NEUBERGER BERMAN

CHARLES NGUYEN, CFA
Head of Asia ESG Investing
Stewardship and Sustainable Investing

KYLE WANG
Senior Associate, ESG Research
Stewardship and Sustainable Investing

China State of Decarbonization & Sustainable Finance Overview

Executive Summary

China's commitment to the energy transition and ongoing reform initiatives has important implications for global investors. As the world's second-largest economy, China accounts for 17% of global GDP[1] and approximately 30% of global carbon emissions[2], making its decarbonization progress critical to achieving worldwide climate goals related to the Paris agreement.

However, China's representation in the MSCI ACWI Index[3],a global investment benchmark, remains disproportionately low at around 3%. We believe this gap, coupled with a tendency of global investors to underweight China in recent years, highlights the importance of on-the-ground research in China.

[1] "China ranks first in driving world economic growth from 1979 to 2023." Xinhua, October 1, 2024.
[2] Global Carbon Budget (2024).
[3] The MSCI ACWI (All Country World Index) is a global equity index that captures large and mid-cap representation across both developed and emerging markets, covering approximately 85% of the global investable equity opportunity set.

At Neuberger Berman, our local presence in China gives us insights into the rapidly evolving sustainable finance landscape in the country. In this whitepaper we will provide a comprehensive overview of the sustainable finance landscape in China, particularly related to climate transition.

This paper has three key sections:

1. We introduce a set of key indicators to help investors monitor progress and assess the implications of China's energy transition over time.
2. We analyze climate-aligned investment opportunities in China through two related perspectives: 1) green revenue percentage as a proxy for climate solutions and 2) climate transition alignment through a transition finance lens. Both leverage global frameworks and our on-the-ground research.
3. We provide an overview of China's sustainable finance policies. Given China's governance model, we believe it is important for investors to understand the multitude and evolution of China's sustainability-related policies.

Overall, while China's decarbonization pathway may not be aligned to a 1.5c degree world, its intention and actions to reduce economy-wide greenhouse gas emissions are clear in our opinion. A sustainable finance study tour hosted by Neuberger Berman in June 2025 across multiple Chinese cities demonstrated clear alignment and coordination across a wide range of Chinese stakeholders (regulators, banks, listed companies and institutional investors), potentially allowing for meaningful real-world emissions reductions over time.

1. KEY NET ZERO INDICATORS FOR CHINA

Summary Table

Indicator	Trend relative to Chinese national decarbonization pathway	Comment
1. National absolute carbon emission	In line with expectation	Potential peaking before 2030
2. National carbon emission intensity	Lagging behind expectation	Down 50% vs 2005; 2025 target at risk
3. Primary energy consumption mix	In line with expectation	Non-fossil fuel mix is 20%; 25% target by 2030 and 30% by 2035
4. Coal power generation capacity	Greater than expected	Despite coal consumption mix now down to ~50%, new coal plan building permits still rising
5. China oil consumption	Lower than expected	2024 consumption declined vs 2023
6. Renewable energy buildout	Greater than expected	In 2024, 360 GW of renewable capacity added, representing >80% of incremental power installations in China
7. National carbon market	In line with expectation	China's Emissions Trading Scheme (ETS) now covers about 8 billion tons of CO2 or ~60% of China's total emissions
8. Carbon capture	In line with expectation	Capacity doubled in 3 years to ~600 Mt/year
9. CSI 800 index* net zero alignment status		>50% of CSI 800 equity index companies achieved a rating of "Committed to aligning" or higher—vs just 29% in 2022[4]
10. CSI 800 green revenue %		The share of green revenue has risen steadily over the past three years, surpassing 9% in 2024, higher than that of the U.S. and EU indices.
11. Overall Chinese Policy Commitment to Decarbonization		High; Coordinated policy framework across disclosure, carbon markets, transition finance to enable absolute emissions reductions

* Broad Chinese equity benchmark with 800 large-cap and mid-cap constituents as of December 31st 2024.

[4] Based on the IIGCC Net Zero Investment Framework.

1.1 National absolute greenhouse gas (GHG) emissions

China's rapid economic growth and industrialization have made it the source of roughly 12 billion tons of CO_2 annually—about 30% of global emissions[5], so its scale is critical to achieving global net zero ambitions related to Paris climate agreement.

We believe China is on track to see peak carbon emissions in 2025, five years ahead of its 2030 target and to peak absolute GHG emissions prior to 2030, in line with its Nationally Determined Contributions (NDC). This trend is supported by moderation in GDP growth (infrastructure investment grew 2% year-over-year for the first eight months of 2025, slower than overall GDP growth), faster than expected renewable energy growth (particularly solar and wind), and a shift to less capital-intensive growth from the tertiary sector. The country reached its 1,200 gigawatts renewable capacity goal in 2024, six years ahead of schedule.

