

Briefing

# ESG Standards in China

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China and Chinese companies are major players in the global economy. While Chinese companies’ supply chains span the globe, little is known about their social and environmental standards (Sausmikát 2021). This briefing provides an overview of China’s Environmental, Social and Corporate Governance (ESG) measures. Over the past years an increasing number of guidelines, initiatives and other measures were introduced that apply to Chinese companies active at home and abroad. However, these guidelines are often not mandatory and businesses can decide not to comply.

Following Shen et al. (2023), the briefing divides the development of Chinese ESG practices into three different stages. Table 1 illustrates how, in line with domestic and international developments, the focus of Chinese social and environmental standards shifted from social responsibility to sustainable development and more recently to a low-carbon transition.

Table 1. Three stages of Chinese ESG practices

Stage	Decisive Events	ESG Developments	Period
1	China joins the WTO (2001)	Social responsibility became increasingly important for companies in China	2001 – early 2010s
2	18 <sup>th</sup> National Congress of CPC (2012) & Fifth Plenary Session of 18 <sup>th</sup> CPC Central Committee (2015)	New development philosophy; sustainable development now a national goal	Mid 2010s – 2020
3	President Xi Jinping announces “dual carbon” <sup>1</sup> goal as national strategy (2020)	Prioritization of low-carbon transition	2020 – ongoing

Source: Shen et al. (2023)

Table 2 illustrates six measures from the latter two stages, which are relevant to understanding present-day Chinese social and environmental standards. Three

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<sup>1</sup> Aim of China to peak emissions before 2030 and achieve carbon neutrality before 2060.

measures were adopted during the second stage and two of those were revised during the third stage. One further measure was introduced during the third stage.

To provide an up-to-date overview, the four most relevant Chinese ESG measures revised or adopted most recently are presented below.<sup>2</sup>

1) The first measure – the *Catalogue of Green Bond Supported Projects* – issued in 2015 by the People’s Bank of China applies to all financial market actors and was revised in 2021. Since the revision it is referred to as *Green Bond Endorsed Project Catalogue*. The catalogue provides an overview of projects that can be financed by green bonds. The 2021 revision of the catalogue removed ‘clean coal’ projects from the supported list. In essence, the catalogue serves as China’s contemporary green finance taxonomy (IPSF Taxonomy Working Group 2021).

2) Another relevant ESG measure are the *Guidelines for Establishing the Green Financial System* issued in 2016 by six ministries and the People’s Bank of China. The measure provides guidance on the design of ‘green’ loans, insurance policies, bonds and other financial products. The introduction of the measure led to an increase in the utilization of ESG ratings and green financial products and, as a consequence, some China A-shares were subsequently included in the MSCI Emerging Markets Index (Chen et al. 2023). Importantly, both measures explained above are not mandatory but serve as voluntary guidelines only.

3) The revised *Code of Corporate Governance for Listed Companies* issued by the China Securities Regulatory Commission (CSRC) in 2018 is one of the few mandatory ESG guidelines in China. Listed companies need to disclose environmental information, the implementation of social responsibility and information related to corporate governance. According to Chen et al. (2023), the measure formally introduces the Chinese ESG framework and demonstrates the shift of focus from social responsibility in the first stage to ESG in the second stage. Furthermore, its 2021 revision requires companies to disclose ESG information in their annual and semi-annual reports. However, the disclosure of information that affects the decisions of shareholders and stakeholders is non-binding.

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<sup>2</sup> For a comprehensive overview of ESG measures, see the appendix.

