Research Brief

A Comparative Analysis of China's Listed Company Self-Regulatory Guidelines with International Mainstream Rules

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On November 6, 2024, the Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), and Beijing Stock Exchange (BSE) issued the *Guidelines on the Preparation of Sustainability Reports by Listed Companies (Draft for Public Review)* (hereinafter referred to as the "*Preparation Guidelines*") respectively.

As a supplementary document to the *Self-Regulatory Guidelines on Sustainability Reports for Listed Companies (Trial)* (hereinafter referred to as the "*Trial Guidelines*") issued in April 2024, the *Preparation Guidelines* aim to guide A-share listed companies to understand the provisions of the *Trial Guidelines*, enhance their sustainability information disclosure capabilities, and improve the standardization, completeness, and relevance of sustainability reporting.

The *Trial Guidelines* and *Preparation Guidelines* align with international mainstream standards such as those issued by the International Sustainability Standards Board (ISSB) in terms of disclosure framework, principles, focus on the value chain, and the wording of key term definitions. They fill a gap in sustainability reporting guidance for A-share listed companies, marking a new phase for sustainability information disclosure in China's capital market.

However, the comparative analysis reveals significant differences between the new rules and international ESG rules. This discrepancy could potentially lead to duplicate disclosure and incur additional costs. IPE believes that resolving this issue requires multi-stakeholder collaboration and convergence.

Self-Regulatory Guidelines Detail Sustainability Disclosure Requirements for Listed Companies

On May 1, 2024, the *Trial Guidelines* issued by the SSE, SZSE, and BSE came into effect. It includes more than 450 companies—those included in indexes like SSE 180, STAR 50, SZSE 100, ChiNext, and companies listed both in China and abroad—to the list of companies subject to mandatory disclosure of sustainability reports. The *Trial Guidelines* also encourages other A-share listed companies to voluntarily disclose sustainability-related information, enhancing corporate ESG performance and competitiveness.

Referencing mainstream international disclosure frameworks, the *Trial Guidelines* requires companies to disclose "Governance — Strategy — Impact, Risk and Opportunity Management — Metrics and Targets" related indicators covering 21 ESG-related topics as shown in Table 1.

Table 1: 21 ESG Topics in the *Trial Guidelines*

Environmental (8)	**Social (9)**	**Governance (4)**
Climate Change Response Pollutant Emissions Waste Management Biodiversity & Ecosystem Protection Environmental Compliance Energy Use Water Resource Use Circular Economy	Rural Revitalization Social Contributions Innovation-Driven Development Tech Ethics Supply Chain Security SME Equality Product/Service Safety & Quality Data Security & Customer Privacy Employees	Due Diligence Stakeholder Engagement Anti-Corruption Fair Competition

Building on these, the *Preparation Guidelines* provide practical guidance and reference to assist companies in understanding and implementing the *Trial Guidelines*. Chapter 1 provides an overall framework for sustainability report disclosure, explaining the principles and methods for identifying and analyzing material topics, clarifying the disclosure requirements for the four core elements ("Governance — Strategy — Impact, Risk and Opportunity Management — Metrics and Targets"), and providing examples.

Given stakeholders interest in corporate climate information disclosure, the Guidelines dedicates Chapter 2 to Climate Change. It provides methods for listed companies to assess the materiality of climate change (including impact materiality and financial materiality), guidance on climate resilience and scenario analysis, accounting for greenhouse gas emissions, and disclosure practices and examples related to climate transition plans. It also summarizes 22 key disclosure items covering topics such as climate-related significant impacts, climate resilience, GHG emission reduction practices, etc. (Table 2).

Table 2: 22 Key Disclosure Items for Climate Change

Governance	Climate Governance Structures Skills of Climate Governance Personnel Information Access for Governance Personnel Oversight Mechanisms Climate Factors in Decision-Making
Strategy	Major Climate Impacts Climate Risks & Opportunities Impact on Business Models & Value Chain (optional) Impact on Company Strategy & Decisions Transition Plans Current Financial Impacts Expected Financial Impacts (optional) Climate Adaptation
Risk & Opportunity Management	Climate-related Impact, Risk and Opportunity Management Processes
Metrics & Targets	Climate Targets & Progress GHG Emissions Emission Reduction Practices Carbon Credit Information (if applicable) Carbon Quota Settlement (if applicable) CCER Projects & Transactions (if applicable) Participation in Other Mechanisms (if applicable)

Self-Regulatory Guidelines Empower Listed Companies to Enhance Sustainability Information Disclosure Capabilities

As China announced its "dual carbon" goals, some leading Chinese companies have advanced their climate information disclosure. But the majority remains insufficient, and the average disclosure levels lags behind multinational corporations. IPE’s analysis shows that among companies that have made climate commitments, over 40% have not announced a low-carbon transition pathway. Half of the companies have not extended emission reduction to the value chain, with Scope 3 activity data collection and data quality control being key challenges. Difficulties in tracking emission reduction performance due to unclear baselines are also common. Data from Wind Information shows that as of the end of September 2024, over 2,200 A-share listed companies disclosed sustainability or social responsibility reports for 2023, a 20% increase from the previous year and a 51% increase from the year before that. However, nearly 1/3 of A-share listed companies have not yet disclosed sustainability-related information. This indicates that a number of listed companies lacks capabilities in data collection, performance tracking, and information disclosure.

