

Cognitud

A photograph of a traditional Chinese stone bridge with a pavilion on top, reflected in water. The bridge has multiple arches and a pavilion with a dark, ornate roof. The water is calm, showing a clear reflection of the bridge and the pavilion. The sky is a pale, overcast blue.

China's Basic Standards for Corporate Sustainability



China has taken a significant step toward enhancing corporate sustainability and environmental, social, and governance (ESG) practices with the introduction of its first Corporate Sustainability Disclosure Standards—Basic Standards, published on January 12, 2025, by the Ministry of Finance (MOF) in collaboration with nine other government agencies, these standards aim to promote transparency and accountability by guiding businesses in disclosing sustainability-related information in alignment with global ESG benchmarks.

ESG reporting will become mandatory for large listed companies by 2026, with a full implementation target set for 2030. This initiative reflects China's commitment to integrating international sustainability standards while addressing local priorities such as climate change and rural development, potentially reshaping investment strategies and capital allocation in the region.

Who must Report?

Basic Standards

These standards define core ESG disclosure focusing on the objectives, principles, and general requirements for reporting. To ensure consistency and comparability across different sectors and industries, this segment places emphasis on the material aspects of reporting as well as information reliability for business information submissions.

Specific Standards

Building on the Basic Standards, these guidelines outline detailed ESG disclosure requirements across key themes such as environmental impact, social responsibility, and governance practices. They provide specific criteria for addressing issues like climate change, waste management, labor rights, and corporate governance, ensuring that disclosures align with both global benchmarks and local priorities.

Application Guidelines

Businesses use Application Guidelines as practical instruments to implement Basic and Specific standards that help businesses navigate through complex areas of sustainability reporting. The guidelines incorporate actual industry scenarios together with useful illustrations to support companies in their disclosure requirements. These are constructed to support organizations throughout their progression from self-regulated ESG compliance to mandatory adoption of ESG standards until their expected 2030 implementation deadline.

According to Bursa Malaysia's requirement, the materiality assessment must be established through stakeholder consultation and take into account factors like industry standards, regulations, and the organization's tactical goals.

Disclosure Objectives and Principles

The standards establish sustainability reporting purposes together with materiality guidelines to help organizations select important revelation information. By emphasizing transparency and reliability, the framework ensures that disclosures effectively meet the needs of investors, creditors, and other stakeholders.

Key Aspects of the New Basic Guidelines



Core Disclosure Elements

The established elements within this framework demand organizations to include governance, strategy, risk and opportunity management alongside measurable target information in their sustainability reports.



Targeted Increase in Disclosures

Standardized ESG practices will reach 70% disclosure rates among companies by 2027 as part of the action plan that promotes large enterprises as leaders of ESG practice adoption.



Quality Reporting Standards

This section sets quality standards for ESG disclosures, ensuring reliability, relevance, comparability, verifiability, and timeliness, making the information accurate and useful for stakeholders.

This section outlines additional guidelines, including reporting periods, the need for comparable information, compliance statements, and error correction processes, ensuring that the data remains accurate and consistent over time.



Alignment with International Standards

The new guidelines reflect a commitment to aligning with global ESG reporting standards while tailoring them to fit China's unique context. The initiative mandates that organizations present both their sustainability footprint and the financial implications which sustainability factors generate.

Conclusion

The standards will be voluntarily adopted initially, with dual-listed entities having larger market capitalizations reporting on a wide range of environmental, social, and governance (ESG) topics starting in 2026. Full implementation is anticipated by 2030. The Chinese Ministry of Finance (MOF) is set to expand the scope of its corporate sustainability reporting standards to include non-listed entities and small and medium-sized enterprises (SMEs) as part of its broader initiative. This structured approach allows businesses time to adapt while improving standardization in ESG reporting among Chinese firms to support national green development goals.