Table 2. Important Chinese ESG Measures

Year	Name	Issuing Authority	Disclosing Entity	Description	Binding
2015 (Rev. 2021)	Catalogue of Green Bond Supported Projects / Green Bond Endorsed Project Catalogue	Peoples Bank of China (PBoC)	Financial market actors	Catalogue of projects that can be financed with green bonds.	NO
2016	Guidelines for Establishing the Green Financial System	PBoC & 6 ministries	Financial market actors	Design of "green" loans, insurance policies, bonds and other financial products.	NO
2018 (Rev. 2021)	Code of Corporate Governance for Listed Companies	CSRC	Listed companies	Disclosure of environmental information, implementation of social responsibilities (i.e., poverty alleviation), and information related to corporate governance.  Information affecting decisions of shareholders and stakeholders.	YES  NO
2022	Green Finance Guidelines (based on 2012 guidelines)	CBIRC	Financial institutions and insurances	Integration of environmental and social risk management in board, management, and client engagement processes.	YES
2023 (May)	New consultation mechanism "Mediation and Consultation Mechanism for the Mining Industry and Mineral Value Chain", part of Guidelines for Social Responsibility in	RCI / CCCMC*	CCCMC	The "Guidelines for outbound mining" were the first accountability mechanism established by a Chinese industry association in 2022, a sector-wide accountability mechanism for the mining sector, covering the value chains of all minerals. It includes comprehensive expectations regarding ESG risks. The CCCMC established various standards and guidelines since 2014.	NO

	Outbound Mining Investments			The new consultation mechanism is the first grievance mechanism applicable to many Chinese corporations engaged in the mining and mineral value chain. For detailed description on concrete implementation and how to apply see here. Among many others, it refers to the Compliance Advisory Office (CAO) of the International Finance Corporation (IFC) and the Accountability Mechanism (AM) of the World Bank.	
2024 (June 17)	Corporate Sustainability Disclosure Standards: Basic Standards Sustainability	China's finance ministry	Corporations	Basic corporate sustainability and climate-spec. disclosure standards by 2027, groundwork for national corporate sustainability disclosures. China expects a "unified national regulatory system" for sustainability disclosures in place by 2030. Collaboration with International Sustainability Standards Board (ISSB, since 2023 also in Beijing) who care for the unified global baseline of sustainability disclosure standards.	
2024	Guiding opinions on financial support for green and low-carbon development	China's central bank and six other ministries	Financial institutions	Unified standards on carbon accounting, to build a "world-leading" financial support system within five years, promoting "green and low-carbon developments, guideline connects two previously separate guidelines for green finance and carbon market which are led by different government entities and bodies.	

\* The Responsible Critical Mineral Initiative (RCI; formerly the Responsible Cobalt Initiative) and the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC)

Source: see Appendix

4) Besides the revision of the 2015 Green Bond Catalogue and the 2018 Corporate Governance Code, the *Green Finance Guidelines* were adopted in 2022 during the third stage of ESG developments in China. Issued by the China Banking and Insurance Regulation Commission (CBIRC), the guidelines apply to financial institutions and insurances and integrate environmental and social risk management in board, management and client engagement processes. For the first time, the Guidelines include a call on banks and insurance companies to reduce their carbon emissions – both operations and portfolio. Moreover, the Guidelines also apply to international projects, in particular the Belt and Road Initiative, and call on banks to introduce “a grievance or response mechanism for credit-granting decisions that face significant environmental and social risks” (Beibei 2023, p.11).

In conclusion, China’s ESG standards evolved over the past decade. An increasing number of guidelines and measures were introduced, and the focus shifted from social responsibility towards sustainable development and the low-carbon transition. In addition, the scope and the number of mandatory measures increased. However, despite those positive developments, the measures’ implementation is neither straightforward nor guaranteed. Research has shown that Chinese financiers continue to support questionable companies at home and abroad.

