PRI PRINCIPLES FOR RESPONSIBLE INVESTMENT

INVESTOR DISCLOSURE AND THE NEXT PHASE OF RESPONSIBLE INVESTMENT IN CHINA

Policy briefing

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About the PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of sustainability and governance-related issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating sustainability and governance-related issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. For more information, visit www.unpri.org.

About this briefing

This briefing presents investor perspectives on investor sustainability disclosure requirements in China and identifies potential policy reforms to enhance transparency and accountability for responsible investors. It is intended for Chinese policymakers, PRI signatories, and global investors interested in China's policy developments. In addition to desktop analysis, this briefing is informed by interviews with global and local investors on their interaction with investor sustainability disclosure requirements and frameworks, and aims to identify the barriers and opportunities that policy can address.

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To inform this paper, the following group has been consulted: China Regional Policy Reference Group

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

Executive summary

Purpose of this briefing

China has made significant progress in corporate sustainability disclosure and green finance. However, a critical gap remains: there is currently no regulatory framework defining ESG fund products or governing how investors disclose their approach to sustainability. This briefing examines this gap, synthesises investor insights, and draws on international experience to inform policy development.

Key findings

1. Product-level disclosure is the critical missing piece. While baseline entity-level disclosure requirements exist across PBOC, NFRA and CSRC frameworks, product-level rules remain entirely absent. This absence has led to severe market fragmentation.

2. The definitional vacuum has tangible consequences. With no common definition of "ESG fund", estimates of market size range from RMB 216 billion to RMB 534.5 billion.

3. Investors face three core design tensions. Any future framework must balance: (a) standardisation with flexibility; (b) reliable benchmarks with tailored indices; and (c) domestic priorities with global alignment.

4. Global experience offers useful lessons. Analysis of 169 frameworks and eight Asia-Pacific jurisdictions shows that layered frameworks can balance competing objectives, asset allocation thresholds ensure strategy substance, and international alignment arrangements reduce cross-border friction.

Policy considerations

- **Policy consideration 1: Investor protection is the natural starting point.** For Chinese regulators, investor protection and market integrity are the most immediate and compelling objectives.
- **Policy consideration 2: Prioritise a product-level framework defining ESG and sustainability funds**, establishing minimum disclosure requirements, and enabling informed investment decisions. This is the most urgent and feasible step.
- **Policy consideration 3: Adopt a layered approach** with baseline requirements for all funds and adoption-contingent requirements for those making specific sustainability claims. This balances comparability with room for innovation.
- **Policy consideration 4: Asset allocation thresholds ensure strategy substance.** The core principle for Chinese regulators is ensuring that funds claiming ESG focus actually reflect that focus in their portfolios.
- **Policy consideration 5: Address infrastructure gaps** including: rules for benchmarks and index providers; extending the green taxonomy to cover securities investment funds; and transparency-based standards for proprietary datasets.
- **Policy consideration 6: Ensure alignment with global standards** to reduce cross-border friction and enable Chinese funds to compete internationally.
- **Policy consideration 7: Industry associations can play a complementary role.** Industry associations such as AMAC and BIAMAC are well positioned to develop implementing guidance that aligns with eventual regulatory frameworks while providing flexibility to adapt to local market needs.

The PRI is prepared to share its global research, investor feedback, and practical experience to support Chinese regulators in designing an investor disclosure framework that protects investors, enables innovation, and positions Chinese funds to compete globally.

Setting the scene: why investor sustainability disclosure increasingly matters in China

China's policy context

Responsible investment has become a national priority in China, with green finance positioned as a key pillar of the financial sector reform outlined in the "Five Major Areas"[1]. The People's Bank of China (PBOC), the China Securities Regulatory Commission (CSRC), and the National Financial Regulatory Administration (NFRA) have each taken steps to promote green finance and sustainable investment. The Ministry of Finance (MOF) has issued Corporate Sustainability Disclosure Standards, expanding standardised reporting across entities. These policy efforts reflect a clear direction: integrating sustainability into China's financial system.