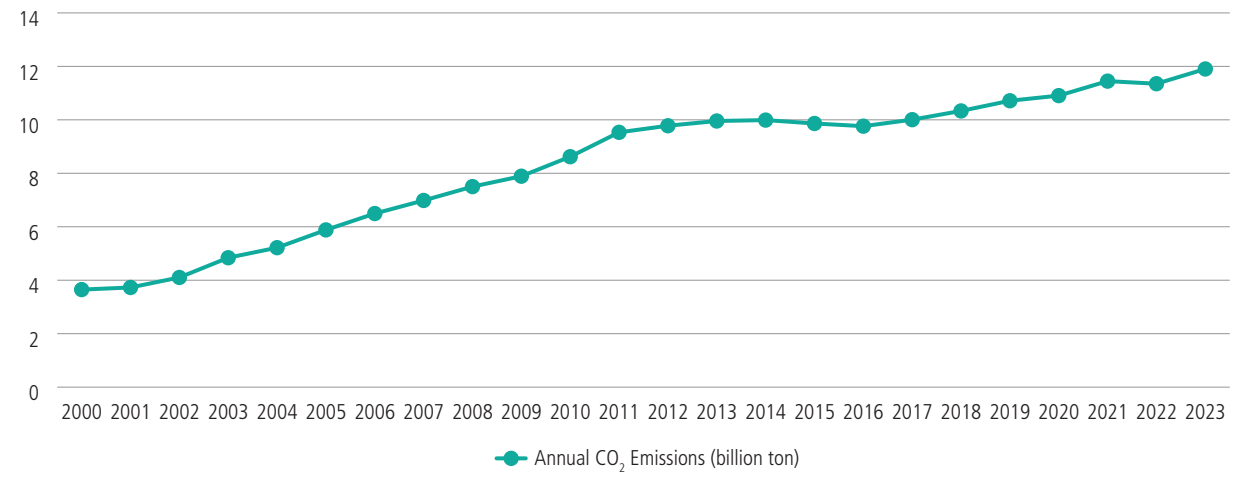
In September 2025, China updated its NDC with a target to reduce economy-wide net greenhouse gas emissions by 7-10% from peak levels. Although this emission-reduction target falls short of the estimated 30%+ reduction required for Paris alignment[6], we view it as a conservative baseline that China aims to exceed.

China's leadership focus on climate change sends a clear policy signal across the economy. We believe this alignment and coordination across a wide range of Chinese stakeholders (regulators, banks, listed companies and institutional investors) allows for potentially meaningful real-world emissions reductions over time.

Furthermore, the chart below demonstrates that while emissions growth broadly tracks GDP expansion, since 2011 the growth rate of CO_2 emissions has consistently lagged both GDP growth and total energy consumption growth.

While 2023 saw a spike in annual emissions growth due to the post-COVID economic rebound, the bigger picture is clear: China's average annual CO_2 emissions growth in the 2020s has dropped to below 3%, down from over 5% between 2000 and 2020. Meanwhile, the electrification of China's economy (electric vehicles, digital infrastructure) has meant that energy demand growth has been robust growing 7% in 2023-2024 and estimated to grow by 6% from 2025 to 2027 according to the International Energy Agency (IEA).

ANNUAL CO_2 EMISSIONS (BILLION TON)



*Land-use change is not included.
Source: Global Carbon Budget (2024), as of November 21, 2024.

[5] Global Carbon Budget (2024).
[6] Center for Research on Energy and Clean Air (CREA).

Impact of AI and data center demand growth on China's absolute emissions

The International Energy Agency estimates that China's data centers consumed about 100 TWh of electricity in 2024—roughly 1–1.5% of the country's total—and that this could double by 2027. Despite rapid growth, data center demand and associated emissions remain relatively small in the context of China's net-zero pathway. For comparison, the manufacturing sector—responsible for around half of China's energy use—added 300 TWh of energy consumption in 2024 alone.

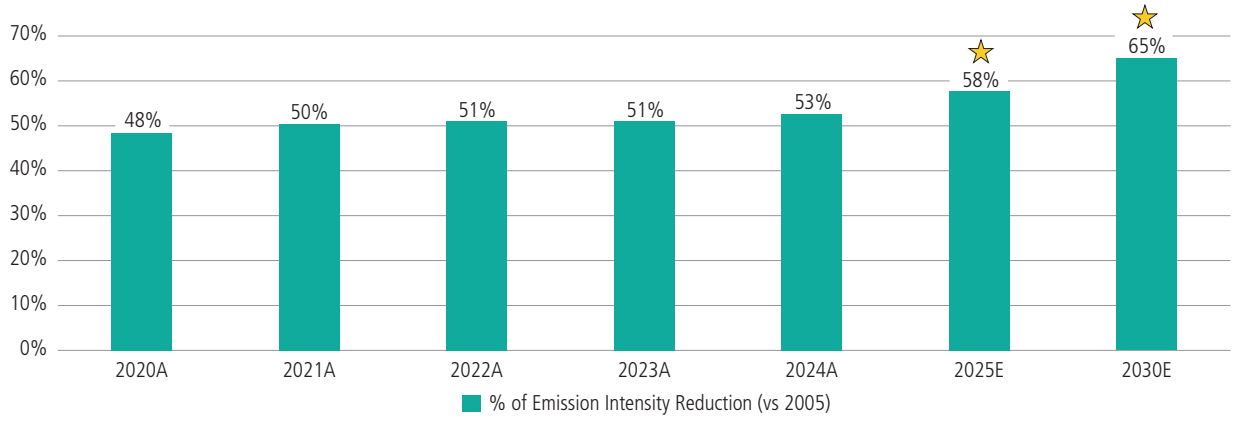
China's leading cloud providers—Alibaba, Baidu, Tencent, and ByteDance—have significantly increased capex spending but still lag U.S. cloud peers in investment scale, spending only about 15% of U.S. cloud players' data center capex[7]. In addition, the China East–West Computing Resources Transmission Project, launched in 2022, aims to create a national computing network by building more data centers in western regions where renewable energy resources, storage capacity, and cooler temperatures are more abundant. This initiative could reduce the emissions intensity of China's data centers over time.

