

written by: CHINA SIF SUSTAINABLE INVESTMENT FORUM
中国责任投资论坛



2024

中国责任投资年度报告

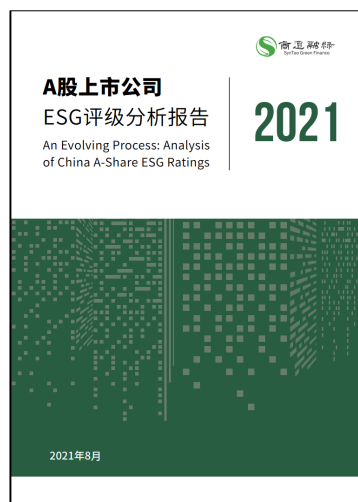
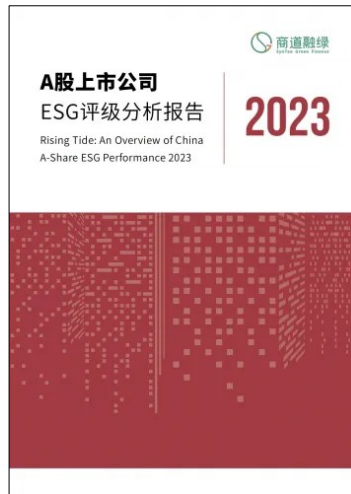
China Sustainable Investment Review

Summary

December 2024



“Analysis of China's A-Share ESG Ratings”
– A comprehensive multi-dimensional analysis of the overall ESG performance of A-share companies.



“China Sustainable Investment Review”
– A full-scale tracking of the development of China's sustainable investment market.



In 2024, the scale of China's sustainable investment market still maintains a high-speed growth trend, but the amount allocation of different asset class is still uneven. As of the third quarter of 2024, China's responsible investment market size totals 40.31 trillion yuan. Among them, the green credit balance is RMB 35.75 trillion, sustainable securities (including ESG mutual funds, sustainability themed bonds and sustainable wealth management products) is RMB 3.30 trillion, and sustainable equity investments is approximately RMB1.26 trillion.

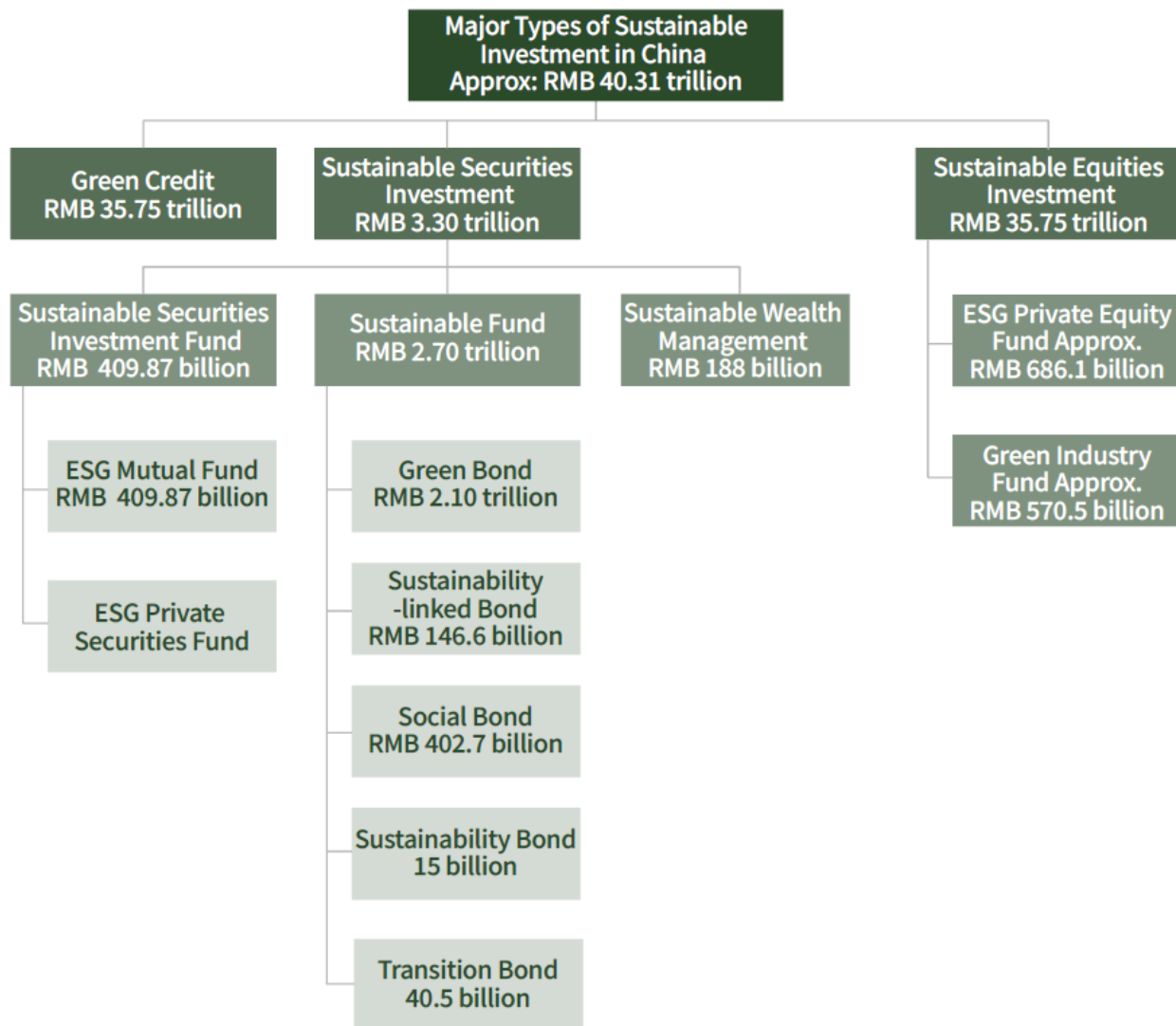
Market Size of China's Sustainable Investment Market (2020-2024)



Data compiled by China SIF, as of September 2024

As of Q3 2024, the breakdown of China's sustainable investment market includes:

- Green credit balance: RMB 35.75 trillion
- ESG mutual funds: RMB 409.87 billion
- Green bond: RMB 2.10 trillion
- Sustainability-linked bond : RMB 146.6 billion
- Social bond: RMB 402.7 billion
- Sustainability bond: RMB 15 billion
- Transition bond: RMB 40.5 billion
- Sustainable wealth management product: RMB 188 billion
- ESG private equity fund: approximately RMB 686.1 billion
- Green industry fund: approximately RMB 570.5 billion



Data Source: Compiled by SynTao Green Finance based on public information

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Global Trends



■ Total Sustainable Investment Assets Across Five Major Global Markets Reaching USD 30 Trillion

According to the Global Sustainable Investment Alliance (GSIA) ¹, as of early 2022, the total sustainable investment in five major developed markets² was approximately USD 30 trillion, a 14% decline compared to 2020, representing 24.4% of total asset management in these regions.

AUM Development of Sustainable Investment in the Five Major Global Markets

	2016	2018	2020	2022
Global AUM of Sustainable Investment (in trillion USD)	22,872	30,683	35,301	30,321
In Percentage of the Global AUM	27.9%	33.4%	35.9%	24.4%
Changes in the Proportion of Sustainable Investment		5.5%	2.5%	-11.5%

Data source: GSIA

¹ GSIA,2021 Global Sustainable Investment Review 2020.