The problem: a definitional vacuum

However, a critical gap remains. While China has made progress in requiring corporates to disclose sustainability information, **there is currently no regulatory framework defining what constitutes an ESG or sustainable fund product, nor rules governing how investors should disclose their approach to sustainability.**

This gap has become increasingly visible as the ESG mutual fund market has grown to RMB 534.46 billion in AUM, accounting for up to 2.84% of all funds in the market[2]. Without clear definitions, market data providers and research reports identify ESG products using proxy indicators, primarily fund names and strategy descriptions in public documents. This produces materially different views of the market. Table 1 below illustrates the scale of this fragmentation.

Table 1: Divergent estimates of China's ESG fund market (2025)[3,4]

Source	ESG fund numbers	Total ESG product AUM
China Sustainable Investment Review	1003	534.5 billion
CAPCO	286	268.2 billion
Caixin	315	216 billion
Sino Securities Index	372	301.4 billion

As Table 1 indicates, estimates of the number of ESG mutual funds in China range from 286 to 1003, and estimates of total AUM range from RMB 216 billion to RMB 534.5 billion-a difference of more than RMB 300 billion depending on the source.

[1] Five major areas, China's state council issues guidelines on advancing key areas in financial sector, 2025

[2] China Sustainable Investment Forum (2025) China Sustainable Investment Review 2025

[3] China Sustainable Investment Review 2025, ChinaSIF, China Sustainable Investment Review 2025,Sustainable Investment Review

[4] China ESG Development Report (2025), Sino-Securities Index Information Service, https://chindices.com/attach/2025%E5%B9%B4%E4%B8%AD%E5%9B%BDESG%E5%9F%BA%E9%87%91%E5%8F%91%E5%B1%95%E6%8A%A5%E5%91%8A.pdf

The consequences: four dimensions of impact

This fragmentation is not merely a statistical curiosity. It reflects a market where "ESG fund" has no shared meaning, with tangible consequences across four dimensions:

- **For investors:** difficulty in product issuance and marketing; lack of clear rules on what they can claim.
- **For consumers:** inability to distinguish genuine ESG products from marketing claims; confusion about investment choices; weakened ability to make informed decisions.
- **For regulators:** obscured view of the true size and nature of the market they oversee; limited ability to monitor ESG-related products and take action where needed.
- **For the market:** conditions conducive to greenwashing; fund names may function as marketing tools rather than reliable signals of investment strategy; weakened market integrity and investor trust.

All sources indicate significant growth since 2018, showing that the market is expanding quickly. However, research indicates only about one-third of funds named ESG/environmentally friendly/sustainable/low-carbon/carbon neutrality invest in those themes, and many RI-themed funds still hold significant positions in high-carbon emissions equities[5].

Why investor disclosure regulations matter

As standardised corporate sustainability reporting expands, investors will be both primary users and essential contributors to sustainability information flows. They will need to integrate this information into investment analysis and stewardship, communicate clearly to asset owner and retail clients how it informs decisions, and disclose their own policies and practices. This positions investors as a central link between corporate reporting and market outcomes.

Without a coherent investor disclosure framework, the effectiveness of China's corporate reporting reforms is undermined. To enable this shift, regulators are well placed to strengthen investor disclosure frameworks so that disclosure is consistent, comparable, and decision-useful.

The fragmentation documented here is not an isolated data problem. It is the visible symptom of a policy gap that this briefing seeks to address.

This briefing adapts PRI's global research on this topic to the Chinese context and examines the current investor disclosure landscape in China. It also draws on a detailed comparative analysis of ESG fund regulations across eight Asia-Pacific jurisdictions, including Hong Kong SAR, Singapore, Malaysia, Thailand, India, Japan, the Republic of Korea, and the ASEAN regional standard. We also complement the desktop analysis with feedback from our signatories on how they engage in sustainability disclosure practice. We conclude by providing considerations for further policy development to strengthen the role that investor sustainability disclosure can play in the growth and mainstreaming of responsible investment in China.

[5] Report on the Climate Performance of Chinese Asset Management Institutions, Greenpeace and All China Environment Federation (2022), Green Peace, https://www.greenpeace.org.cn/2022/08/02/climate-investment/

Investor sustainability disclosure in China: state of play

The frameworks covered below primarily govern corporate disclosure or financial supervision. However, as a whole, they do not yet systematically address how investors should interpret and communicate sustainability information when making investment decisions.

Summary of existing frameworks

Table 2 summarises the key investor disclosure-related frameworks across China's three financial regulators and their associated industry associations:

Table 2: Existing investor disclosure frameworks in China

Regulator	Framework	Coverage
PBOC	Guidelines for Financial Institutions' Environmental Information Disclosure (2021); Technical Guidelines for Carbon Accounting by Financial Institutions (Trial Implementation) (2021); Pilot Statistical System for the "Five Key Areas" of Finance (Trial Implementation) (2025)	Banks, asset managers, insurers, securities firms
NFRA	Green Finance Guidelines for Insurance and Banking Sectors (2022); Interim Measures for Supervision and Rating of Insurance Asset Management Companies (2021); Implementation Plan for the High-Quality Development of Green Finance in the Banking and Insurance Industries (2025)	Banking and insurance institutions
CSRC	Opinions on Accelerating High-quality Development of Mutual Fund Industry (2025)	Strengthening the registration and supervision process of thematic funds to prevent deviation from their stated investment themes, addressing potential greenwashing risks
Asset Management Association of China (AMAC, under CSRC)	Green Investment Guidelines (2018); Rules for Participation of Fund Manager in Governance of Listed Companies (2025)	Mutual fund companies
Banking and Insurance Asset Management Association of China (BIAMAC, under NFRA)	Stewardship consultation (draft, not yet published)	Insurance asset management sector

Key observations

Entity-level disclosure has received some attention, but remains fragmented. Existing frameworks cover banking, insurance, and mutual fund sectors, but they are non-binding, high-level without specific indicators, or limited in scope. No mandatory, standardised framework applies consistently across all investor types.

Product-level disclosure is unaddressed. None of the three regulators has issued rules defining ESG or sustainability funds, nor requirements for how such funds should be labelled, named, or disclosed. This gap lies at the heart of the market fragmentation documented in Table 1.

A circular dynamic may be emerging in insurance asset management sector. NFRA guidelines set expectations for internal controls and green finance mechanisms, but provide no specific disclosure indicators. Regulators appear to await market practice, while market participants wait for regulatory clarity.

Infrastructure gaps persist. Beyond fund-level rules, China lacks:

- Clear regulations for sustainability-focused benchmarks or index providers
- A taxonomy for securities investment funds (the Green Finance Endorsed Project Catalogue explicitly excludes the securities sector
- A coherent framework for proprietary datasets, which currently face extra scrutiny and longer approval time

The risk of an unbalanced system

As corporate sustainability reporting develops, the absence of comparable investor disclosure limits the ability of markets to translate reported corporate information into investment outcomes. Without a coordinated framework that applies consistently across all investor types—banks, insurers, and asset managers—China risks creating an unbalanced system where corporate disclosure outpaces the capacity of investors to use and communicate that information effectively.

Investor sustainability disclosure in practice: how are investors responding to these policy frameworks?

The PRI conducted a series of interviews with global and local signatories to gather their feedback and views on investor sustainability disclosure frameworks in China. These interviews engaged asset owners and investment managers operating in the Chinese market, revealing distinct perspectives across different levels of disclosure[6]. The PRI gratefully acknowledges Allianz Global Investors, China Pacific Insurance Group (CPIC), Fidelity International, Harvest Fund, Schroders, and Neuberger Berman for participating in the interviews that informed this briefing. Their insights have been invaluable in shaping the analysis and findings presented here.

Feedback on entity-level investor disclosure

Gaps to entity-level framework
Across interviews, the prevailing view was that cross-market entity-level disclosure is premature. The fundamental constraint is that corporate sustainability reporting is still evolving. Current stock exchange requirements cover only large, listed companies, leaving significant gaps in portfolio coverage. The bond market presents an even greater challenge, with ESG data remains widely unavailable.

While initiatives such as the China Central Depository & Clearing Company's new ESG evaluation standards for bond issuers[7] (effective April 2026) and the MOF's plan to cover all corporate into the unified corporate sustainability standard were welcomed as positive steps, investors stressed a core principle: entity-level investor disclosure cannot outpace the availability of reliable underlying data from investees. Without comprehensive corporate reporting, any entity-level framework would rest on an incomplete foundation.

When developing a cross-market investor disclosure framework, regulators should bear in mind this data gap in existing corporate disclosure framework, should therefore allow corporate data infrastructure to mature before mandating comprehensive entity-level disclosure.

Bilateral reporting meets client needs but not market transparency
Regarding asset owner expectations, interviewees offered a nuanced view. They noted that the PRI's existing reporting framework largely satisfies current client needs. Large investment managers are already PRI signatories, allowing asset owners to assess sustainability performance through annual transparency reports or request specific data points via the PRI network. Asset owners also frequently request tailored information directly through due diligence questionnaires.

[6] We have conducted interviews with 7 global and domestic investors through in person/online discussion and written feedback. There were 1 asset owner and 6 investment managers participated in the interviews during November 2025 to January 2026.

[7] Environmental, Social, Governance (ESG) framework for bond issuers (2025), China Central Depository & Clearing Company, https://www.chinabond.com.cn/gygs/gygs_gsdt/202601/t20260116_854885667.html

However, investors also recognised the limitations of this bilateral approach. While individual client relationships may be served by customised reporting, this network of private disclosures does not provide the consistent, comparable market-level transparency required for price discovery, benchmarking, and capital allocation across the broader financial system. The same flexibility that serves specific clients makes bilateral reporting insufficient for market-wide transparency. A unified, market-wide entity-level disclosure is still in need.

Insurance asset managers lack clear guidance
Insurance asset managers face a distinct challenge. They have clear incentives to meet regulatory goals on entity-level disclosure as the NFRA's Green Finance Guidelines explicitly require banking and insurance institutions to establish internal control and management mechanism for green finance. However, they currently lack clear guidance on specific indicators to disclose. The guidelines set expectations without specifying what compliance looks like in practice.

This has created a circular dynamic mentioned before: regulators appear to be waiting for market practice to develop before issuing detailed rules, while market participants are waiting for regulatory clarity before investing in the systems and processes needed to produce meaningful disclosures. Insurance asset managers are reluctant to commit resources without clear requirements, and without such investment, the market practice regulators seek cannot be achieved. Thus, specific guidance on indicators would help break the deadlock.

Meanwhile, from the interview feedback we also noticed that industry practice is evolving: several leading insurance asset managers have already begun building ESG-related capabilities and infrastructure to prepare for potential future requirements and to support their own long-term risk management and investment needs. This suggests a gradual co-evolution of regulatory guidance and market practice, rather than a standoff.

Feedback on product-level investor disclosure

On product-level disclosure, views were more aligned. Interviewees **broadly supported a product-level investor disclosure framework to define ESG/sustainability fund products and establish clearer rules on product issuance and disclosure**. Their feedback clusters around five interconnected themes.

Product-level framework is urgently needed
Majority of interviewees support a framework to define ESG/ sustainability fund products and establish disclosure rules.

This is the priority area for regulatory action. A clear product-level framework would address the fragmentation in the market documented in Table 1.

The missing market signal: asset owners demand is too weak and too tailored
Similar to entity-level findings, investors reported that asset owner demand alone is insufficient to drive market-wide product disclosure. Asset owner requests typically in the form of specific mandates or customised due diligence questionnaires, which generate bilateral reporting but do not translate into broader market signals. A manager may produce detailed sustainability reports for a particular client, but this information rarely becomes public or comparable across firms.

This dynamic creates a collective action problem. No single asset owner has the incentive to demand standardised public disclosure that would benefit the market as a whole. A regulatory baseline may therefore be needed.

The innovation-comparability tension: proprietary approaches face stricter regulatory review
Investors highlighted a structural tension that any future framework must address. On one hand, innovation is valuable: proprietary datasets and tailored indices allow funds to differentiate themselves and capture sustainability characteristics that off-the-shelf solutions might miss. Some leading managers have developed sophisticated approaches that genuinely enhance sustainability analysis.

On the other hand, comparability is essential for market functioning. When every fund uses its own methodology, investors cannot make informed choices, and regulators cannot oversee the market effectively. The current regulatory response to this tension is undergo extra review and longer approval time for proprietary approaches, which creates uncertainty without resolving the underlying conflict.

Investors also noted practical problems with tailored ESG indices for index tracking ESG fund products: they often provide limited information on financial performance against regular benchmarks and make cross-fund comparison difficult. A fund may look sustainable separately but cannot be benchmarked against peers, limiting its usefulness for asset allocation decisions. In addition, like a proprietary dataset, the tailored indices will face extra review from the regulator, and the product may take longer to get approved.

Therefore, a well-designed framework should allow flexibility for innovation while ensuring minimum comparability through baseline requirements.

Alignment is necessary: domestic rules must connect with global frameworks
Investors managing cross-border portfolios or marketing products internationally expressed strong concern about alignment between future Chinese rules and existing global standards. This is particularly acute for UCITS funds, which are predominantly regulated under the EU's SFDR. Managers of such funds need clarity on how future CSRC or AMAC rules will interact with SFDR reporting requirements. They fear duplicative compliance burdens if the two regimes diverge significantly.

Alignment with global standards would reduce friction for cross-border capital and enable Chinese funds to compete internationally.

The definitional vacuum: why "ESG fund" has no shared meaning
Investors consistently pointed to the absence of a regulatory definition for ESG or sustainability funds as the cause of multiple market issues. Currently, the market treats ESG funds more as a thematic category, which is a loose collection of funds with environmental or social names, rather than as a distinct category with consistent investment practices. Without a common definition, different data providers apply different methodologies to identify ESG products, producing the wide statistical discrepancies documented in Table 1.

This definitional vacuum has practical consequences. Some mutual funds develop proprietary datasets or tailored indices to demonstrate sustainability credentials. While these innovations can signal genuine commitment, they also create comparability problems. Investors cannot easily compare funds using different proprietary methodologies. Moreover, funds using proprietary approaches face extra regulatory scrutiny and longer approval times during product issuance, creating a de facto penalty for innovation in the absence of standardised alternatives, and may increase greenwashing risks for the market.

Summary: what investors want

Across all interviews, several consistent themes emerged.

On entity-level disclosure:

- **Entity-level disclosure cannot outpace corporate data availability:** Investors agree that a cross-market entity-level framework depends on corporate sustainability reporting maturity.
- **Bilateral reporting is insufficient for market transparency:** Private disclosure serves individual clients but cannot provide the market-wide transparency needed for capital allocation.
- **Insurance asset managers may need specific guidance:** Current regulations lack specific disclosure indicators. Clearer guidance would help break the circular dynamic.

On product-level disclosure:

- **Clarity on definitions**: Investors need a regulatory definition of what constitutes an ESG or sustainability fund.
- **Product-level rules first**: Product-level disclosure is seen as more urgent and feasible than entity-level.
- **Flexibility for innovation**: Frameworks should allow room for proprietary approaches, not penalise them by default.
- **Align with global standards:** Future Chinese rules should align with global standards to avoid duplicative compliance.

Policy considerations: from global insights towards a Chinese path forward

The PRI's global research analysed **169 investor disclosure frameworks** (93 government-issued and 76 non-governmental), complemented by a deep dive comparison conducted alongside with this briefing on ESG fund regulation **across eight Asia-Pacific jurisdictions and the ASEAN regional standard**[8]. These studies offer useful design principles and emerging solutions that can inform Chinese regulatory discussions. We conclude our research analysis in the below policy considerations:

Policy consideration 1: Investor protection is the natural starting point
Investor protection and market integrity are the most immediate and compelling objectives for Chinese regulators. They align directly with CSRC's and NFRA's core mandates. Frameworks that start with these objectives and later expand to encompass transition goals have proven viable across multiple jurisdictions.

Supporting evidence: The global research identified three core policy objectives driving government-issued disclosure frameworks. Investors protection and market integrity (approximately 70% of frameworks) is the dominant objective, aiming to provide credible information for investors and prevent greenwashing. Across all eight APAC jurisdiction examined, "enhancing disclosure" is a common objective. Thailand, Singapore, and India explicitly include "tackling greenwashing risks" as an additional focus, while Japan's FSA identifies reducing greenwashing as the sole objective of its regulation[9][10][11][12].

Policy consideration 2: Product-level disclosure is a critical missing piece
China currently has some entity-level disclosure requirements (PBOC guidelines, NFRA rules, AMAC self-assessment rules) but no product-level framework. This leaves a critical gap, as investors cannot reliably identify or compare ESG funds. Completing the framework with product-level rules would address the fragmentation in the market.

Supporting evidence: all eight APAC jurisdictions examined have regulations specifically targeting sustainability-related products. Most were issued or updated in 2023, with Hong Kong SAR and Thailand publishing earlier (2021). While approaches vary – Circulars in Hong Kong SAR, Singapore, and India; Guidelines in Malaysia and Japan; regulatory standards in Thailand and Korea – the shared focus on product-level rules is clear. China can draw on these experiences without needing to replicate any single model.

