


# Asia Investor Group on Climate Change (AIGCC)

Submission to China's Three Stock Exchanges' Public  
Consultation on "Self-Regulatory Supervision Guidelines for  
Listed Companies – Sustainability Report (Trial)"

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## BACKGROUND

The China Securities Regulatory Commission (CSRC) formulated and issued the "Three-Year Action Plan for Improving the Quality of Listed Companies (2022-2025)" in November 2022. More than a year later, the three major securities exchanges in China – Beijing Stock Exchange (BSE), Shanghai Stock Exchange (SSE), and Shenzhen Stock Exchange (SZSE) – jointly issued the "**Stock Exchange Consultation on Self-Regulatory Supervision Guidelines for Listed Companies – Sustainability Report (Trial)**" (the "Guidelines") on February 8, 2024.

The Guidelines aim to standardise the disclosure of sustainability-related information by listed companies and provide guidance for listed companies to consider sustainability-related performance and impacts. The Asia Investor Group on Climate Change (AIGCC) is pleased to see China taking a crucial step towards improving China's sustainable development-related disclosures. AIGCC welcomes the opportunity to participate in the public consultation for the Guidelines and we have submitted our recommendations to the three stock exchanges.

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Dear Stock Exchange:

On behalf of the Asia Investor Group on Climate Change, we would like to submit our response to the consultation on Self-Regulatory Guidelines for Listed Companies No. XX - Sustainability Report (Trial) (the "Guidelines").

AIGCC members mainly consist of global asset owners and asset managers. We have collated feedback from our members following the publication of the Guidelines, and they are very supportive of the efforts of the Stock Exchange to improve the disclosure of environmental and broader sustainability information by listed companies.

Enhancing the availability of sustainability information on investee companies can help investors make more informed investment decisions and broaden the range of investments suitable for sustainable investment by the international investment community. We are pleased to see China taking another important step in this direction at the start of the Year of the Dragon.

### Specific Feedback

- **Double Materiality:** AIGCC members support the adoption of on “double materiality” in Article 5, which considers both the financial and impact materiality of specific sustainability topics. Given that the European Sustainability Reporting Standards are also based on “double materiality” and particularly encourage the disclosure of quantitative metrics that is important for setting benchmarks and assessing performance trends, we believe this will make Chinese listed companies more attractive to global investors.
  
- **Phased Approach to Mandatory Disclosure:** We support the approach in Article 3 that requires listed companies within scope to comply with the sustainability reporting requirements, while encouraging other listed companies to disclose voluntarily.
  - However, we believe that a "comply or explain" regime, where companies must either comply with the disclosure rules or explain why they are not complying, could be more effective in ensuring a higher adoption rate.
  
  - Separately, we have observed in other Asian markets (such as Singapore and Malaysia) that regulators are taking a phased approach to mandatory disclosures with the largest listed companies being required to disclose first. Regulators in these markets have also expanded the scope to include large unlisted companies. We suggest that the Guidelines examine a phased approach while considering when to expand the scope of mandatory disclosure.
  
- **Scope 3 emissions:** AIGCC members place a high priority on the disclosure of Scope 3 emissions and the integration of Scope 3 emissions into company strategy and objectives.
  - Companies that integrate Scope 3 emissions into their strategy and provide clear and detailed disclosures signal to investors that they have robust and comprehensive strategies in place. We believe that disclosure can help investors assess companies' alignment with appropriate net-zero pathways and dual carbon targets.
  
  - Therefore, we are inclined to recommend that Article 24 of the Guidelines be changed to "Entities within the scope of disclosure shall disclose

Scope 3 greenhouse gas emissions" instead of "Entities within the scope of disclosure may disclose Scope 3 greenhouse gas emissions."

- **Investor Needs and Capacity Building:** Investors' top priority is to obtain high-quality and comprehensive information as quickly as possible to further facilitate investor action.
  - Currently, reporting entities still lack the corresponding ability to "accurately provide forward-looking information", including necessary scenario analysis. Therefore, it is crucial to provide them with the necessary guidance and tools to meet these needs.
  - It is recommended that efforts should be made to bring together service providers and professional bodies that provide data services that can assist reporting entities in meeting disclosure requirements.
  - Whilst scenario analysis remains the preferred method for understanding and assessing the impact of climate risks, we recommend retaining a degree of flexibility within a fixed transition period, such as using alternative methods for disclosure to accommodate the disclosure needs of companies at different stages of development.
- **Disclosure Templates:** AIGCC recommends the Stock Exchange to leverage the State-owned Assets Supervision and Administration Commission (SASAC)'s ESG disclosure templates and indicators aimed at State-Owned Enterprises.
  - We further recommend exploring the development of industry-specific templates. This approach will streamline disclosure processes for reporting entities, while also enabling investment institutions and market participants to conduct clearer information analysis and comparison.
- **Supply Chain Management:** We look forward to incorporating supply chain management disclosure as soon as possible in the future, by first gradually extending it from one type of enterprise to another, and subsequently moving from a voluntary to mandatory disclosure approach.
  - Of course, this requires more specialised tools to ensure data security and expand the scope of disclosure. We believe that developing and implementing relevant supporting mechanisms will enable the optimal utilisation of data and achieve structured disclosure and comparability.



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With this, we expect that China will play a more leading role in sustainable development-related information disclosure.

For more information, please contact us.

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# About AIGCC



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## ABOUT AIGCC

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity and a trusted forum for investors active in Asia to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy related to climate change.

With a strong international profile, the AIGCC network also engages with government pension and sovereign wealth funds, family offices, and endowments, AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a net zero emissions economy.