² The five major markets include Europe, the United States, Japan, Canada and Australasia



■ Sustainable Fund Assets Surpass USD 3 Trillion

In the first three quarters of 2024, global sustainable funds saw accelerated net inflows, with: Q1 net inflows of USD 900 million; Q2 net inflows of USD 6.3 billion; Q3 net inflows of USD 10.4 billion; As of Q3 2024, the total global sustainable fund asset size reached USD 3.3 trillion, with Europe and the U.S. accounting for 84% and 11%, respectively.

Global Sustainable Fund AUM (in trillion USD)



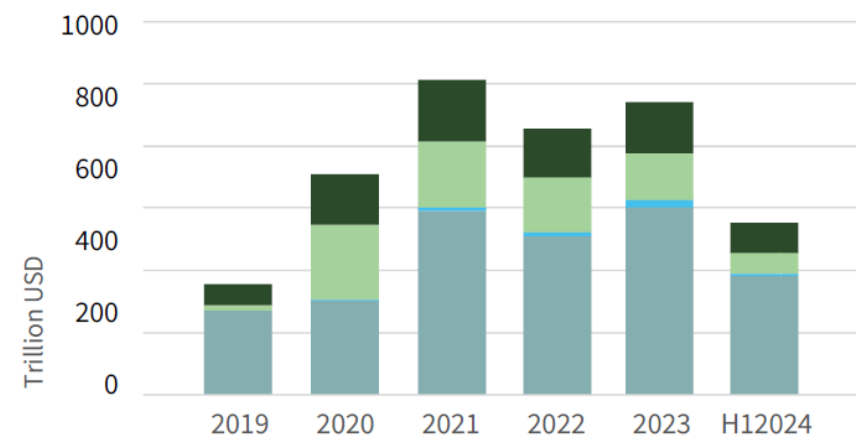
Data Source: Morningstar, data as of Q3, 2024

■ Total Green Bond Volume reaches USD 3.2 Trillion

Cumulative global green bond volume reaches USD 3.2 trillion by the first half of 2024. Green bond volume amounted to USD 385.1 billion, up 14% year-on-year. China ranked 4th globally in green bond issuance in the first half of 2024.

Volume of Global GSS+ Bonds (in Trillion USD)

■ Green Bond ■ Sustainability-linked Bonds ■ Social Bonds ■ Sustainability Bond



Data Source: Climate Bonds Initiative, data as of first half of 2024



- Signatories to the United Nations Principles for Responsible Banking (PRB) reaches 355, covering 54% of global banking assets

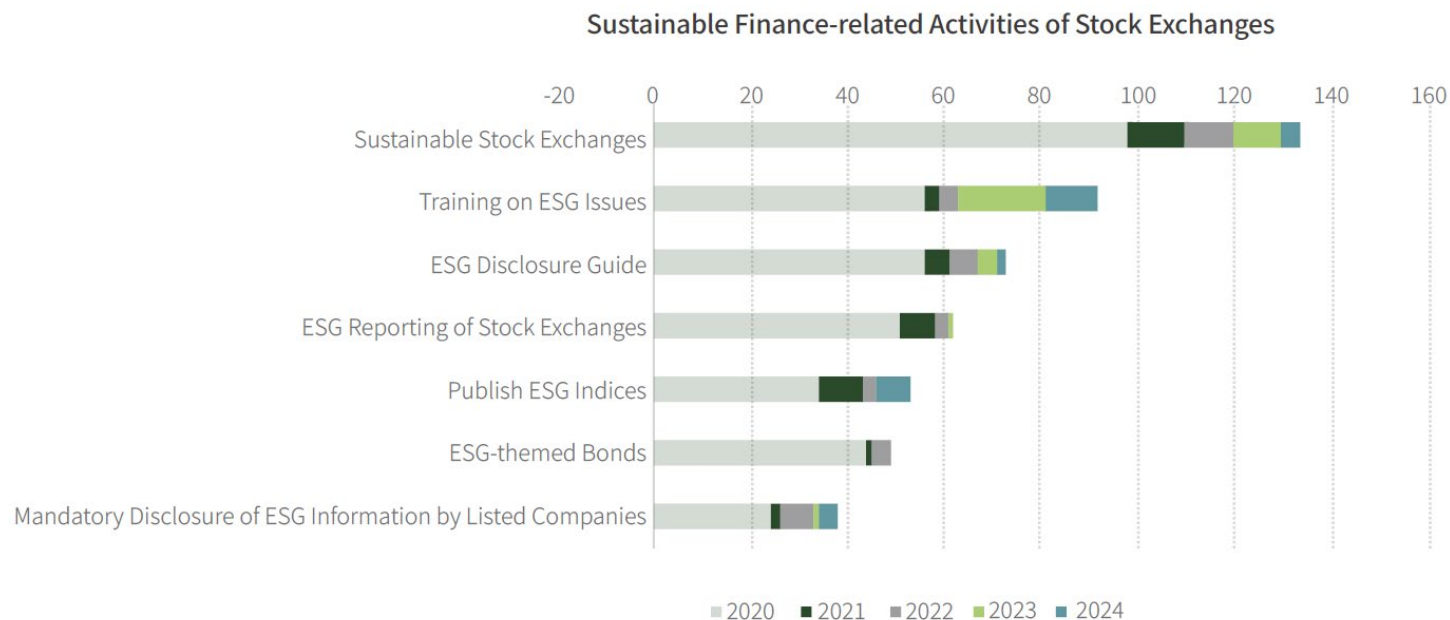
As of September 2024, the number of signatories to the UN Principles for Responsible Banking (PRB) has reached up to 355, marking a 9% year-on-year growth, with USD 98.7 trillion in total assets, covering 54% of global banking assets. The Chinese mainland, with 28 signatory banks has the largest number of PRB signatory banks in the world.



Data source: PRB, compiled by China SIF



- 134 Stock Exchanges have joined the UN Sustainable Stock Exchange (UN SSE), overseeing more than 64,400 listed companies with a total market value of nearly USD 125 trillion.
- Signatory exchanges continuously promote sustainable finance-related activities such as ESG-related trainings, ESG disclosures, ESG reporting of stock exchanges, launch ESG indexes and developing the ESG bond market. In the recent year, the ESG bond market, training on ESG issues and mandatory disclosure of ESG information by listed companies have developed rapidly. By the end of Sept. 2024, 92 stock exchanges have conducted training on ESG issues, 53 stock exchanges have launched an ESG bond market, and 38 stock exchanges are promoting mandatory disclosure of ESG information by listed companies.



Data source: SSE, compiled by China SIF

- Over 20 jurisdictions have integrated ISSB Standards into their regulatory frameworks

Over 20 jurisdictions have integrated ISSB Standards into their regulatory frameworks. These jurisdictions oversee nearly 55% of global GDP, covering more than 40% of global market capitalization (or 75% excluding the U.S.), and over half of global greenhouse gas emissions³.

Jurisdictions Supporting the ISSB Standards



● Adopted ● Plans to adopt ● Has related disclosure regulations

3 IFRS Foundation publishes "Guidance for Jurisdictions

Data Source: S&P Global

Source: CSDDD

- EU releases the Corporate Sustainability Due Diligence Directive (CSDDD) to strengthen “anti-greenwashing” regulation

The CSDDD aims to require EU companies and non-EU companies with significant operations in the EU to identify, avoid and mitigate negative impacts on people and environment across the entire value chain .