1.2 National Emissions Intensity

While we believe China remains firmly on course for its 2030 peak carbon objective, its 2025 emission intensity reduction target appears difficult to meet. The 14th Five-Year Plan calls for an 18% reduction in carbon intensity per unit of GDP between 2020 and 2025, but the post-pandemic surge in industrial activity and infrastructure investment—especially in energy-intensive sectors like steel, cement, and chemicals—has driven up energy demand. Compounding this trend, persistent droughts from 2021 to 2023 sharply curtailed hydropower output. As a result, the average annual carbon intensity declines over 2020–2024 stands at just 2%. While further reductions are likely in 2025, meeting the full 18% reduction target appears increasingly unlikely.

Looking ahead, China's ability to realize its 2030 ambition of cutting CO_2 emissions per unit of GDP by over 65% from 2005 levels will hinge on the speed and scale of its energy transition. The government has established targets to increase the share of non-fossil energy consumption to 20% by 2025 and 25% by 2030. As of 2024, China appears on track to achieve this target with non-fossil fuel sources already comprising 19.7% of total primary energy consumption. To achieve its 2035 climate goals—encompassing both a reduction in absolute greenhouse gas emissions from peak levels and a further rise in the share of non-fossil fuels in the energy mix—China is expected to maintain a downward trajectory in national emissions intensity.

EMISSION INTENSITY REDUCTION RELATIVE TO 2005 (%)



(A: actual; E: estimated).

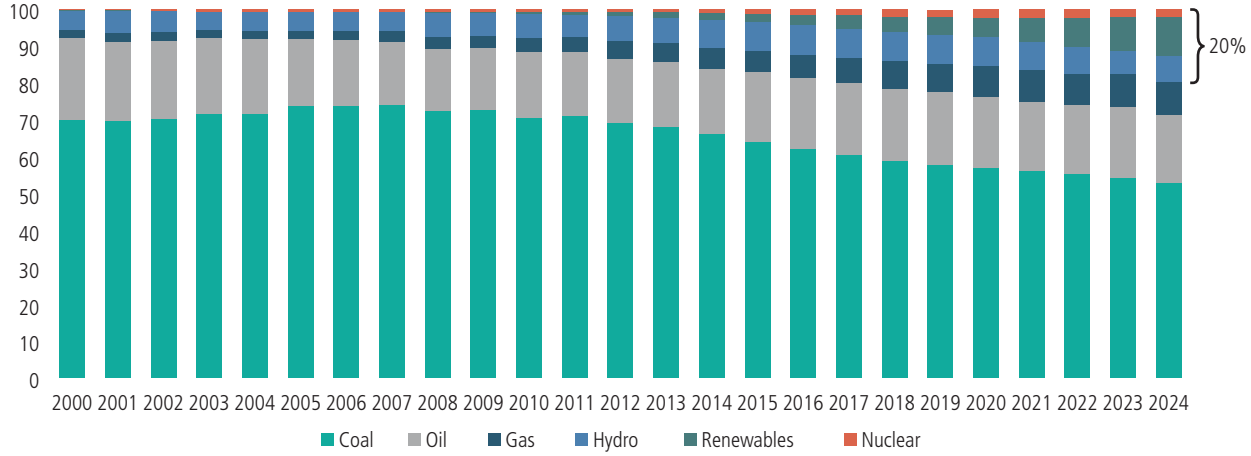
★ **National Target**

Source: China Statistical Communiqué on the National Economic and Social Development, Opinions on Deepening the Fight Against Pollution, China Nationally Determined Contribution, as of February 28, 2025

[6] Source: Jefferies research, latest 12 months data as of Q2, 2025.

1.3 Primary Energy Consumption Mix

COAL'S SHARE DECREASED TO 53% IN 2024 WHILE TOTAL RENEWABLES INCLUDING HYDRO/NUCLEAR INCREASED TO 20%.