The release of the *Trial Guidelines* and the *Preparation Guidelines* provides these companies with the framework, workflow, reporting items, and best practices for preparing sustainability reports. Moreover, the *Preparation Guidelines*, provide a "toolbox" by explaining terms and definitions, methodologies, workflows and implementation steps, addressing the "how to disclose" problem. It also serves as a "textbook" by empowering staff in charge with the understanding of sustainability-related indicators, strengthening ESG management and disclosure capacity building.

The *Trial Guidelines* and the *Preparation Guidelines* require disclosing entities to use the four-pillar disclosure structure ("Governance — Strategy — Impact, Risk and Opportunity Management — Metrics and Targets"), emphasize the double materiality disclosure principle ("financial materiality" and "impact materiality"), and require attention to the impacts of upstream and downstream value chain activities. This is aligned with the disclosure standards issued by ISSB. This not only helps companies who are subject to mandatory disclosure to address international investors' concerns about their ESG performance, but also provides general guidance for Chinese companies who intend to deepen their sustainability strategies.

Discrepancy Between China and International Disclosure Requirements May Lead to Duplicate Disclosure and Additional Costs

In recent years, corporate ESG risks have attract wide attentions. Besides the disclosure framework of the Task Force on Climate-related Financial Disclosures (TCFD) and the standards of the Global Reporting Initiative (GRI), the European Union has recently issued the Corporate Sustainability Reporting Directive (CSRD). Stock exchanges in the United States, Singapore, and other countries have also continually strengthened disclosure requirements to promote the low-carbon transition of listed companies. In June 2023, the ISSB released IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (hereinafter referred to as "S1" and "S2"). It aims to establish unified and standardized sustainability disclosure standards to meet the needs of global investors. The release of the ISSB disclosure standards has received significant attention from capital markets and laid the foundation for standardizing global sustainability information disclosure.

Although the *Trial Guidelines* and the *Preparation Guidelines* align with ISSB disclosure standards in terms of disclosure framework, principles, focus on the value chain, and wording of key term definitions, there are still significant differences:

- Topic Setting: The *Trial Guidelines* sets out 21 topics as shown in Table 1. The China Securities Regulatory Commission (CSRC) has indicated that it will subsequently, based on market demand, issue guidance documents for topics other than climate change, but has not yet considered the applicability of indicators for different topics across industries. ISSB currently only specifies climate-related disclosure requirements through S2. For other topics, ISSB requires disclosing entities to disclose based on the industry-specific requirements of the Sustainability Accounting Standards Board (SASB) standards.

- Disclosure Rules: The *Trial Guidelines* explicitly states that some indicators, such as Scope 3 emissions information, the impact of climate-related risks and opportunities on the business model and value chain, and expected climate-related financial impacts, are encouraged only. ISSB disclosure standards however, are "designed for mandatory disclosure". Only when a company complies with all requirements in the standards can its sustainability-related financial disclosures be described as "complying with IFRS Sustainability Disclosure Standards."
- Specific Indicators: The *Trial Guidelines* requires key emitting entities included in China's carbon market to disclose their compliance status. It also proposes that "the disclosing entity should disclose relevant information on greenhouse gas emission reduction practices, including participation in emission reduction mechanisms, emission reduction targets, emission reduction measures (such as management measures, capital investment, technology development, etc.) and their effectiveness." S2 does not indicate disclosure requirements on carbon markets or the implementation of emission reduction projects. It focuses more on how companies set targets and track their low-carbon transition progress, and the contribution of carbon credits and abatement measures in achieving targets.

Currently, the various disclosure standards often differ in terms of applicability, correspondence between standards, disclosure framework, indicators, terminology definitions, etc. Companies, especially multinational corporations and those listed on multiple exchanges are often unclear which standards are to apply, and how to reduce duplicate disclosure and additional costs.

IPE recommends Chinese companies to 1) learn about changes in different disclosure rules, fully understand the disclosure requirements of relevant stakeholders, analyze the similarities, differences, and connections between different requirements; 2) enhance the foundational work of corporate data management; 3) study the best practices of pioneering companies in sustainable information disclosure.

IPE recommends authorities in China to 1) coordinate efforts to guide companies in carrying out sustainability information disclosure work; 2) collaborate with companies, key industry organizations, etc., to jointly discuss and exchange views on the connections, similarities, and differences between disclosure requirements.