Scope of Application	
EU Companies	• More than 1000 employees in the last FY, and global net turnover of more than EUR 450 million; or • The company itself does not meet the threshold mentioned above, but its parent group has had more than 1000 employees in the last FY, and a global turnover of more than EUR 450 million, and the company is the ultimate parent company of the group.
	• The parent group of the company had net license fees exceeding EUR 22.5 million in the previous FY, and the company's global net turnover exceeded EUR 800 million; or • The company itself did not meet the above thresholds, but its parent group did, and the company is the ultimate parent company of the group.
Non-EU Companies	• The net turnover of last FY within EU borders exceeds EUR 450 million; or the company itself did not meet the threshold mentioned above but its parent company had a net turnover exceeding EUR 450 million within EU borders, and the company is the ultimate parent company of the group.
	• The parent group of the company had net license fees exceeding EUR 22.5 million in the previous FY, and the company's global net turnover exceeded EUR 800 million; or • The company itself did not meet the above thresholds, but its parent group did, and the company is the ultimate parent company of the group.

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Policy Progress



ESG Disclosure Makes a Strong Breakthrough

- The stock exchanges and China Association for Public Companies (CAPCO) have successively released their respective *Guidelines for Sustainability Reporting by Listed Companies* and *Guidelines for the Preparation of Sustainability (ESG) Reports by Listed Companies (Trial)*, which together constitute a complete set of ESG reporting toolkit for Chinese listed companies.
- The Ministry of Finance and eight other ministries and commissions jointly released the *Basic Standard for Corporate Sustainability Disclosure (Trial)*, which sets out general requirements for corporate sustainability information disclosure in China and marks an important step in constructing China's sustainability disclosure system.
- Hong Kong has announced a vision statement for the development of a sustainable disclosure ecosystem, which clearly states that the Hong Kong Institute of Certified Public Accountants (HKICPA) will be the formulator of the Hong Kong version of the standards. In December 2024, the HKICPA issued two standards, *Hong Kong Financial Reporting Standard S1 – General Requirements for Disclosure of Sustainability-related Financial Information (HKFRS S1)* and *Hong Kong Financial Reporting Standard S2 – Climate-related Disclosures (HKFRS S2)*, fully adopting the two ISSB standards.



Climate Transition Remains a Policy Priority

➤ Central Level

The Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC) adopted the "Decision of the CPC Central Committee on Further Deepening Overall Reform and Promoting Chinese-style Modernisation", which calls for significant efforts in the areas of technology finance, **green finance**, inclusive finance, pension finance and digital finance. Green finance are key areas that support the green transition of economic structure and high-quality development.

➤ Ministry Level

The *Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development* issued by seven ministries and commissions, including the People's Bank of China; and the *Opinions on Leveraging The Role of Green Finance to Serve The Construction of Beautiful China* issued by four departments, including the People's Bank of China, both of which propose optimising the green finance standard system and strengthening financial support for the real economy and low-carbon transition.

➤ China's Carbon Market Also Saw Policy Breakthroughs in 2024

First, the national greenhouse gas voluntary emission reduction trading market was relaunched in January, and the first batch of China Certified Emission Reduction (CCER) projects were officially listed on the website in September. Second, the national carbon emission trading system officially started its expansion work in September, and released a work plan (draft for comment) for the inclusion of the cement, iron and steel, and electrolytic aluminum industries, clearly specifying 2024 as the first year of inclusion for these three industries, and the first compliance period ends by the end of 2025.



Trade Compliance Drives Local ESG Development

- SASAC's *Guiding Opinions on Central Enterprises in the New Era to Fulfill Social Responsibilities with High Standards* puts forward the requirements of strengthening ESG disclosure and improving ESG governance and performance, with one of the starting points being the sustainable enhancement of competitiveness in the international market.
- The Ministry of Finance's *Corporate Sustainability Disclosure Standards - Basic Standards* states that promoting sustainability disclosure is "an effective way to better participate in global economic, trade and investment activities, enhance international competitiveness and promote high-quality development".
- Shanghai, Beijing, Suzhou and other municipal governments have issued ESG policies.
Many local governments, including Shanghai, Beijing and Suzhou, have issued ESG policies to promote the upgrading of ESG capabilities and performance of export-oriented enterprises, and have launched supporting policies, which has led to a new trend of emphasizing effective ESG practices.

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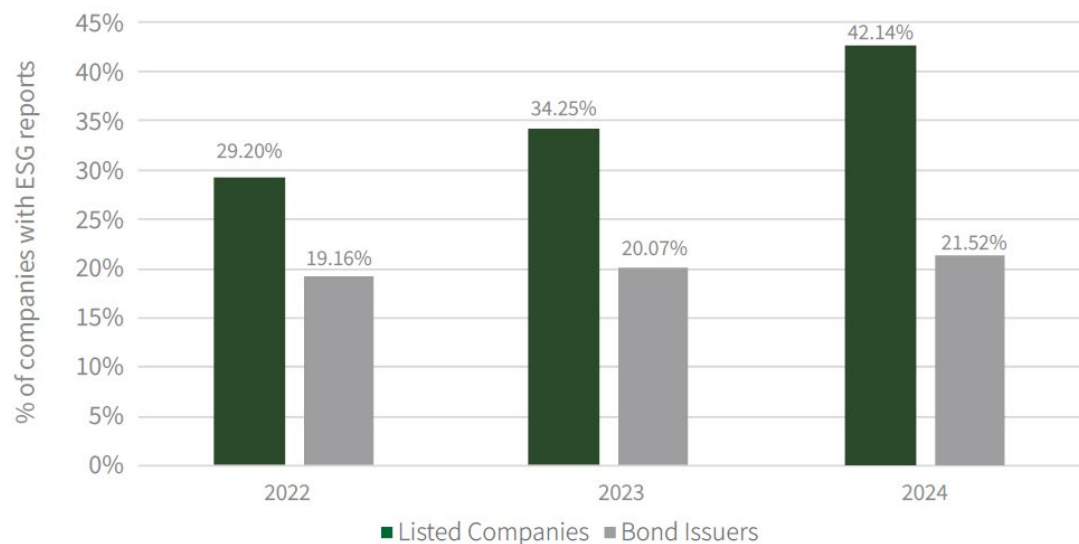
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Market Practices

Over 40% of Listed Companies Publish ESG Reports

As of 30 September 2024, a total of 2,645 Chinese A-share listed companies and bond issuers issued ESG reports, an increase of 21.4% from 2023, with the proportion of ESG report disclosure and growth rate of listed companies significantly higher than that of bond issuers. **In 2024, a total of 42.14% of listed companies publicly disclosed ESG reports**, an increase of 7.89% from 2023, while only 21.52% of bond issuers disclosed ESG-related reports, an increase of 1.45% from the previous year.

