

Mr. Xu Ming,
Chairman, Beijing Stock Exchange

24 September 2021

Dear Mr. Xu Ming,

On behalf of the United Nations-supported Principles for Responsible Investment (PRI), we would like to congratulate you on the establishment of the Beijing Stock Exchange.

The PRI is the world's leading proponent of responsible investment, with over 4300 signatories totalling 120 trillion USD of assets under management. As long-term investors acting in the best interests of their beneficiaries and clients, our signatories work to understand the contribution that environmental, social and governance (ESG) factors make to investment performance, the role that investment plays in broader financial markets and the impact that those investments have on the environment and society. As of September 2021, 72 Chinese institutions have become signatories to the PRI.

The launch of the Beijing Stock Exchange has the potential to significantly improve China's multi-layered, integrated capital market structure by providing better access to capital for small and medium-sized enterprises (SMEs) and increasing investor exposure to high-quality companies in innovation-oriented sectors. In doing so, the Beijing Stock Exchange can also play an important role in supporting responsible investment and business practices in China. The large-scale global challenges we are currently facing, from climate change to poverty reduction, mean that responsible investment, ESG integration and the achievement of sustainability outcomes have now become central concerns for global capital markets.

Stock exchanges have a vital role to play in shaping the path of responsible investment and improving the governance and disclosure of listed companies in China. In order to attract local and global capital from investors that have committed to responsible investment objectives, it will be important for the Beijing Stock Exchange to support strong standards for ESG disclosure and regulation. Both Shanghai and Shenzhen Stock Exchange have already incorporated ESG information disclosure into their assessment or regulatory rules for listed companies. Building on China's 2060 carbon neutrality announcement, over time, the financial sector and capital market will also need to align with these goals.

To help improve the quality of listed company ESG disclosures and governance, and support the alignment of capital markets with the national goals of carbon neutrality, we would like to make the following recommendations:

- **The Beijing Stock Exchange should build capacity and support the development of mandatory ESG disclosure in China.** Evidence demonstrates that voluntary guidelines on ESG disclosure are not sufficient to create investment-grade, quality ESG data that is necessary to make informed investment decisions, as economies transition to net zero carbon

emissions. Guidance, knowledge sharing workshops, and training sessions will strengthen the capabilities of listed companies in ESG risk management, enhance their ESG reporting, and facilitate better communication with investors.¹

- **The Beijing Stock Exchange should provide guidance on climate-related targets and quantitative measures, especially greenhouse gas emissions, for all listed companies, in line with China's 30-60 carbon neutrality goals.** The Task Force on Climate-related Financial Disclosure (TCFD) recommendations aim to help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities.² Stock exchanges have the network and infrastructure to promote climate-related information disclosure, and contribute to the global climate change challenge as well as China's carbon emission reduction goals.
- **The Beijing Stock Exchange should become a partner exchange of the Sustainable Stock Exchange (SSE) initiative to further promote sustainable investment and ESG disclosure in China.**³ Investors, regulators, and stock exchanges are critical components on the chain of responsible investment and sustainability reporting. Together they can provide accurate, high-quality data and information to create a more transparent and resilient capital market. Until now, 112 stock exchanges, including Shanghai and Shenzhen Stock Exchange, have become the member of SSE initiative, which covers more than 56,741 listed companies around the world.

The Beijing Stock Exchange is well-positioned to develop and support effective ESG disclosure frameworks and responsible investing practices for SMEs in China. Working alongside other stock exchanges and regulators in China and globally it can help create stable and sustainable financial markets and support the efficient allocation of capital in line with broader social and economic goals.

The PRI and its policy team stand ready to continue supporting the Beijing Stock Exchange's work enhancing the quality of listed companies and promoting sustainable and responsible investment in China.

Yours sincerely,



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¹ The PRI has recommended primary ESG indicators for Chinese listed companies in our report [ESG data in China](#). A follow up [investor survey](#) indicated that both domestic and international institutional investors have concerns about ESG information disclosure of China A-shares, especially the information related to ESG risks management, and 98% of respondents believe it is important to align with international frameworks and metrics.

² TCFD recommendations: <https://www.fsb-tcfid.org/recommendations/>

³ The SSE initiative is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG (environmental, social and corporate governance) issues and encourage sustainable investment. The SSE is organised by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Program Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI).