Asia Investor Group on Climate Change (AIGCC)

Recommendations on the "Corporate Sustainability Disclosure Standard No. 1 — Climate (Trial) (Draft for Public Consultation)"

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INTRODUCTION

The Asia Investor Group on Climate Change (AIGCC) welcomes the timely release of the "**Corporate Sustainability Disclosure Standard No. 1 — Climate (Trial) (Draft for Public Consultation)"** (hereafter referred to as the "Climate Standard Draft" or the "Draft") by China's Ministry of Finance (MoF) and the Ministry of Ecology and Environment (MEE).

The release of this Draft represents a significant step in China's establishment of a unified sustainable disclosure standard system. This is critical for enhancing the quality and comparability of climate-related disclosures by Chinese companies and provides an essential basis for investors and other stakeholders to make data-driven, scientifically informed economic and resource allocation decisions.

We recognise the Draft's ambitious goals, alignment with international trends, and consideration of China's national circumstances. Particularly in the current international landscape, this Draft demonstrates China's determination and leadership in climate action. We believe that improving corporate climate-related disclosures—including carbon emissions accounting, carbon monitoring, and carbon trading—will further enhance the international participation and competitiveness of Chinese enterprises.

Advocating For a Unified Sustainability Reporting Standard

As a founding partner of The Investor Agenda, a global initiative that supports investor and government actions towards the goals of the Paris Agreement, AIGCC supports the global development of a unified sustainability reporting standard. We believe that, given the current differences in the implementation and application of standards across markets, establishing a comprehensive and globally interoperable standard is of utmost importance.

Based on our global experience in advocating for scientific, clear, and interoperable climate-related disclosures—including our feedback on the International Sustainability Standards Board (ISSB) consultation drafts and our participation in disclosure policy developments in Korea, Japan, and Hong Kong—AIGCC offers the following recommendations on the Climate Standard Draft mainly from investors' perspective, focusing on three main questions and other related comments.

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Recommendations

Question 1: Article 4 of the Climate Standard Draft proposes a general requirement for the disclosure of information on climate-related impacts. Is it necessary to establish a separate chapter to regulate the for the disclosure of information on climate-related impacts? If so, please specify the detailed disclosure requirements.

We support establishing a separate chapter on the disclosure of information on climate-related impacts. Emphasising information on climate-related impacts (especially financial impacts) in a standalone chapter would significantly enhance the accessibility, clarity, and importance of the information. We suggest the title "Impacts and Responses to Climate-Related Risks and Opportunities".

Investors are highly interested in how climate factors specifically translate into financial figures. Having a centralised and structured disclosure would help companies with valuation, risk assessment, and investment decision-making. This aligns with the ISSB standards, particularly S1 and S2, where there is emphasis on connectivity with company's financial statements with the aim of providing decision-useful information to investors.

Having a separate chapter would also highlight the integration of climate information with financial reporting, prompting companies to consider the material financial impacts of climate factors. For example, to what extent and how climate-related risks and opportunities affect the company's financial position, operating results, cash flows, strategic planning, and business model, as well as the specific measures the company has taken to manage these impacts and their actual outcomes.

When financial impacts are clearly quantified and emphasised, companies have a stronger incentive to take substantive mitigation and adaptation actions. The separate chapter should include not only financial impacts but also the environmental effectiveness of corporate actions.

A company's disclosures should include their climate-related impact information (particularly financial impacts), their environmental performance as well as the broader systemic impacts (e.g. supply chain and surrounding environment) of climate change. Disclosures should also include both qualitative and quantitative information and clearly indicate the time horizon (short-, medium-, and long-term).

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We suggest the following disclosure requirements:

1. Impacts of Climate-Related Risks and Opportunities on Business Model and Value Chain:
   a) Provide detailed descriptions of how identified material climate-related risks (physical and transition risks) and opportunities impact the company's business model, including inputs, activities, outputs, outcomes, and the value chain.
   b) Indicate the geographic regions, specific facilities, or asset types affected (e.g. specific impacts on supply chain resilience, market access, technology substitution, environmental footprint changes across the value chain, impacts on ecologically sensitive areas).

2. Impacts of Climate-Related Risks and Opportunities on Strategy and Decision-Making:
   a) Explain how the company incorporates considerations of climate-related risks and opportunities into its strategic planning and major decision-making processes.
   b) Describe how climate factors affect the company's capital allocation, R&D investment, product and service innovation, and market development strategies, as well as the strategies developed to seize climate-related opportunities (such as developing low-carbon products or entering new energy markets) and the progress of their implementation.

3. Current and Expected Financial Impacts of Climate-Related Risks and Opportunities (Quantitative and Qualitative):
   a) Provide quantitative disclosures where reasonably expected and cost-effective; where reliable quantitative estimates cannot be made, provide qualitative explanations of why this is the case and describe plans to enhance quantification capabilities in the future.

4. Corporate Measures and Outcomes in Response to Climate-Related Risks and Opportunities:
   a) Describe specific actions taken by the company to mitigate climate-related risks (e.g. emission reduction measures, energy transition plans), including resources invested, timelines, and phased targets.

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b) Describe specific actions and investments undertaken by the company to adapt to climate-related risks (e.g. building climate-resilient infrastructure, adjusting production processes).

Question 2: Article 30 of the Climate Standard Draft regulates corporate carbon emissions accounting standards. Is it necessary to include a requirement that, before the issuance of national corporate carbon emissions accounting standards by the relevant national authorities, companies may refer to the Greenhouse Gas Protocol (GHG Protocol) for accounting purposes?

We believe it is necessary to include a requirement for companies to refer to the Greenhouse Gas Protocol (GHG Protocol) for accounting purposes.