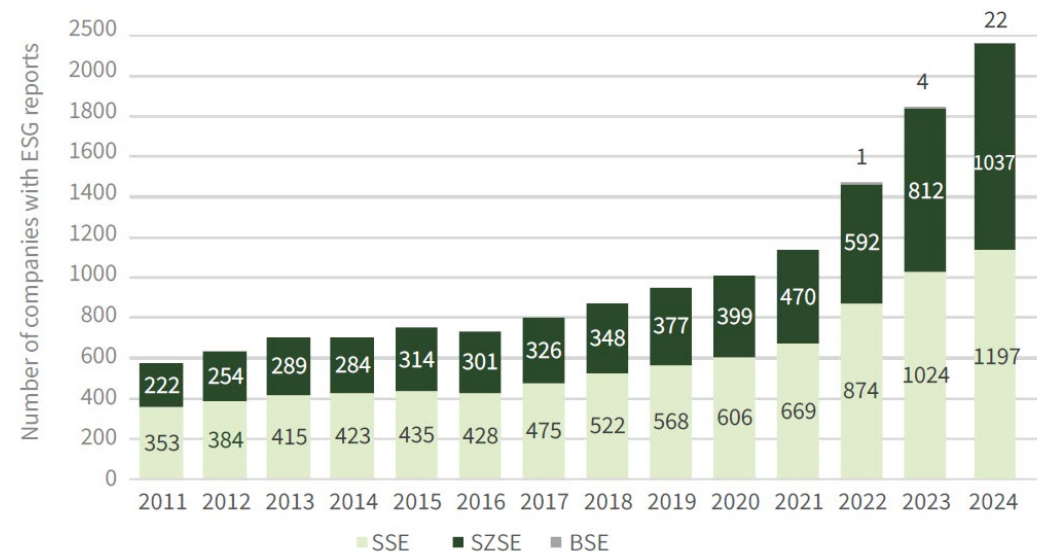
Numbers of ESG Reports by Listed Companies and Bond Issuers (2022-2024)



Data Source: SynTao Green Finance, as of Sept. 30, 2024

2024 A total of 2,256 listed companies published ESG reports for FY2023, including 1,197 SSE companies, 1,037 SZSE companies and 22 BSE companies, as well as 150 A+H share companies. **Overall, the year-on-year increase in the number and growth rate of listed companies disclosing ESG-related reports in 2024 has made a significant breakthrough over the past 12 years.** Under the guidance of the policy, the ESG report disclosure rate of the A-share market is expected to exceed 50% in a short period of time.

Numbers of ESG Reports by Listed Companies (2011-2024)

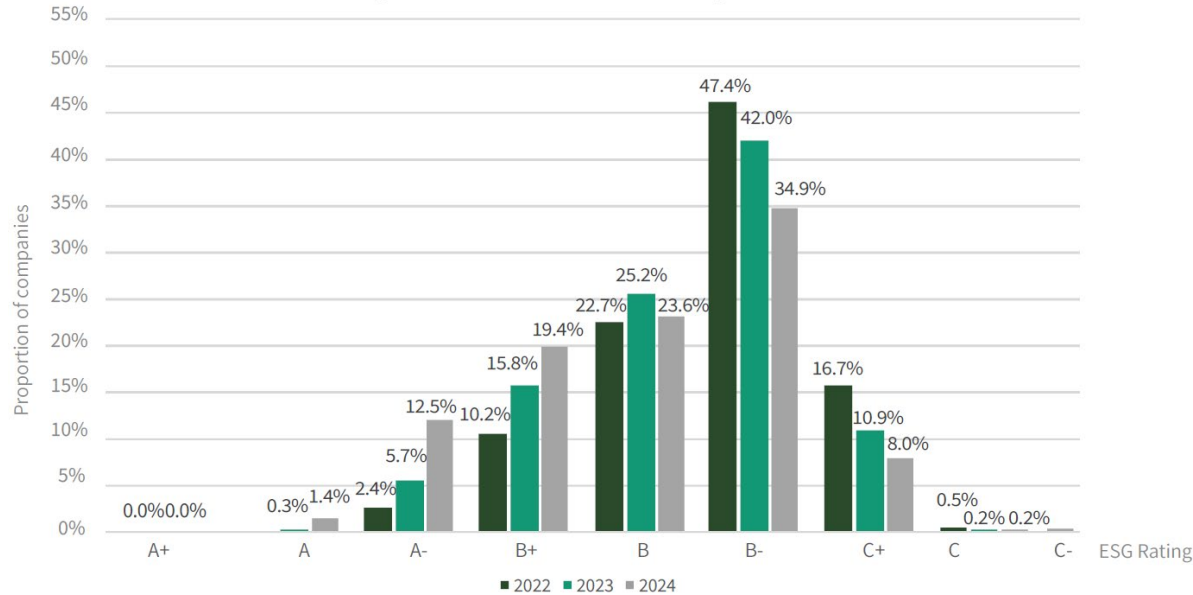


Data Source: SynTao Green Finance, as of Sept. 30, 2024

Overall ESG Performance of Listed Companies Improving Rapidly, Number of Companies with Higher Ratings Doubling Year-on-Year

In 2024, more than 90% of listed companies received a B- rating or above, with only a few lagger companies and a decrease in the number compared to previous years. Most companies received a B- rating, suggesting that the majority of listed companies is still in the lower medium range regarding their ESG performance. In recent three years, the number of companies with higher ratings (A- and above) doubles year-on-year. Leading listed companies focus more on ESG development.

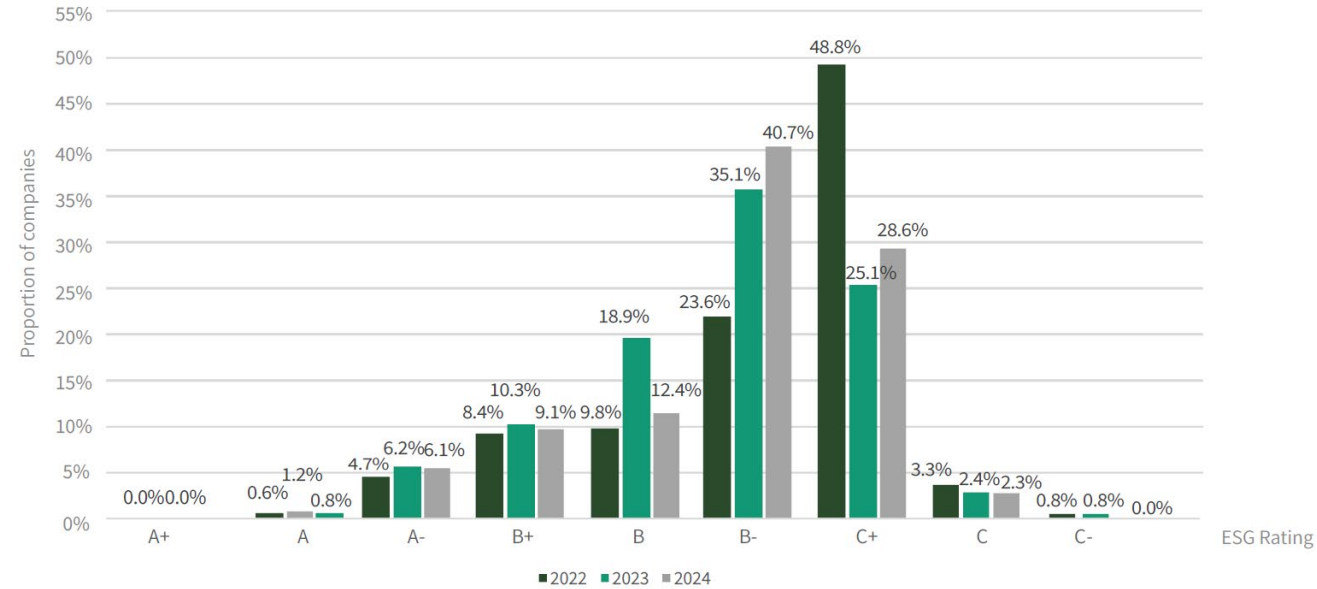
ESG Rating Distribution of A-share Listed Companies (2022-2024)



Data Source: SynTao Green Finance Star ESG Data Platform

Among bond issuers, only 70% of the companies received B- and above ratings, about 30% of the companies' ratings are distributed in the C grade (C+, C and C-), and bond issuers still show higher ESG risks, and only 6.8% of the companies received A- and above ratings, which indicates that there are still fewer companies that have made substantial progress in ESG practice.