Policy consideration 3: Layered frameworks balance standardisation and flexibility
A layered framework – baseline requirements for all funds and adoption-contingent requirements for those making specific sustainability claims – directly addresses the standardisation vs. flexibility tension identified in investor interviews. Baseline requirements ensure minimum comparability and protect against greenwashing; adoption-contingent requirements allow innovative funds to differentiate through higher standards, subject to enhanced disclosure.

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[8] This comparative exercise examines ESG fund regulation in seven jurisdictions and a regional standard: Hong Kong SAR, Malaysia, Thailand, Singapore, Republic of Korea, India, Japan, and ASEAN Sustainable and Responsible Funds standards. For all the markets mentioned, the regulation was issued by the official securities regulators, in the format of a Circular (Hong Kong, Singapore, and India), Guidelines (Malaysia, Japan), or regulatory standards (Thailand, Republic of Korea).

[9] SEC Thailand's Public Hearing on Proposed Regulations for Disclosure Standards of Sustainable and Responsible Investing Fund https://www.sec.or.th/Documents/PHS/Main/730/hearing252564en.pdf

[10] Monetary Authority of Singapore, ESG Circular, 2022, https://www.mas.gov.sg/regulation/circulars/cfc-02-2022---disclosure-and-reporting-guidelines-for-retail-esg-funds

[11] Securities and Exchange Board of India, New category of mutual fund schemes for ESG investing and related disclosures by mutual funds, 2023, SEBI | New category of Mutual Fund schemes for Environmental, Social and Governance ("ESG") Investing and related disclosures by Mutual Funds

[12] Financial Services Agency, Proposed Amendment of the Comprehensive Supervisory Guidelines for Financial Instruments Business Operators, etc. regarding ESG Investment Trust, 2023, https://www.fsa.go.jp/en/news/2023/20230331/20230331.html

Supporting evidence: The global research reveals a critical distinction: baseline sustainability disclosure requirements (applicable to all frameworks for investors) and adoption-contingent sustainability disclosure requirement (apply to investors/funds that choose to pursue specific sustainability characteristics). This layered structure appears across mature frameworks, including the EU's SFDR, the UK's SDR, and emerging Asian regimes. APAC disclosure requirements show clear patterns of common core elements (fund name, investment focus, strategy, benchmark, risks, and period comparison) with differentiated additional requirements. India mandates board certification and ESG scores of securities; Hong Kong SAR, Malaysia, and Singapore require third-party verification; most markets require disclosure of engagement and proxy voting policies[13][14][15].

Policy consideration 4: Asset allocation thresholds ensure strategy substance
The core principle for Chinese regulators is ensuring that funds claiming ESG focus actually reflect that focus in their portfolios. China can select an appropriate threshold based on market development stage and specify breach handling mechanisms (such as Singapore's "explain" requirement).

Supporting evidence: APAC markets commonly use asset allocation thresholds to ensure that ESG strategies are meaningfully implemented. The ASEAN SRF Standards and Malaysia and Singapore require a minimum of 2/3 of AUM invested in accordance with the claimed strategy[16]. India requires a minimum of 80% of AUM invested in the specified strategy. Hong Kong SAR and Japan specify no ratio but require disclosure of target and actual ratio invested.

Policy consideration 5: Infrastructure gaps must be addressed in parallel
Beyond fund-level rules that include fund name, investment focus, strategy, benchmark, risks, and period comparison, Chinese regulators should consider three infrastructure elements that underpin a credible sustainable fund market. These are not separate exercises but integral to an effective disclosure framework.

Supporting evidence:

- **Benchmarks and indices:** APAC markets generally require disclosure of reference benchmarks, with explanation of how the chosen benchmark aligns with the fund's ESG focus. Currently, many Chinese funds develop proprietary indices that may disappear when products terminate, and potential conflicts of interest arise when the same entity constructs indices and provides ESG ratings. Clear rules governing sustainability-focused benchmarks would strengthen market infrastructure.
- **Taxonomy:** Most APAC markets have taxonomies covering fund products. China's Green Finance Endorsed Project Catalogue (2025) provides a unified green taxonomy for bonds, loans, insurance, and trust products but explicitly excludes the securities sectors. Extending it to cover investment funds would provide the common language needed for consistent product classification.
- **Proprietary datasets:** India requires disclosure of security-level ESG scores in monthly portfolio statements, including the name of the ESG rating provider. This offers a transparency-based rather than penalty-based approach to proprietary data, which currently face extra scrutiny and longer approval times in China.