Source: Energy Institute - Statistical Review of World Energy (2025), as of June 27th 2025.

China's energy consumption has historically been dominated by coal due to substantial coal resources. However, over the past decade, the nation's energy mix has undergone a significant transition. Since 2014, coal's share of primary energy consumption has dropped from 66% to 53% in 2024. This decline has been balanced by rapid growth in renewables, which have surged from less than 2% to over 10%, and natural gas, rising from 5% to 9% as an important transition fuel. Oil's share is also expected to fall as the country approaches peak oil consumption. Looking forward, China is set to further diversify its energy portfolio with a series of ambitious plans. By 2035, wind and solar capacities are targeted to expand by 2.5 times compared to 2024 levels, while operational nuclear power capacity is expected to jump from 70 GW to around 200 GW. The Yarlung Zangbo Hydropower Project in Tibet is projected to deliver roughly 300 billion kilowatt-hours of electricity annually, equivalent to 20% of China's total hydropower output in 2024. With the further development of grid flexibility, energy storage and energy system management, China appears well positioned to achieve its target of 30% non-fossil fuel consumption share by 2035.

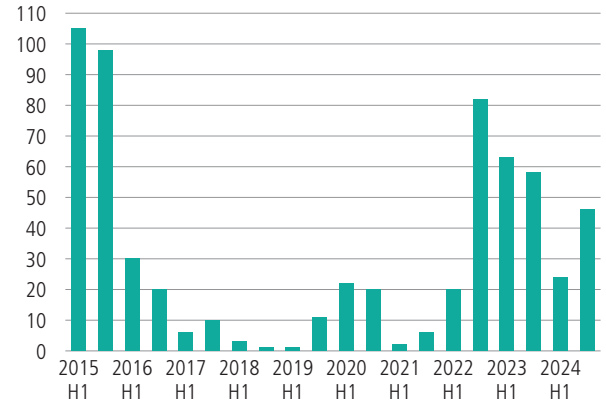
1.4 Coal Power Generation Capacity

Coal remains a foundational component of China's energy mix, though its relative share of total energy consumption has declined meaningfully—from over 70% in 2010 to approximately 50% at present.

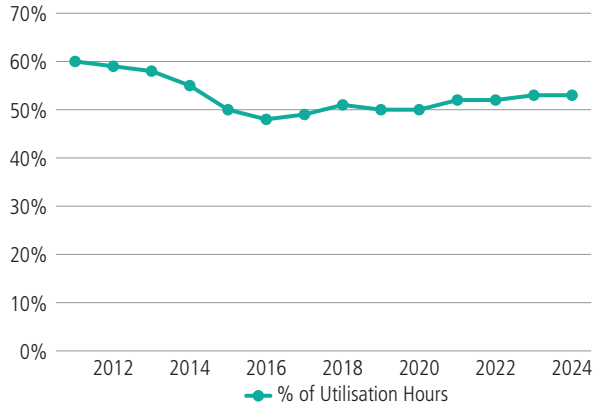
The recent acceleration in coal project permitting—exceeding 100 GW annually during 2022 and 2023—can be principally attributed to post-pandemic economic stimulus initiatives and heightened energy security concerns following widespread power shortages, exacerbated by a decline in hydropower output. It is important to note, however, that 2024 saw a pronounced reduction in new coal approvals, declining 41.5% year-on-year. This trend suggests that the recent coal buildout may be transitory.

Policy developments signal a strategic shift for coal in China's power system as a backup source of energy. Over 300 GW—about 25% of the coal fleet—has been retrofitted for greater flexibility, enabling more renewables and strengthening grid stability. This process will accelerate under the new National Development and Reform Commission and National Energy Administration guidance, which mandates all eligible coal units (an estimated 500–700 GW) undergo flexibility upgrades by 2027. As coal transitions into a supporting role, rather than serving as a baseload resource, average utilization hours are anticipated to continue declining. As China's energy transition accelerates over time, Chinese officials may have to deal with a portion of the coal power generation fleet becoming stranded assets.

NEWLY PERMITTED COAL CAPACITY (GW)