ESG Rating Distribution Bond Issuers (2022-2024)

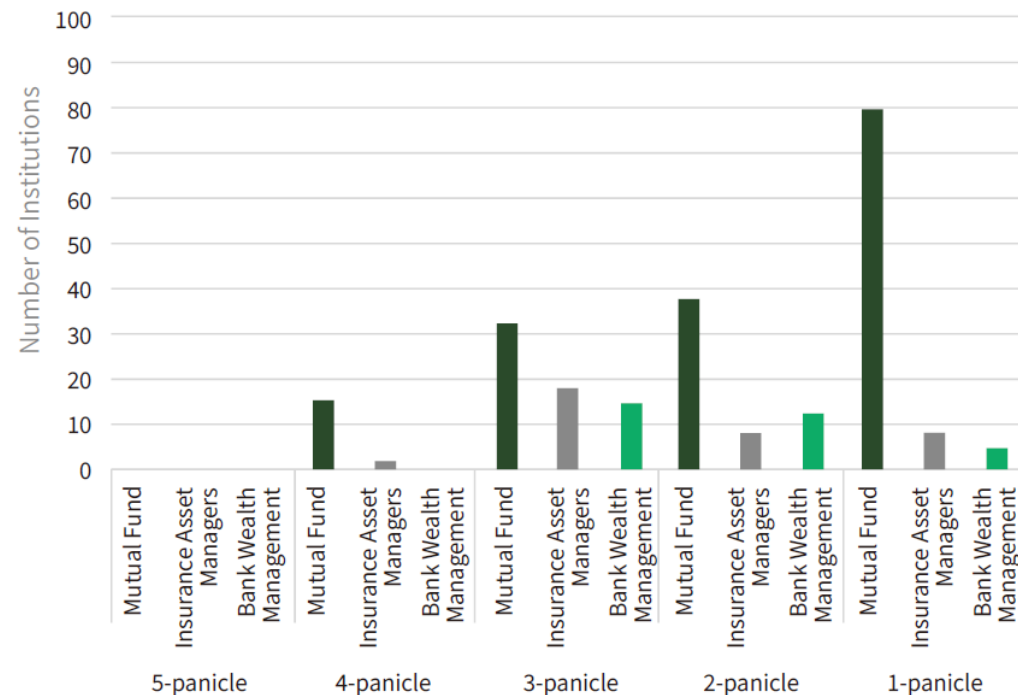


Data Source: SynTao Green Finance Star ESG Data Platform

■ Sustainable Investment by Mutual Funds Continues to Progress, Surpassing Insurance Asset Managers and Bank Wealth Management

According to RICE statistics, as of November 2024, among the 163 mutual fund, there are a total of 15 four-panicle companies, 33 three-panicle companies, 36 two-panicle companies and 79 one-panicle companies. Compared with last year, there were six more four-panicle companies and four more three-panicle companies. Compared with previous years' scores, public funds continue to progress in all assessment dimensions, ahead of insurance asset managers and asset management subsidiaries.

Development Level of Sustainable Investment of Mutual Funds, Insurance Asset Managers and Bank Wealth Management (2024)



Data source: SynTao Green Finance Responsible Investment Capacity Evaluation (RICE) Platform

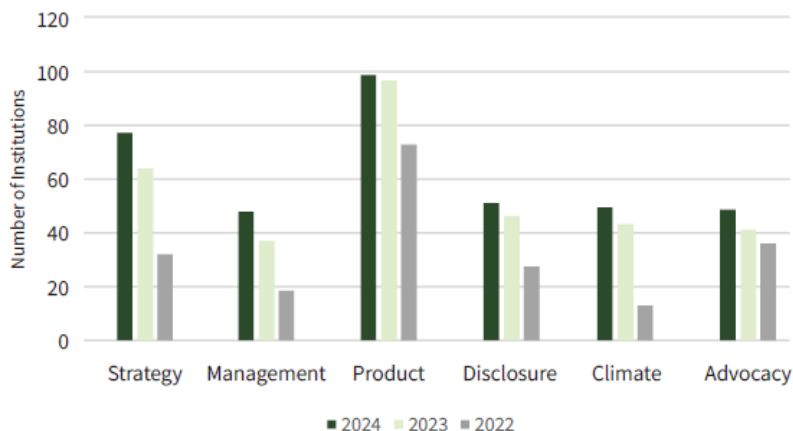
■ Mutual Funds and Insurance Asset Managers Improving Faster in Sustainable Investment Strategies and Management

The overall performance of mutual funds has continued to improve across all dimensions of the assessment, and has consistently outperformed insurance asset managers and bank wealth management, but there are still no five-spike companies.

The overall level of sustainable investment practices in the insurance asset management industry is still lower than that of mutual funds. Although the ESG approach is consistent with the long-term value investment philosophy of insurance funds, insurance asset managers mainly manage their own group's insurance assets and are less influenced by the needs of asset.

The overall level of sustainable investment practices by bank wealth management is still in its infancy, lagging behind mutual funds and the insurance asset managers. Compared to the last two years, when many of the scores of bank wealth management were derived from the ESG practices of their parent banks, this year more bank wealth management have disclosed their own ESG practices.

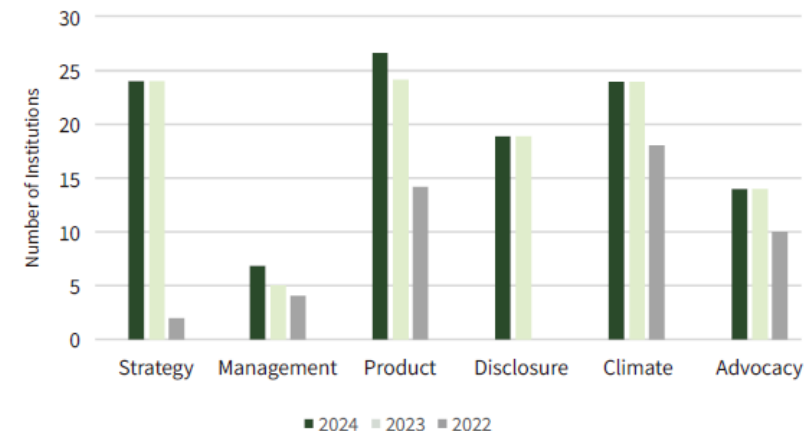
Profile of Mutual Funds with ESG Investment Practices



Profile of Insurance Asset Managers with ESG Investment Practices



Profile of Bank Wealth Management Subsidiaries with ESG Investment Practices



Data source: SynTao Green Finance Responsible Investment Capacity Evaluation (RICE) Platform

Data source: SynTao Green Finance Responsible Investment Capacity Evaluation (RICE) Platform

Data source: SynTao Green Finance Responsible Investment Capacity Evaluation (RICE) Platform

