

# CHINA

## Policy & Regulatory Drivers

The People's Bank of China (PBoC) has summarised the development strategy of green finance with the "three major functions" and "five pillars." The "three major functions" refer to the roles of green finance in resource allocation, risk management, and market pricing. The "five pillars" encompass the standard system, regulation and information disclosure, incentive and constraint mechanisms, product and market systems, and international cooperation.

The China Securities Regulatory Commission (CSRC) is steadily advancing the ESG information disclosure of listed companies and is guiding the Shanghai and Shenzhen Stock Exchanges in drafting guidelines of ESG reporting for listed companies.

The key issues tackled by policy and regulation include climate change, information disclosure and engagement and stewardship.

Since China announced its carbon neutrality goal in 2020, climate-related finance issue has become the core focus of green finance and ESG. The recent focus is on transition finance. PBoC has organised studies on transition finance standards in four areas: steel, coal-fired power, building materials, and agriculture.

In 2021, the central bank formulated the "Guidelines for Environmental Information Disclosure by Financial Institutions," promoting nationwide and local financial institutions, especially commercial banks, to release environmental information disclosure reports. The State-owned Assets Supervision and Administration Commission (SASAC) proposed the goal of full coverage of ESG reports for central enterprises and centrally-controlled listed companies by 2023. In 2023, approximately one-third of A-share listed companies in the stock market released ESG reports, compared to only one quarter in 2022.

In September 2022, the Insurance Asset Management Association of China (IAMAC) launched an initiative for engagement and stewardship of ESG and then drafted the "Stewardship Guideline (Draft)". In July 2023, the China Sustainable Investment Forum (China SIF) and the Institute of Finance and Sustainability launched the "China Climate Engagement Initiative (CCEI)" platform to promote listed companies' response to climate change and orderly transition through the practice of responsible management.

## Market Drivers

In the past few years, the scale of ESG investments in the mainland Chinese market has grown rapidly. As of September 2023, the market size for major types of responsible investments in China was approximately CNY 31.59 trillion. However, the majority of this comprises green loans from commercial banks, with ESG investments from mutual funds constituting only a small portion.

Nevertheless, the growth of mutual funds is significant. In 2008, there were fewer than a hundred ESG mutual funds, with a total size of just over CNY 40 billion. As of September 2023, 98 mutual fund companies have launched 747 ESG mutual fund products, with a total size exceeding CNY 500 billion.

Overall, the asset quality of green credit is good, with a non-performing loan rate consistently below 0.7% over the past five years, significantly lower than the overall non-performing levels of various loans during the same period.

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## Sustainable Investment Association in the region – China SIF

China Sustainable Investment Forum (China SIF) was established in Beijing as a non-profit organisation in 2012 by SynTao Green Finance. It is dedicated to promoting ESG in China and strengthening international collaboration. Since 2012, China SIF has held 10 Annual Conferences, 5 Summer Summits, 6 China SIF Weeks, and a series of featured seminars. China SIF publishes research reports regularly, such as China Sustainable Investment Review, Top 10 ESG Trends in China, etc. For more information, please visit the [China SIF website](#).