AVERAGE UTILIZATION HOURS OF COAL POWER PLANTS



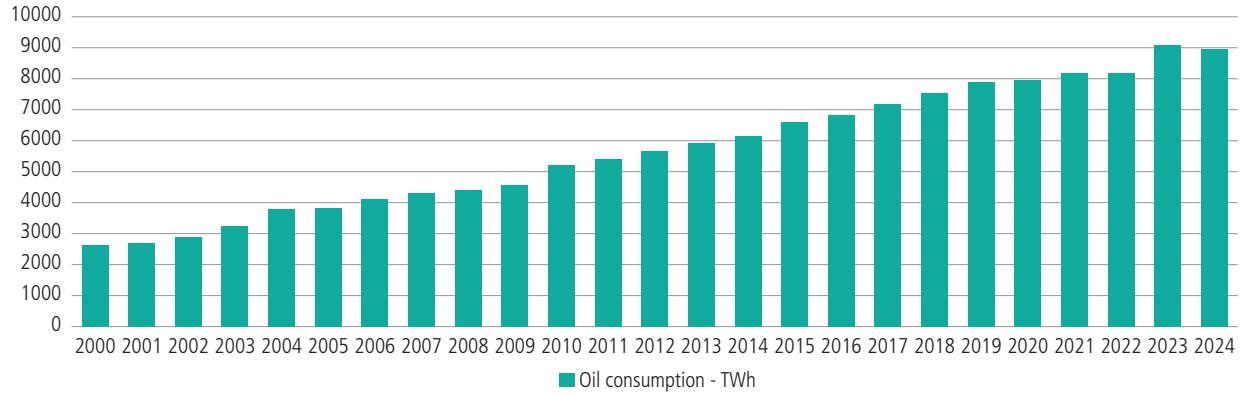
Source: Global Energy Monitor, as of February 13, 2025; IEA, as of November 13, 2024.

1.5 Oil Consumption

For over a decade, China has been the primary driver of global oil demand growth. This trend is nearing its end. The latest IEA projections show China's oil consumption peaking in 2027 at around 16.9 million barrels per day—sooner than previously expected. The source of oil demand is also shifting. Growth is now led by petrochemical feedstocks, while traditional transport fuels have plateaued. Gasoline and diesel use have already peaked or begun to decline, even as jet fuel sees a modest post-pandemic rebound.

As the economy pivots toward higher growth in services and away from the diesel-intensive construction industry, the traditional link between economic expansion and oil demand is weakening. At the same time, China's investment in clean transport is reshaping the energy landscape. The country leads the world in electric vehicle adoption, with EVs projected to account for 80% of new car sales by 2030. Extensive investment in high-speed and urban rail, along with a surge in natural gas–powered trucks—nearly one-third of new trucks sold last year—has further accelerated the transition away from oil-based fuels. These advances have already averted approximately 1.2 million barrels per day of oil demand growth since 2019, with total displacement expected to reach 2.5 million barrels per day by 2030 according to the International Energy Agency[8]. In 2024, oil consumption in China declined by over 1%. In our view, this trend is worth monitoring over time.

CHINESE OIL CONSUMPTION (TWH) 2000 – 2024



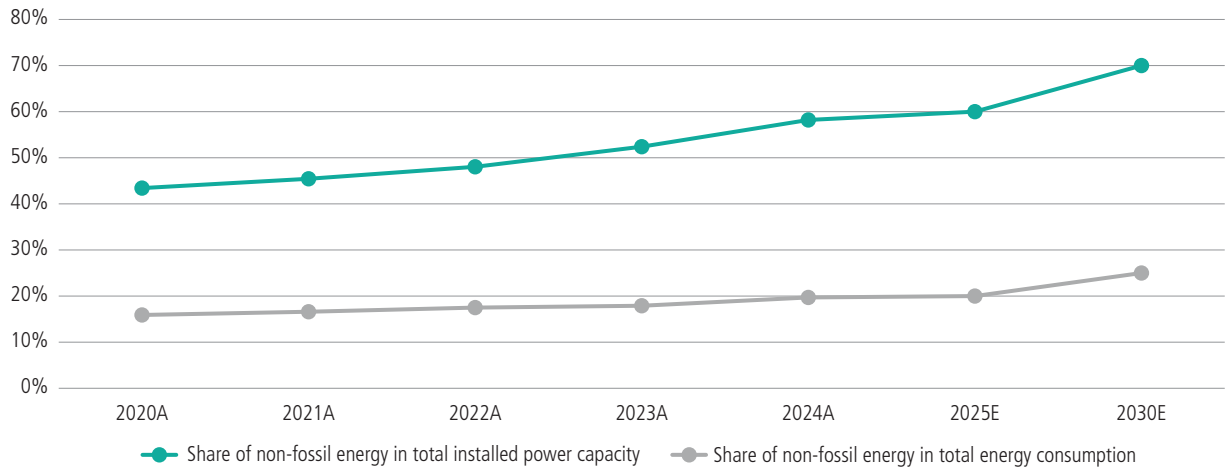
Source: Energy Institute – Statistical Review of World Energy, 2025.

[8] Source: International Energy Agency.

1.6 Renewable Energy Buildout

Wind and solar remain central to China's energy transition. By the end of 2024, wind and solar energy installed capacity exceeded 1,400 GW, representing over 40% of the country's total installed capacity. Notably, in the first quarter of 2025, China's aggregate renewable capacity surpassed that of thermal power for the first time. China now accounts for more than 50% of global additions in both wind and solar. In 2024 alone, 360 GW of wind and solar capacity was added—1.2 times the level of 2023—over 80% of incremental power installations in the country. Looking forward, China aims to further scale up its renewable capacity and reach 3,600 GW of installed wind and solar capacity by 2035. Despite these advances, non-fossil energy's share of total energy consumption remains at roughly 20%, highlighting persistent challenges around grid integration and renewable intermittency. Bridging this gap will require continued investment in grid infrastructure, distributed generation, energy storage, and further development of a unified national power market. Collectively, these measures are critical for maximizing renewable utilization.

