



Ministry of Finance issued the Exposure Draft of Chinese Sustainability Disclosure Standards for Business Enterprises

Basic Standard and Explanation of the Drafting

Key points

- On 27 May 2024, the Ministry of Finance of the People's Republic of China issued an exposure draft to Sustainability Disclosure Standard for Business Enterprises – Basic Standard.
- Sustainability Disclosure Standards for Business Enterprises for the People's Republic of China will be made up of the basic standard, specific (thematic) standards and application guidance.
- Although the draft is structured differently, it is clear that it was developed using the ISSB Standards as a base.
- By 2027, China will have issued the climate-related disclosure standard as well as all of its accompanying guidance. By 2030, the entire suite of CSDS and its accompanying guidance would have been issued.
- A phased in approach will be applied where all companies listed and non-listed, large companies and small and medium-sized companies will eventually be required to adopt.

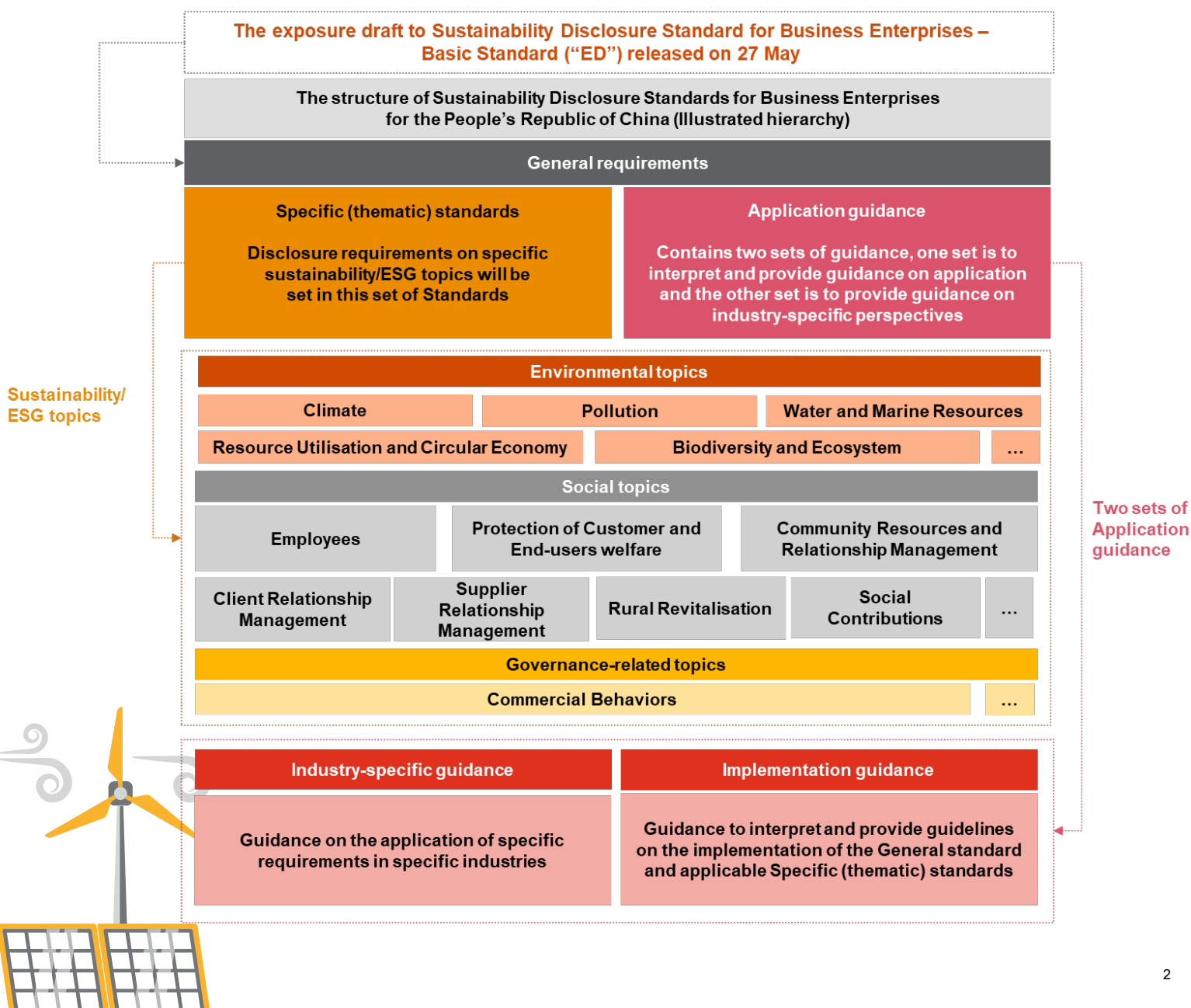




What is the issue?

On 27 May 2024, the Ministry of Finance of the People’s Republic of China issued an exposure draft to Sustainability Disclosure Standard for Business Enterprises – Basic Standard (“ED”). Along with the issuance of the ED is an explanatory note to the drafting, specifying the structure of Sustainability Disclosure Standards for Business Enterprises for the People’s Republic of China (“CSDS”) as well as the blueprint towards building a comprehensive set of sustainability disclosure framework.

CSDS will be made up of the basic standard, specific (thematic) standards and application guidance. Other than a standard on climate-related disclosures, a number of thematic standards in the plan cuts across each of the streams within environment, social and governance topics (see chart below). A set of application guidance will interpret and provide guidance on the application as well as on industry-specific perspectives. Other supporting guidance may be issued as and when needed to support application.





CSDS uses a double materiality lens. In addition, it has adopted the four pillar approach which has been adopted by most major frameworks or standards globally.

Although the draft CSDS is structured differently, it is clear that it was developed using the ISSB Standards as a base. The draft drew on the core positioning and advantages of the ISSB Standards but also reflected China's context and Chinese characteristics. Its core contents is aligned to those of ISSB's S1 General Requirement. It is anticipated that it will interoperate well with ISSB Standards and provide functionally aligned outcomes.

What are the next steps?

According to the announcement, by 2027, China will have issued the climate-related disclosure standard as well as all of its accompanying guidances. By 2030, the entire suite of CSDS and its accompanying guidance would have been issued.

The pace of adoption will not be 'one size fit all' where all entities in China adopt CSDS in one big bang. The adoption process will be in phase and cascade from listed companies to non-listed companies, from large companies to small and medium-sized companies, from qualitative disclosures to quantitative disclosures and from voluntary basis to mandatory basis. During the interim period where the suite of CSDS is being developed, other regulatory departments can issue their respective disclosure guidance as deemed necessary.





Where do I get more details?

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