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## Appendix. Overview of Chinese ESG Measures

Year	Name	Issuing Authority	Disclosing Entity	Description	Binding
2002	Code of Corporate Governance for publicly listed companies (abolished)**	CSRC			
2006	Guidelines on Social Responsibility for Listed Companies**	SZSE	Listed companies	Social responsibility report (including establishment and implementation of social responsibility procedures; any gap between performance of social responsibility and Guidelines, explanation for reasons behind this gap; measures to improve and implementation timelines)	NO
2007	Guidelines for Environmental and Social Impact Assessments of the China Export and Import Bank's Loan Projects*	China EXIM Bank	Domestic and international projects financed by bank	Standards for environmental impact assessments, consideration of land and resource rights, dealing with resettlement	NO

2008	Guidelines to State-owned Enterprises Directly under the Central Government on Fulfilling CSR*	SASAC	State-owned enterprises under central government	Guidance on corporate social responsibility, requirements for the publication of CSR reports	NO
2008	Measures for the Administration of the Law-based Disclosure of Environmental Information by Enterprises**	SASAC	Centrally managed state-owned enterprises	Social responsibility report or sustainability report, disclosing the current situation, plans and measures of enterprises to fulfill social responsibility.	NO
2008	Notice on Strengthening Listed Companies' Assumption of Social Responsibility and the Guidelines on Listed Companies' Environmental Information Disclosure**	SSE	Companies engaged in industries with significant impact on the environment  Listed companies	Environmental protection policies (including resource consumption, investment for environmental protection, discharged pollutants, environmental protection facilities, treatment and disposal of waste and recovery and reuse of waste products); corporate governance index.  Practices and achievements in undertaking social responsibility (including information and policies mentioned above).	YES  NO

2012	Environmental, Social, and Governance Reporting Guide (revised 2016, 2020, 2023)	HKEX	Listed companies	Mandatory disclosure requirements on ESG for listed Chinese companies, fostering corporate sustainability.	YES (since 2020)
2012	Green Credit Guidelines*	CBRC	Banks	Establishment of risk management mechanisms; compliance with due diligence requirements regarding environmental and social risks in projects abroad; compliance with local laws abroad.	NO
2013	Guidelines for Environmental Protection in Foreign Investments and Cooperation*	MEE, MofCom	Enterprises active internationally	Guidance to consider local customs and belief systems, comply with local laws, conduct environmental impact assessments, establish monitoring mechanisms for pollution.	NO
2014 (Rev. 2017)	Guidelines for Social Responsibility in Outbound Mining Investments*	CCCCMC	Mining companies active internationally	Guidance on the consideration of human rights and sustainability principles in the mining sector in the areas of governance, supply chains, environment, participation and occupational health and safety.	NO



2015 (Rev. 2021)	Catalogue of Green Bond Supported Projects* / Green Bond Endorsed Project Catalogue	PBoC	Financial market actors	Catalog for projects that can be financed with green bonds - in essence, China's contemporary green finance taxonomy. Revision removed 'clean coal' projects from the supported list.	NO
2015	Guiding Opinions on Strengthening the Construction of Enterprise Environmental Credit System**	MEPC, NDRC	Key pollutant discharging enterprise	Information on pollution, environmental quality monitoring of surrounding areas, construction and operation of pollution prevention facilities, environmental protection administrative licensing, and emergency plan for environmental emergencies.	YES
			Enterprises that produce or import motor vehicle	Verified emissions, technologies applied for pollution control and relevant maintenance, technical information of motor vehicle models manufactured and imported.	YES
			All enterprises	Recorded level of the enterprise's pollutant emission and monitoring records of the impacts on the environment.	NO

2015 (Rev. 2021)	Due Diligence Guidelines for Responsible Mineral Supply Chains*	CCCMC	Companies along domestic and international supply chains of mineral raw materials	Standards for due diligence and risk management related to serious human rights violations, conflict promotion, environmental protection, and protection of indigenous peoples.	NO
2016	Responsible Cobalt Initiative (RCI)*	CCCMC / OECD	Companies along the cobalt supply chain	Multi-stakeholder initiative on corporate due diligence in the cobalt sector; grievance mechanisms; guidelines on social responsibility and prohibition of child labor, among others.	NO
2016	Guidelines for Establishing the Green Financial System*	PBoC, MEE, Ministry of Finance, NDRC, CSRC	Financial market actors	Guidance on the design of "green" loans, insurance policies, bonds and other financial products.	NO
2017	Guidance on Promoting Green Belt and Road*	MEE	Not defined	Overarching objectives and principles for making the BRI more sustainable in the environmental sphere.	NO
2017	Guidelines for Green Debt Financing Instruments of	NAFMII	Issuers of green bond financing instrument	Compliance of green projects, environmental objectives and impacts such as energy conservation	YES