DEMAND VS SUPPLY OF NON-FOSSIL ENERGY



Source: Energy Institute – Statistical Review of World Energy (2025), Guiding Opinions on Energy Work for 2025, China Energy Data Report, as of June 29, 2025.

A recent policy shift towards market-based renewable price reform is also reshaping the sector. The move away from fixed tariffs for solar and wind—previously linked to coal-fired power benchmarks—toward auction-determined prices is poised to enhance long-term integration and sector efficiency. However, this transition may lead to a temporary slowdown in new project development as market participants adapt to evolving rules and revenue uncertainty. According to UBS research, solar installations are expected to remain resilient through 2025, buoyed by a pre-policy implementation surge, but may decline by approximately 20% in 2026. The wind sector could face similar near-term challenges.

These headwinds are expected to be transitory. Long-term demand for renewables is supported by national renewable energy consumption targets and the cost competitiveness of renewable energy. Each year, the National Development and Reform Commission and National Energy Administration set renewable power consumption quotas for provinces, with major provincial targets consistently trending upward. Furthermore, auction-determined prices for renewables are expected to fall below coal power tariffs, as solar and wind development costs have halved over the past decade and their Levelized Cost of Energy (LCOE) is now lower than fossil fuels. If China further shifts its electricity system toward market-based mechanisms—reducing policy and financial support for coal-fired plants, such as guaranteed demand through long-term contracts and compensation for capacity—renewables may gain greater market share over time.

1.7 National Carbon Markets

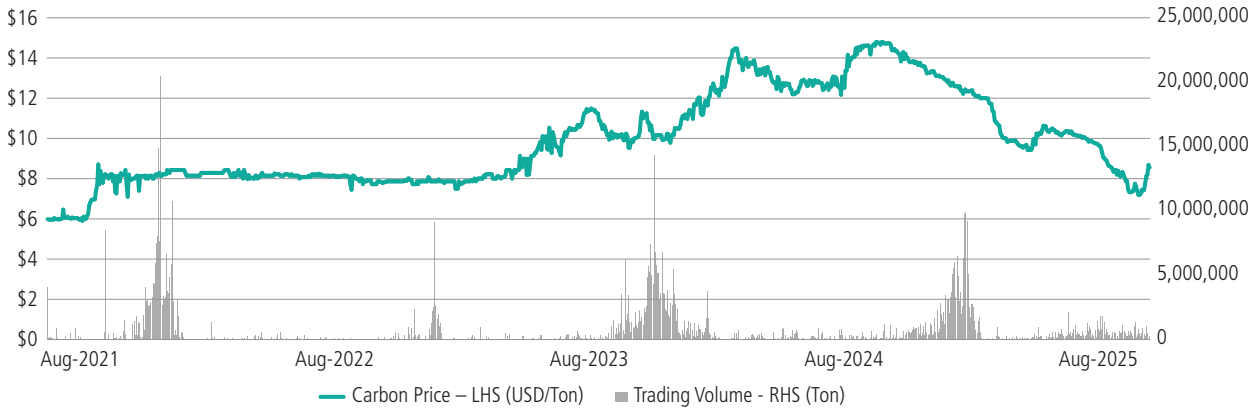
Despite a recent price dip driven by 1) emitters selling potential surplus allowances due to new carryover rules from the Ministry of Ecology and Environment and 2) lower demand for carbon credits given rapid renewable deployment and lower gas prices, China's carbon price today remains 20% higher than its 2021 launch level. This sustained increase is driven by two key factors.

First, there has been a marked improvement in policy certainty related to carbon trading and carbon accounting. Since mid-2023, the release of major regulatory documents—such as the Regulations on Carbon Emissions Trading issued by the State Council—has clarified the legal framework for market operations. Additionally, the development of a national carbon accounting system enables the expansion of the national Emissions Trading Scheme (ETS) to more sectors. After the recent expansion to cover the cement, steel and aluminum sectors alongside the power sector, China's ETS covers about 8 billion tons of CO_2, up from 5 billion tons, representing roughly 60% of China's total emissions. By 2027, China plans to further expand the ETS to include heavy industry and aviation, which could increase this coverage to ~75% of China's total carbon emissions.

Second, the market is responding to tighter allowance allocations. While allowances continue to be distributed at no cost based on emission benchmarks, these benchmarks have become more stringent over time. For example, the 2024 benchmark for coal-fired units over 300MW is 10% lower than in 2019, with even steeper reductions for smaller units. This tightening pushes companies to improve production efficiency and reduce their emissions to meet stricter standards. As China's ETS expands and the performance benchmark becomes stricter, market activity is expected to grow, further encouraging emissions reductions.

