enable the reallocation of capital flows to the low-carbon economy;
- Rapid implementation of globally recognized requirements to disclose climate information will prevent financial instability during the global transition to a low-carbon economy.

Recommendations

There is a clear opportunity for China to help accelerate climate action by businesses by making mandatory reporting requirements.

We recommend that in developing its new Environmental Disclosure Law China takes note of international best practice, as well as the recommendations of the Task Force on Climate-related Financial Disclosures.

How CDP and CDSB can help

CDP (formerly the Carbon Disclosure Project) operates the only global climate disclosure platform for more than 6,000 companies on behalf of more than 800 institutional investors. From 2018, corporate climate disclosures made through the CDP platform will generate all the information required for a TCFD-compliant disclosure.

The Climate Disclosure Standards Board, a consortium of nine business and environmental organisations, has developed two Frameworks for reporting climate change and environmental information in mainstream filings, and is working with a wide range of stakeholders to help create a community of best practice for climate reporting.

Together, CDP and CDSB have the global reporting infrastructure, technical expertise and extensive experience to assist policymakers and regulators in evaluating existing national reporting requirements, and in drafting new rules.

Get in touch

For more information please contact
junfeng.zhao@cdp.net

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www.cdp.net
www.cdsb.net