	Non-financial Enterprises**			and emission reduction; disclosure of proceeds use and progress of green projects biannually.	
2018	Measures for the Administration of the Overseas Investments of Enterprises*	NDRC	Companies investing abroad	Notification and approval procedures for foreign investments; requirements for risk assessments.	YES
2018 (Rev. 2021)	Code of Corporate Governance for Listed Companies**	CSRC	Listed companies	Disclosure of environmental information, implementation of social responsibilities (i.e., poverty alleviation), and information related to corporate governance; establishes ESG framework formally: transition away from social responsibility to ESG	YES  NO
				Information affecting decisions of shareholders and stakeholders	
2018	Specifications for Post-issuance Information Disclosure of Green Financial Bonds**	PBoC	Issuers of green financial bonds	Disclosure of proceeds use (quarterly), information such as major pollution accidents or other violations of environmental laws by enterprises or projects financed by green financial bonds.	YES

				Disclosure environmental impact measurement methodologies, project focus and key categories for proceeds use or categories that are explicitly excluded; reporting on progress.	NO
2019	Green Industry Guiding Catalogue*	NDRC, MEE, MNR, MIIT, MoHURD, National Energy Administration	Involved authorities and downstream institutions	Definition and description of green industries for investment promotion.	NO
2020	Guidance on Promoting Investment and Financing to Address Climate Change*	MEE, NDRC, PBoC, CBIRC, CSRC	Financial market actors	Promote climate finance in China and along the BRI; approaches to remove the recipient country principle and comply with Chinese environmental and social standards abroad.	NO
2021	Guidelines for financial institutions on environmental information disclosure**	PBoC	Financial inst. (banks, asset management companies, insurance companies, trusts, future and securities companies)	Annual disclosure in environmental information report, social responsibility report or annual report (including environmental related governance structure, policies and procedures, and innovation; environmental risk management process;	NO

			environmental impact; and verification and protection)		
2021	Administrative Measures for the Legal Disclosure of Enterprise Environmental Information**	PRC	Key pollutant discharging enterprises	Disclosure of production and actions to protect environment; environmental management; generation, treatment and discharge of pollutants; carbon emission information; ecological environment emergency information; and temporary environmental information.	YES
			Enterprises required to conduct mandatory audits on clean production	Disclosure of reasons behind mandatory audit on clean production; implementation, evaluation and acceptance of results of mandatory audits on clean production.	
			Listed companies and bond issuers	Disclosure of financing methods and amounts, annual proceeds use and information on project contribution to climate change and environmental protection.	

2021	“Green Development Guidelines for Foreign Investment and Cooperation”	MEE/MOFCOM		Promote effective control of carbon emissions; Support foreign investment in solar energy, wind energy, nuclear energy, biomass and other clean energy; Follow international green rules and standards – UNFCCC, SDGs, GIP, Control gas emission, sewage, noise and solid waste pollution. Follow international green rules and standards (see here)	
2022	Work Plan for Improving the Quality of Listed Companies Controlled by Central Enterprises**	SASAC	Listed companies controlled by centrally managed state-owned enterprises	Dedicated ESG report.	NO
2022	Shenzhen Stock Exchange SZSE Corporate Bond Innovative Business Guidance No. 1 - Green Corporate Bonds**		Issuers of green corporate bonds	Disclosure of specific areas in which proceeds of green corporate bonds are used, information of green projects and environmental benefits achieved.	YES
			Carbon neutral bond issuers	Information related to environmental benefits of the carbon neutral project (disclosing measurement methodologies and reference points and quantitative	