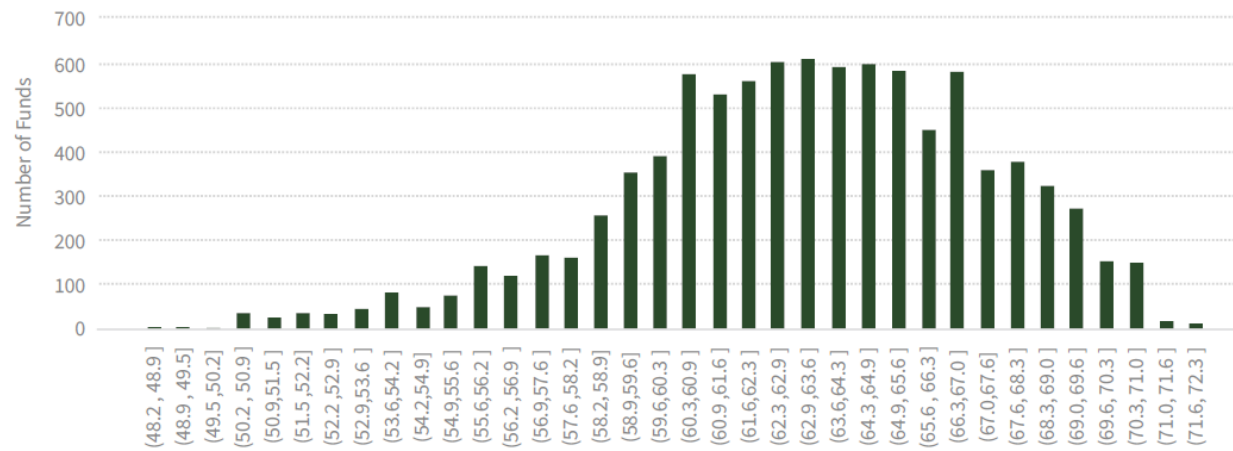


- As the ESG performance of listed companies rapidly improves, the overall ESG ratings of mutual funds continue to rise

This research has collected complete equity holdings and partial bond holdings from the semi-annual and annual reports of equity funds, hybrid funds, and bond funds listed before January 1, 2024. Actively managed funds must have been listed for at least six months to be included in the ESG rating calculation. The ESG ratings of funds cover a period of 4.5 years, from 2020 to 2024, specifically including Q2 2020, Q4 2020, Q2 2021, Q4 2021, Q2 2022, Q4 2022, and Q2 2023.

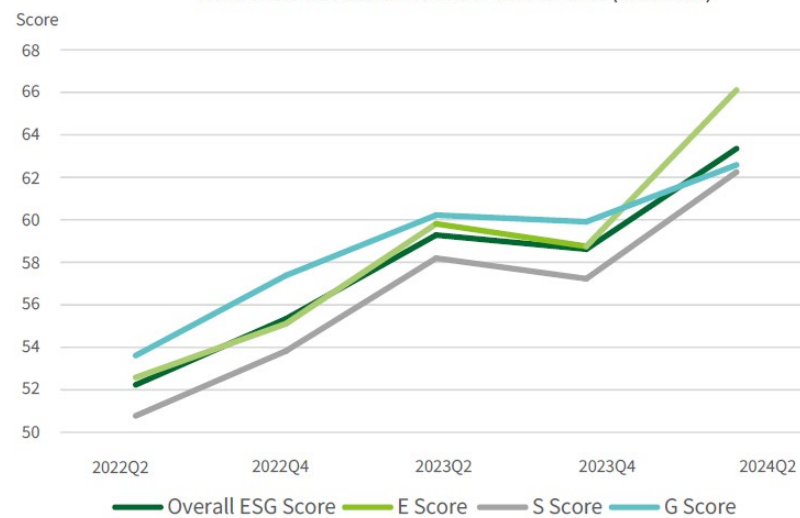
Most funds have an overall ESG score concentrated between 56 and 58. Analyzing the median ESG scores over five semi-annual periods from 2020 to 2024, the results indicate a steady upward trend in fund ESG ratings.

Distribution of Overall ESG Scores Based on the 2024 Semi-Annual Report of Mutual Funds



Data source: SynTao Green Finance

Trend of the ESG Score Medians of Mutual Funds (2022-2024)



Data source: SynTao Green Finance

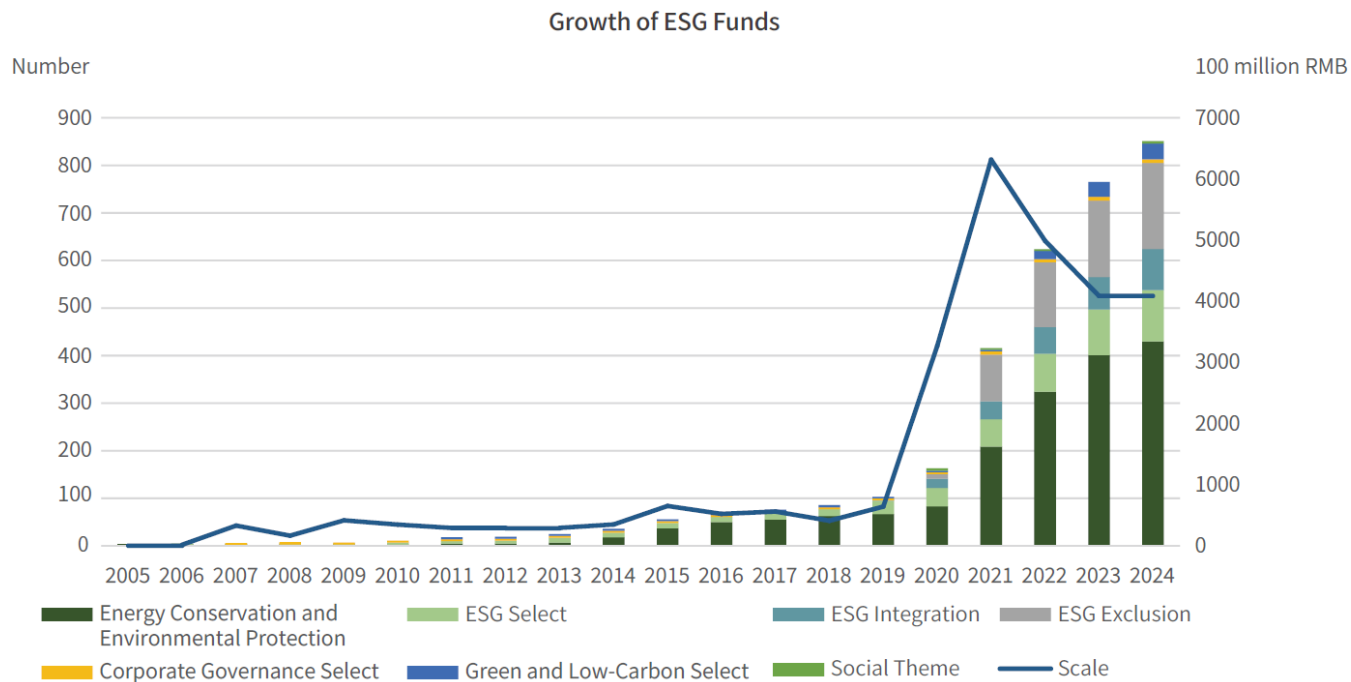
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Market Dynamics

As of end of Sept. 2024, a total of 100 fund companies had launched 848 ESG mutual funds (counting A/B/C/H share classes separately). Among them are 50 bond funds, 315 equity funds, 432 hybrid funds, 38 fund of funds (FOF), and 13 international (QDII) funds. The total AUM reached RMB 409.87 billion.

Among the 848 ESG mutual funds, there are 108 applied an ESG best-in-class approach, 8 used the Corporate Governance Select Strategy, 33 used the Green and Low Carbon Select Strategy, 86 used the ESG Integration Strategy, 2 applied the Social Select Strategy, 181 applied the ESG Exclusion Strategy to exclude stocks with significant ESG deficiencies and 430 funds primarily selected constituents based on their alignment with energy-saving and environmental protection sectors as defined by the fund.



Data source: Wind Terminal, compiled by China SIF

By the end of September 2024, ESG mutual funds accounted for 7.9% of all funds in the market, up 3.3% from last year.

Number and AUM of ESG Funds

Types	2022/12/31		2023/12/31		2024/9/30	
	Quantity	Scale of AUM (in RMB 100 million)	Quantity	Scale of AUM (in RMB 100 million)	Quantity	Scale of AUM (in RMB 100 million)
ESG Equity Funds	244	2054.79	300	1732.18	325	1570.54
ESG Hybrid Funds	347	2735.85	407	2064.07	436	1964.58
ESG Bond Funds	18	106.55	31	219.45	52	458.60
ESG QDII Funds	5	1.96	11	3.35	13	9.12
All Equity Funds	1992.00	24782.42	2274	26,485.14	2531	42,703.6
All Hybrid Funds	4595.00	49972.86	4942	36,503.68	5082	37,465.16
All Bond Funds	2095.00	42730.86	2306	47,680.04	2544	65,933.67
All QDII Funds	222	3267.81	281	5,220.36	305	5,944.57
ESG funds as a percentage of the market	6.90%	4.06%	7.64%	3.47%	7.90%	2.63%

Data source:AMAC,statistics compiled by China SIF.

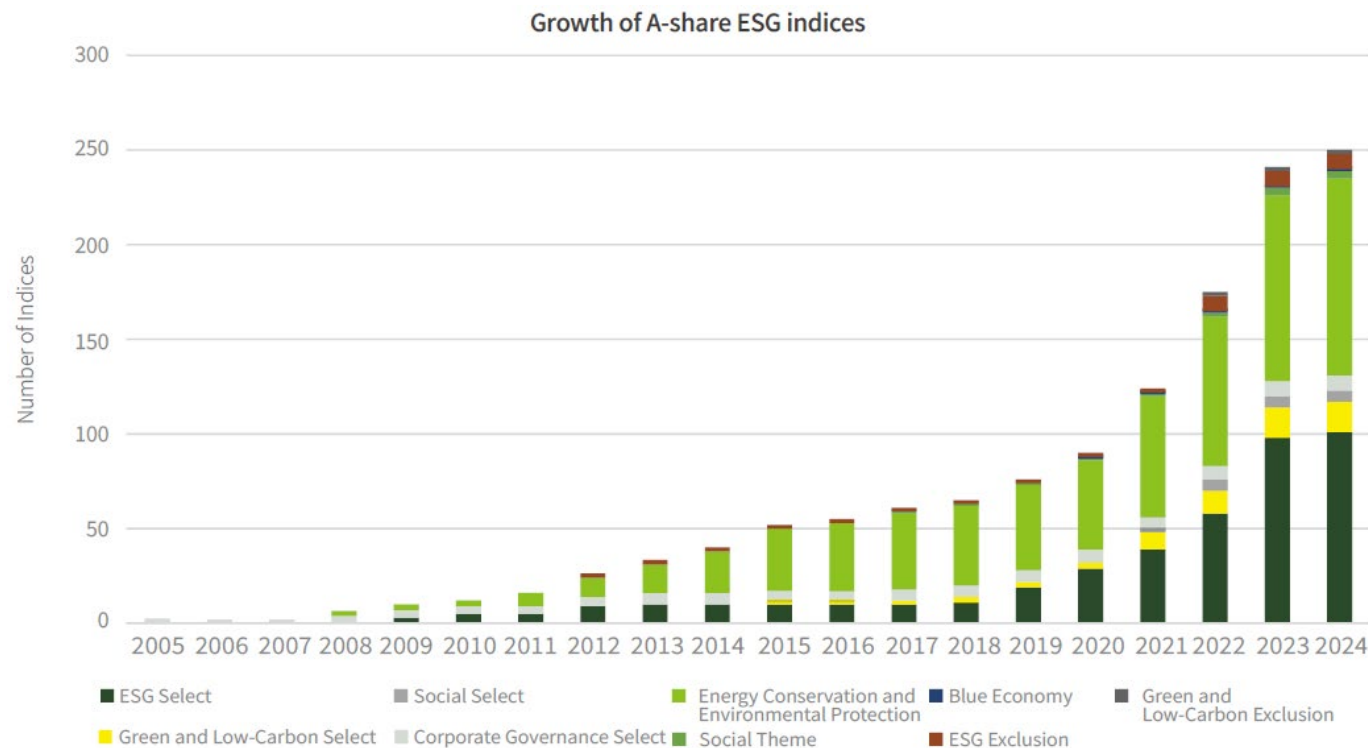
- ESG funds' total ESG score is generally higher than all funds
- Higher environmental and social scores of ESG funds
- ESG exclusion funds have better ESG performance than ESG select category and ESG themed category

ESG Funds' ESG Scores

Fund Type Score Type	All Funds		All ESG Funds		ESG Select Category		ESG Exclusion Category		ESG Theme Category	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
ESG Total Score	58.88	63.35	63.24	63.36	63.25	63.37	64.43	64.25	63.24	63.36
E Score	59.29	66.11	65.95	66.14	65.97	66.14	67.77	67.25	65.95	66.14
S Score	57.42	62.25	61.97	62.27	61.98	62.27	63.15	63.02	61.97	62.27
G Score	60.20	62.58	62.67	62.60	62.67	62.60	63.44	63.21	62.67	62.60
ESG Management Score	40.63	48.37	48.17	48.42	48.19	48.42	50.37	49.94	48.17	48.42
ESG Risk Score	86.25	86.16	85.84	86.14	85.83	86.13	85.51	85.78	85.84	86.14