One key development to monitor is the possible introduction of absolute emissions caps and an increase in allowance auctions, which could put upward pressure on carbon prices, further encouraging corporate climate action. In addition, a higher domestic carbon price may facilitate alignment with international carbon markets and support future cross-border carbon trading.

NATIONAL CARBON MARKET PRICE CHART



Source: Wind, as of October 27, 2025.

1.8 Carbon Capture Capacity

While renewables, electrification, and energy efficiency are central to China's decarbonization pathway, Carbon Capture, Utilization, and Storage (CCUS) is emerging as a critical solution for hard-to-abate sectors like thermal power, steel, cement, and chemicals. These industries are essential to China's economy and energy security but face significant emissions challenges. With China's dual carbon goals in place, CCUS demand is set to accelerate sharply. A report jointly issued by Tsinghua University and the Global CCS Institute expects annual CCUS-enabled emissions reductions to reach nearly 100 million tons by 2030 and exceed 2 billion tons by 2050. Coal-fired power will be the principal sector for CCUS deployment, with the potential to abate around 1 billion tons of CO_2 annually by 2060. Other sectors, such as steel and cement, will also require CCUS to manage residual emissions, especially since a large share of their assets are relatively new and will operate for decades.[9]

[9] China CCUS Annual report (2023).

The strong growth in CCUS is off a low base, however. Between 2021 and July 2024, the number of planned and operational projects tripled from around 40 to approximately 120, underscoring rapid progress in both CO_2 capture and injection capacity. This expansion is being propelled by advancements in project development and technology innovation.

WHILE EXPANDING, MAJOR CCUS PROJECTS IN CHINA STILL ACCOUNT FOR ONLY A SMALL SHARE OF THE COUNTRY'S TOTAL EMISSIONS

Year	Number of projects (operational & planned)	Capacity (million ton of CO_2/year)	% of China's total emissions
2021	40	3.0	0.026
2022	100	4.0	0.035
2023	107	4.7	0.039
2024	120	6.0	0.050

Source: China Carbon Capture, Utilization and Storage Association.

2. Climate-related investment opportunities in China

In this section, we assess CSI 800 constituents from two climate-related perspectives: 1) green revenue share as a proxy for climate solutions and 2) transition alignment through a transition-finance lens.

Chinese corporate green revenues

For green revenue assessment, we use the Common Ground Taxonomy (CGT), developed by the International Platform on Sustainable Finance (IPSF), as a global framework for defining green activities. First published in November 2021, the CGT was designed to harmonize green taxonomies between China and the European Union. Since its launch, the CGT has been adopted for labeling green bonds and for structuring CGT-focused investment funds, with most activity centered in China and Hong Kong.

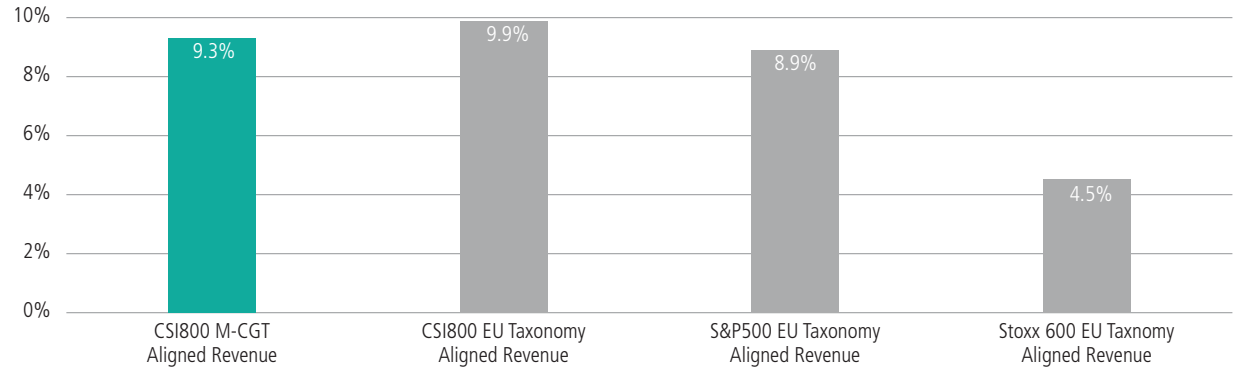
In late 2024, the CGT expanded to include Singapore through the launch of the multi-jurisdictional Common Ground Taxonomy (M-CGT). More countries are expected to join the M-CGT in the future. The primary goal of this initiative is to establish a standardized global reference for identifying climate solutions, thereby facilitating cross-border climate-related financial flows—especially into developing markets where local taxonomies may not be recognized by international investors.

The M-CGT methodology covers a wide range of sustainable activities across different jurisdictions, but applies the strictest technical criteria found among them. For example, while the EU taxonomy permits plug-in hybrid vehicles until 2035, the M-CGT adopts the Singapore Asian Taxonomy's stricter requirement that only vehicles with zero tailpipe carbon emissions qualify as green. By using the highest standards from participating jurisdictions, the M-CGT enables broader international alignment without changing the original taxonomies, while ensuring strong environmental integrity.