Policy consideration 6: Global alignment enables cross-border competitiveness
Designing rules with global alignment in mind from the outset would reduce friction for international capital flows and make Chinese funds more accessible to global asset owners. This is not merely a convenience for cross-border managers but a prerequisite for Chinese funds to attract global capital.

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[13] Hong Kong SFC, Circular to management companies of SFC-authorized unit trusts and mutual funds - ESG funds, 2021 https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/products/product-authorization/doc?refNo=21EC27

[14] Securities Commission Malaysia, Guidelines on Sustainable and Responsible Investment Funds, 2023 https://www.sc.com.my/api/documentms/download.ashx?id=1863d35d-9a34-4ccc-bf61-9f942b520b44

[15] Monetary Authority of Singapore, ESG Circular, 2022, https://www.mas.gov.sg/regulation/circulars/cfc-02-2022---disclosure-and-reporting-guidelines-for-retail-esg-funds

[16] ACMF, ASEAN Sustainable and Responsible Fund Standards, 2022, https://www.sc.com.my/api/documentms/download.ashx?id=a866f458-59e1-4738-922c-2064e3d18cb2

Supporting evidence: Hong Kong SAR's SFC explicitly addresses global alignment: UCITS funds are considered ESG funds in Hong Kong SAR if they incorporate ESG factors as their key investment focus, regardless of whether they are classified under SFDR Article 8 or 9. This approach avoids duplicative compliance burdens and offers a practical model. Investor interviews repeatedly emphasised interoperability concerns, particularly for UCITS funds needing to align future Chinese rules with SFDR requirements.

Policy consideration 7: Industry associations can play a complementary role
Industry associations such as AMAC and BIAMAC are well positioned to develop implementing guidance that aligns with eventual regulatory frameworks while providing flexibility to adapt to local market needs.

Supporting evidence: The global research examined 76 non-governmental frameworks, falling into two categories: investment practice-focused (Stewardship Codes, Fund Labels, Disclosure Guidelines) and thematic frameworks (issue-specific like TCFD, NZAM, TNFD; asset-specific like private markets and real assets; impact-focused like GIIN IRIS+). These frameworks play a complementary role—linking to government frameworks, filling gaps, and establishing industry norms with greater adaptability.

The PRI is prepared to share its experience with investor reporting, its research on 169 global frameworks, and interview feedback to support ongoing discussions in China. Leveraging these insights, the PRI can offer Chinese policy makers practical suggestions on designing a tiered disclosure system that:

- Contributes to investor protection and market transparency
- Supports the development of credible, innovative sustainable fund products
- Enables Chinese funds to compete globally through alignment with international standards
- Reflects China's specific market conditions while drawing on tested global models

The PRI can also facilitate dialogue between Chinese regulators and global investors, helping to build a framework that works for both domestic and international market participants.

As of the time of finalising this report, the Asset Management Association of China (AMAC) issued the "Guidelines for the Application of Sustainable Investment Strategies in Publicly Offered Securities Investment Funds (Trial)[17]," marking China's first step toward establishing a regulatory framework at the sustainable product level. We welcome the recent introduction of these new guidelines by AMAC, as they address the key issues raised in this report concerning sustainable product-level regulation and the lack of a clear definition for ESG funds. However, there remains room for exploration in critical areas such as product-level disclosure and institution-level disclosure. This report focuses on the analysis of investor disclosure issues at both the product and entity levels, and the recommendations put forward herein may serve as supplementary and extended policy measures going forward.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of Chinese financial regulators further to improve investor disclosure regulations in China.
Please send any questions or comments to policy@unpri.org.
More information on www.unpri.org

[17] AMAC, Guidelines for the Application of Sustainable Investment Strategies in Publicly Offered Securities Investment Funds (Trial), https://www.amac.org.cn/xwfb/xhyw/202606/t20260612_27825.html, 2026