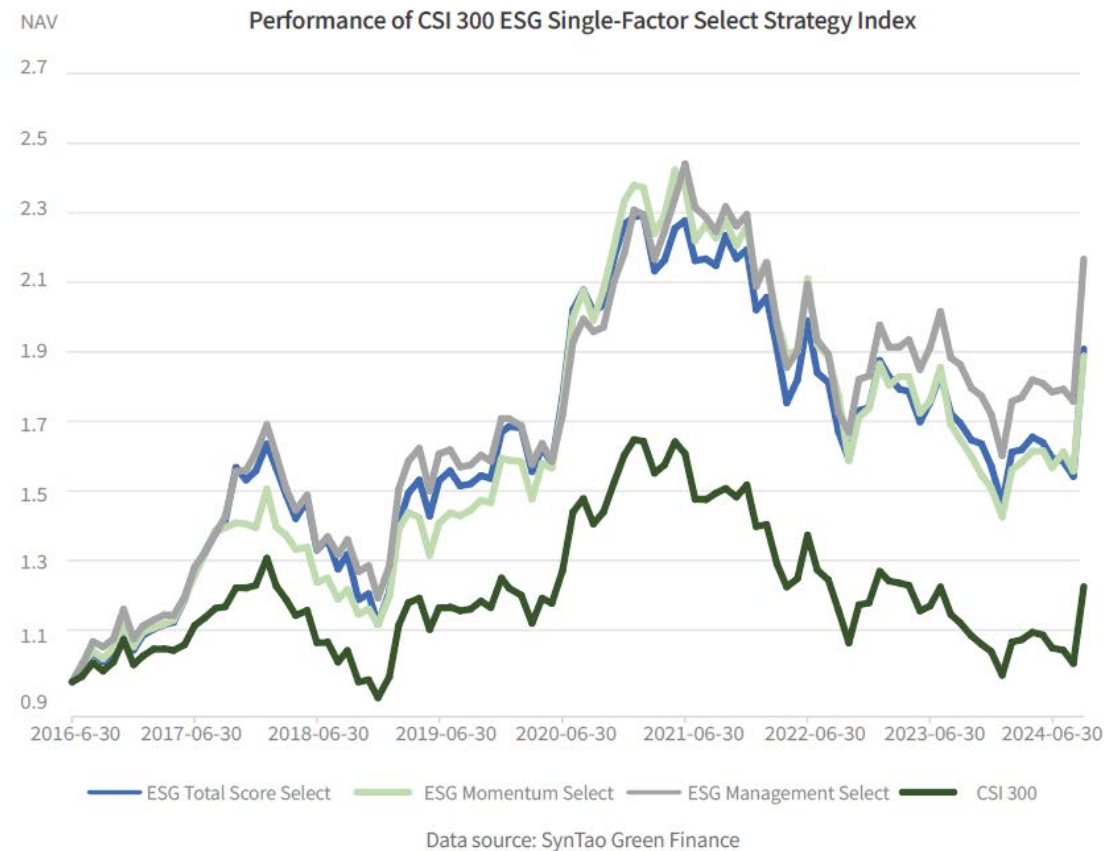
Data source: SynTao Green Finance

As of the end of September 2024, major domestic index companies have released a total of 250 stock indices involving constituent stocks screened by environmental (E), social (S), or corporate governance (G) factors. Among them, 101 are ESG Select indices, 8 are Corporate Governance Select indices, 16 are Green and Low-Carbon Select indices, and 6 are Social Select indices; 40 of those have Energy Conservation and Environmental Protection themes, one with Blue Economy Theme, and 4 with Social Development Theme; 8 are ESG Exclusion indices, and 2 are Green and Low-Carbon Exclusion indices.

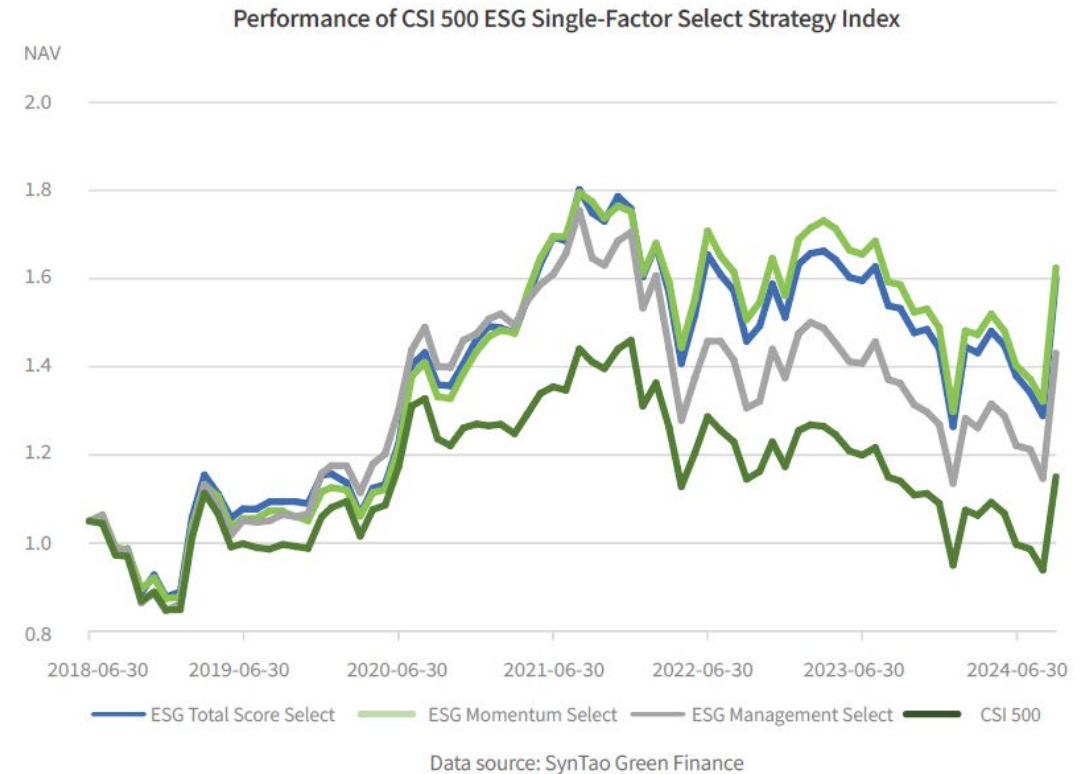


Data source: Wind Terminal, compiled by China SIF

From July 2016 to September 2024 the annualised excess return of the ESG Total Score Select Strategy relative to the benchmark index was 5.54%, the annualised excess return of the ESG Momentum Select Strategy was 5.45%, and the annualised excess return of the ESG Mngt Select Strategy was 7.26%. In comparison to the benchmark index's Sharpe ratio of 0.14, the ESG Total Score Select Strategy, ESG Momentum Select Strategy, and ESG Mngt Select Strategy increased the Sharpe ratio to 0.41、0.43 and 0.52 respectively.



From July 2018 to September 2024, the annualised excess return of the ESG Total Score Select Strategy relative to the benchmark index was 5.39%, the annualised excess return of the ESG Management Select Strategy was 5.54%, and the annualised excess return of the ESG Risk Select Strategy was 3.47%. In comparison to the benchmark index's Sharpe ratio of 0.09, the ESG Total Score Select Strategy, ESG Management Select Strategy, and ESG Risk Select Strategy increased the Sharpe ratio to 0.33, 0.36, and 0.24, respectively.





The market for sustainable wealth management products has boomed since the debut of ESG products in the wealth management market in 2019. According to the Banking Wealth Management Registration and Custody Center, in the first half of 2024, 77 ESG thematic wealth management products were issued, raising over RMB 36 billion, accounting for 0.5% of the newly issued products. **As of the end of June 2024, the outstanding ESG wealth management products amounted to RMB 188 billion, up 18.54% year-on-year, accounting for 0.66% of all financial products in existence.**

At present, most of the wealth management products on the market focus on investing in green projects or rural revitalisation, livelihood, and industries involving agriculture, rural areas, and farmers. ESG wealth management products primarily invest in green bonds, green asset-backed securities, and other products with green labels. According to the Banking Wealth Management Registration and Custody Center, as of the end of June 2024, the AUM of wealth management products investing in green bonds is over RMB 270 billion. **It can be seen that although individual investors have already recognised the ESG investment concept, incorporating ESG in wealth management products is still in its infancy, with a small market share. Systematic ESG methodology has not yet been widely adopted.**



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