The GHG Protocol is currently the most widely used and accepted corporate greenhouse gas accounting framework globally. The ISSB standard S2 also explicitly requires companies to use GHG Protocol-based methods (unless mandated otherwise by jurisdictional requirements).

Companies that explicitly reference the GHG Protocol stand to benefit as below:

- **Enhance their international comparability**. Additionally, this benefits international investors as they can assess and compare amongst companies from different countries and regions.
- **Have clear guidance**. The GHG Protocol would help companies have a mature, practical, and reliable accounting reference before the national standard is issued, avoiding confusion or inconsistent adoption of various standards that vary widely.
- **Reduce compliance costs**. Many companies, including multinational ones, that are already engaged in voluntary disclosures use the GHG Protocol, so explicit reference could help to reduce redundant efforts and costs associated with any adjustments.
- **Ensure completeness in reporting**, especially for Scope 3 emissions, and the GHG Protocol offers detailed categorisation and guidance.
- **Consistency**. Referencing the GHG Protocol will help to encourage consistent accounting methodologies across companies, providing a robust data foundation for emissions control, carbon trading, and environmental performance assessments.

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- **Increase transparency** as companies will be required to disclose accounting methodologies and data sources, improving oversight and verification.

In summary, we recommend explicitly adding the GHG Protocol as an example of "internationally and domestically widely accepted standards" in Article 30. This not only provides companies with clearer operational guidance but also demonstrates the alignment of China's standards with international best practices and offers a reference point for developing future national standards.

Question 3: Article 35 of the Climate Standard Draft sets out relevant disclosure requirements for financed emissions. Is it necessary to move the requirements on financed emissions into the industry application guidelines for the Climate Standard?

We recommend 1) retaining the provision in the main standard and 2) supplementing it with more detailed industry guidelines.

1. Reasons to retain it in the main standard

Clearly defining the disclosure responsibility of financial institutions for financed emissions is critical to guiding capital flows toward low-carbon transition and green sectors, thus supporting the "dual carbon" goals.

Financed emissions constitute the core of financial institutions' climate footprints and are a primary source of their transition risks and opportunities. Retaining this requirement in the main standard ensures that all financial institutions recognise the universal importance and baseline requirements for financed emissions disclosure.

This further aligns with the ISSB standard S2, which treats financed emissions as a cross-industry metric (specifically for financial institutions). It also helps investors gain a comprehensive understanding of the financial sector's climate risk exposure and management capabilities.

2. Reasons to detail it in industry guidelines

Different types of financial institutions (e.g. commercial banks, asset managers, insurers) have different compositions, accounting methods, management strategies, and challenges related to financed emissions. It is necessary to provide more operational guidance in the industry application guidelines, including recommended accounting

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methods, data availability solutions, scenario analysis parameters, and identification of specific risks and opportunities. This will enhance the quality and comparability of disclosure information.

Therefore, having a "main standard as a general framework and industry guidelines for detailed implementation" approach ensures consistency and international alignment, while accommodating the unique characteristics and operational feasibility of different types of financial institutions.

Question 4: Other Comments and Suggestions

In addition to the above, AIGCC has submitted the following suggestions to China's MoF and MEE as part of the same public consultation, for their consideration to include in the next iteration of the Corporate Sustainability Disclosure:

1. **Encourage and progressively standardise third-party assurance**: Although the Draft "encourages" assurance, we recommend gradually introducing mandatory limited or reasonable assurance requirements for key climate information (such as GHG emissions and progress toward climate targets) in the future to enhance the credibility of disclosures and meet investor demand for high-quality data. Explicit qualification requirements and standards for assurance providers should also be clarified.

2. **Clarify transition arrangements and capacity-building details**: We recommend early clarification of the effective date of the standard, the scope of phased implementation (e.g. by company size, industry, or listing status), and specific transition measures (such as regulatory training and capacity-building support for companies regarding challenging areas like Scope 3 emissions and scenario analysis). This will provide market certainty and help companies plan.

3. **Strengthen alignment with China's "dual carbon" goals and policies**: We recommend that the standard:
   a) Clarifies companies' climate targets (especially emissions reduction targets) should align with national and local carbon peaking and carbon neutrality targets as well as relevant policies (such as carbon markets and green finance policies),
   b) Encourages disclosure of companies' contributions,

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c) Encourages companies to refer to international net-zero targets (which is also of particular interest to international investors), and
d) Outlines specific actions and results in supporting the energy transition and renewable energy development.

4. **Detail physical risk assessment and adaptation disclosures**: We recommend requiring companies to provide more detailed disclosures on their identification and assessment of physical risks (such as extreme weather events and sea level rise), including the climate models and data sources used, and the specific impacts on business operations, supply chains, and communities.

   We also wish to see enhanced disclosure requirements on climate adaptation measures, including detailed content, investments, implementation progress, expected outcomes, and how companies enhance resilience to unavoidable climate change.

5. **Consider the social impacts of climate actions**: We encourage companies to consider the potential social impacts (such as employment changes and skills transition needs) on employees, communities, and other stakeholders when disclosing their climate transition strategies and measures. We also encourage companies to disclose their just transition plans and actions (such as workforce retraining and community support), where relevant.

6. **Detail board oversight of climate governance**: Building on the governance structure disclosures in the Draft, we recommend requiring companies to describe in detail how the board of directors (or its committees) oversees climate-related risks and opportunities, including processes, frequency, information sources, and how climate factors are integrated into major decisions.

   We also encourage companies to disclose board members' climate-related expertise and training. This will enhance governance transparency and drive genuine board engagement. Drawing from international best practices, the standard could provide specific disclosure guidance and practical approaches such as incorporating climate performance into executive compensation Key Performance Indicators.

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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.