				measurement of the environmental benefits of the project (energy savings and carbon emission reduction).	
2022	Guidelines for the Application of the Examination Rules for the Issuance and Listing of Corporate Bonds of the Shanghai Stock Exchange No. 2 – Certain Types of Corporate Bonds**	SSE	Green corporate bonds (including carbon neutral and blue bonds)  Issuers of carbon neutral bonds	Disclosure of green project finance (including green project category, criteria or standard for project selection, and environmental benefit objectives); proceeds use, progress of green projects and environmental benefits.  Disclosure of calculation methodologies and reference points for environmental benefits and quantitative calculation of amount of energy saving, carbon emission reduction and other environmental benefits.	YES
2022	Green Finance Guidelines/ Green Finance Guidelines for Banking and Insurance Sectors	CBIRC	Financial institutions and insurances	Incorporate environmental, social, and governance requirements into the management processes and comprehensive risk management systems of banks/insurances. Integration of environmental and social risk assessments into board, management,	YES

				and client engagement processes; strong language based on 2012 Green Credit Guidelines.	
2022	2022 “Guidelines for Ecological Environmental Protection of Foreign Investment Cooperation and Construction Projects”	MEE/MOFCOM		Investment of private and state-owned enterprises abroad, make a positive contribution to addressing climate change; give priority to clean and green renewable energy projects, ecological restoration, conduct biodiversity surveys, monitoring and evaluation and actively avoid key biodiversity areas ((see here)	No
2023	First Accountability Mechanism established by Chinese industry association	RCMI, CCCMC	Mining sector	Sector-wide accountability mechanism, covering the value chains of all minerals. Allows communities to raise concerns about the social and environmental impacts of an overseas mining project (see here).	If complainant eligible, yes
2023	Green Classification Measure	ICBC	Banks domestic clients	Domestic clients: four-tier system to assess environmental and social aspects (but no independent monitor mechanisms); international clients: classification system pilot compliant with local laws and regulations.	



2024	New sustainability (ESG) reporting guidelines for listed companies	BJ (BSE), SH (SSE), SZ (SZSE) Stock exchange	Listed companies	Require listed Chinese companies to disclose sustainability-related information in reports covering a wide array of topics including carbon and pollutants emissions, circular economy practices, and their contribution to China's national development strategy. Additionally, companies listed on international stock exchanges are also required to make disclosures, while companies that do not belong to these categories are only encouraged to report voluntarily.	Mixed (voluntary/mandatory)
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\*Adapted from [Sausmikat \(2021\)](#)

\*\* Adapted from [CCDC and ICMA \(2022\)](#) White paper on ESG practices in China

## **Abbreviations**

BSE	Beijing Stock Exchange
BJ	Beijing
CBIRC	China Banking and Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
CCCMC	China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters
CSR	Corporate Social Responsibility
CSRC	China Securities Regulatory Commission
EPA	Former State Environmental Protection Administration (EPA)
EXIM	Export and Import
HKEX	Hong Kong Stock Exchange
ICBC	Industrial and Commercial Bank of China

MEE	Ministry of Ecology and Environment of the PRC
MEP	Ministry of Environmental Protection (former Ministry of Environmental Protection, MEPC)
MIIT	Ministry of Industry and Information Technology of the PRC
MNR	Ministry of Natural Resources of the PRC
MofCom	Ministry of Commerce of the PRC
MoHURD	Ministry of Housing and Urban-Rural Development of the PRC
NAFMII	National Association of Financial Market Institutional Investors
NDRC	National Development and Reform Commission
OECD	Organization for Economic Co-operation and Development
PBoC	People's Bank of China
PRC	People's Republic of China
RCI	Responsible Cobalt Initiative

SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SSE	Shanghai Stock exchange
SH	Shanghai
SZ	Shenzhen
SZSE	Shenzhen Stock Exchange