

PRI'S RESPONSE TO THE GUIDELINES ON INVESTOR RELATIONS MANAGEMENT OF LISTED COMPANIES

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INTRODUCTION

The United Nations-backed Principles for Responsible Investment (PRI) is the world's leading initiative on responsible investment. The PRI has over 3500 signatories (pension funds, insurers, investment managers and service providers) globally with approximately US \$100 trillion in assets under management.

Responsible investment explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors in investment decision-making for the long-term health and stability of financial markets.

At the UN General Assembly in September 2020, President Xi Jinping announced China's carbon neutrality by 2060 goal, also reflected in China's 14th 5-year plan and long-term goals for 2035. Financial markets and investors play a key role in this process. Investors are increasingly supportive of policy actions to reach net zero, and are ready to contribute capital and collaborate with policy makers to design and implement policies that facilitate investment flows at scale.

The PRI welcomes the opportunity to contribute comments and suggestions to the revision of Guidelines on Investor Relations Management of Listed Companies.

ABOUT THE CONSULTATION

To implement State Council's Opinions on Improving the Qualities of Listed Companies¹ and requirements in the new Securities Law², the China Securities Regulatory Commission (CSRC) revised the Working Guidelines on Investor Relations of Listed Companies (the 2005 Guidelines) and

¹ http://www.gov.cn/zhengce/content/2020-10/09/content_5549924.htm

² http://www.csrc.gov.cn/pub/shanghai/ztl/pfzl/202003/t20200306_371622.htm

published the consultation of the Guidelines on Investors Relations of Listed Companies (the Guidelines) to provide updated guidance and regulations.

The Guidelines update the 2005 Guidelines in three aspects. The Guidelines:

- clarify the definition and scope of investor relation managements;
- enrich the content and means of investor relations management, including disclosure requirements of ESG information; and
- strengthen the regulation of listed companies on investors relations by adding requirements on key management responsibilities, investor education, and evaluation and assessment mechanisms.

PRI'S RESPONSE TO THE CONSULTATION

The PRI welcomes the revision of the Guidelines. As the market and regulatory environment develops, both investors and listed companies need clearer guidance and updated means of communication. The fiduciary duties of investors require them to incorporate ESG issues into the investment analysis and decision-making process and encourage high standards of ESG performance in the companies in which they invest. A clear and consistent reporting and communication mechanism between investors and listed companies is crucial to meet these duties and to better evaluate the performance of invested companies. In particular, we welcome:

- Article 5 (Overall requirements): The board of directors and directors, supervisors and senior management of listed companies shall actively participate in and support the management of investor relations.
- Article 6 (Investment culture): Investors should actively participate in the management activities of investor relations of listed companies, exercise shareholder rights, and keep a long-term, value-based investment approach.
- Article 7 (Content of investor relations management): Listed companies should include Environmental, Social and Governance (ESG) information while communicating with investors.
- Article 27 (Self-regulatory): Self-regulatory organisations such as the Stock Exchanges and China Association for Public Companies can issue relevant self-discipline rules on investor relation management based on this regulation.
- Article 28 (Assessment and evaluation): Stock exchanges may incorporate the management of investor relations of listed companies into their information disclosure evaluation system.

However, the Guidelines did not specify the standards and scope of ESG information for investor relations communication. ESG topics are numerous and everchanging. Additional guidance on ESG information disclosure can reduce communication and reporting misalignment between investors and companies, allow for data comparability across industry sectors, portfolios and time-series, and reduce listed companies' concerns of disclosure violations when managing investor relations. In

addition, CSRC should introduce regulation, making it mandatory for all Chinese listed companies to disclose information on a standardised set of ESG indicators.

The PRI's key recommendations for the CSRC are:

- **CSRC should publish a mandatory ESG reporting framework for listed companies**, with a standardised set of primary ESG disclosure indicators that align with global standards. The mandatory reporting framework will support building a reliable ESG data series, providing useful information to both Chinese and international investors, enhancing management and board oversight of the performance of key ESG issues, and increasing investment in green and sustainable assets. The PRI has recommended primary ESG indicators for the Chinese market in our report [ESG data in China](#). Further guidance on ESG disclosure can be found in our [policy toolkit](#) and our [Driving Meaningful Data](#) report.
- **Listed companies should disclose key ESG data in annual report with other financial indicators.**
- **Listed companies should consider supply chain management and information disclosure:** The Guidance on Speeding Up the Establishment of a Green Low-Carbon Circular Economy³ issued by the State Council in February 2021 plans to establish a green supply chain system. Listed companies should also consider the potential risks and opportunities in their supply chain and disclose information to their investors.
- The PRI also suggests that the CSRC **clarify the rules on the disclosure of forward-looking information**, particularly on key ESG issues, to encourage listed companies to actively respond to investor engagement and reduce risks of information disclosure violations. Forward-looking disclosure on key ESG issues is important for investors to assess potential future impacts on listed companies' expected performance, as well as their carbon emission and investment strategies to control and respond to potential risks. These forward-looking analyses on future risks could be aligned with the TCFD (Task Force on Climate-related Financial Disclosures) framework⁴, which aims to help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities. In No. 2 Application Guidance on SEE STAR Market Self-discipline Regulatory Rules—Voluntary Information Disclosure,⁵ similar guidance has been provided to companies listed on STAR market, clarifying rules on the disclosure of forward-looking information, including strategies, R&D and forecasts. The PRI welcomes a specific application guidance dedicated to forward-looking disclosure related to ESG issues.

The PRI has experience of public policy on sustainable finance policies and responsible investment across multiple markets and stands ready to further support the work of the Chinese regulators on promoting financial regulations aligned with a sustainable recovery and green economy.

Any question or comments can be sent to policy@unpri.org.

³ http://www.gov.cn/zhengce/content/2021-02/22/content_5588274.htm

⁴ <https://www.fsb-tcf.org/>

⁵ <http://www.sse.com.cn/lawandrules/sserules/tib/listing/c/5225391.shtml>