Using this framework, Neuberger Berman has developed a proprietary screening tool to assess green revenues aligned with the M-CGT, helping to identify companies whose products and services focus on decarbonization.[10] As shown in the graph below, we estimate that Chinese companies within the CSI 800 index generally have a higher proportion of green revenue compared to those in other regions, reflecting China's role as a renewable manufacturing hub. Furthermore, China's share of green revenue aligned with M-CGT is lower than under the EU taxonomy because the M-CGT applies the most stringent criteria from participating jurisdictions, as described above.

[10] Neuberger Berman's proprietary screening tool assesses the level of a company's revenue that aligns with the M-CGT taxonomy by activities mapping and applying adjustments based on technical threshold. A higher percentage of M-CGT-aligned revenue indicates that a greater portion of the company's revenue is considered "green" under the M-CGT.

TAXONOMY GREEN REVENUE ALIGNMENT % ACROSS DIFFERENT GLOBAL INDICES – FY2024 (WEIGHTED BY MARKET CAP)



Source: NB Research, Quantdata, MSCI[11].

We also observe the following sector trends in China from a green revenue perspective:

- **Utilities Sector:** In FY2024, the utilities sector derived 55% of its revenue from M-CGT-aligned activities, up from 49% in FY2022. This upward trend underscores China's efforts to accelerate renewable energy installations and upgrade its grid over time.
- **Industrial Sector:** The industrial sector's green revenue has gradually increased to approximately 30% in FY2024 driven by the expansion of climate solution technologies such as batteries, solar modules, wind turbines, and related equipment.
- **Consumer Discretionary Sector:** Green revenue in this sector reached 13% in FY2024, driven primarily by China's electric vehicle market. In August 2025, domestic electric vehicle sales surpassed 50% of the total.

M-CGT aligned green revenue by select sectors in China

	FY2022	FY2023	FY2024
CSI 800	8.8%	9.1%	9.3%
Utilities	49.4%	51.9%	54.8%
Industrials	27.7%	28.8%	29.4%
Consumer Discretionary	10.4%	11.9%	13.2%

Assessing Chinese corporate climate transition plans

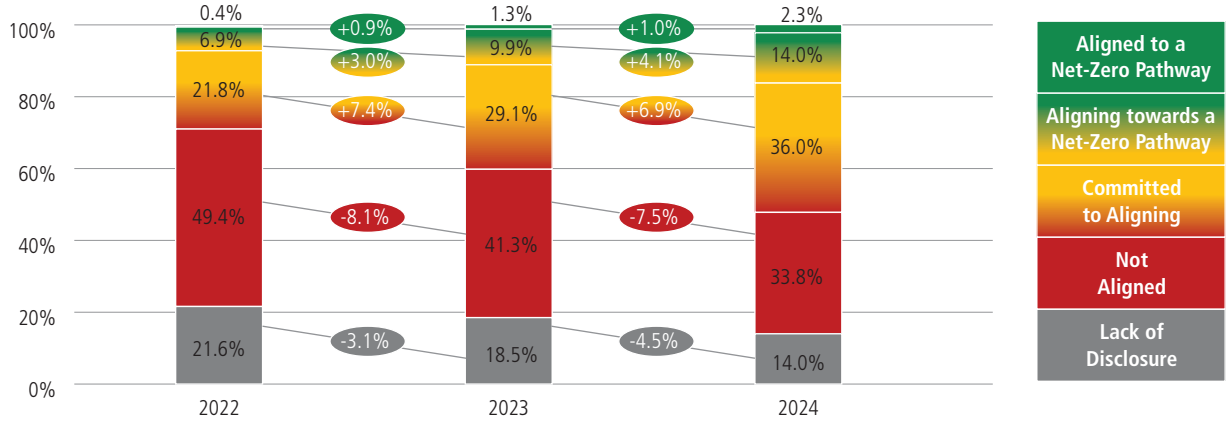
To assess the robustness of climate transition plans in China, we developed a customized evaluation system based on the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework (NZIF), adapting this globally-recognized approach to China's unique decarbonization pathway.[12]

This initiative has allowed us to systematically monitor the evolution of climate transition planning among corporations in China. From 2022 to 2024, we observed steady progress. Using the NZIF's alignment maturity scoring framework, over half of CSI 800 equity index constituents achieved a rating of "Committed to aligning" or higher—up from just 29% in 2022. Key drivers of this improvement include clearer climate targets set by Chinese corporations, enhanced transparency in emissions data, and stronger climate-related governance structures.

While the increase in climate-related disclosure and target-setting is encouraging, we believe that ongoing monitoring of corporate absolute emissions reductions—aligned with China's announced Nationally Determined Contribution—will be just as critical, if not more so, in the future.

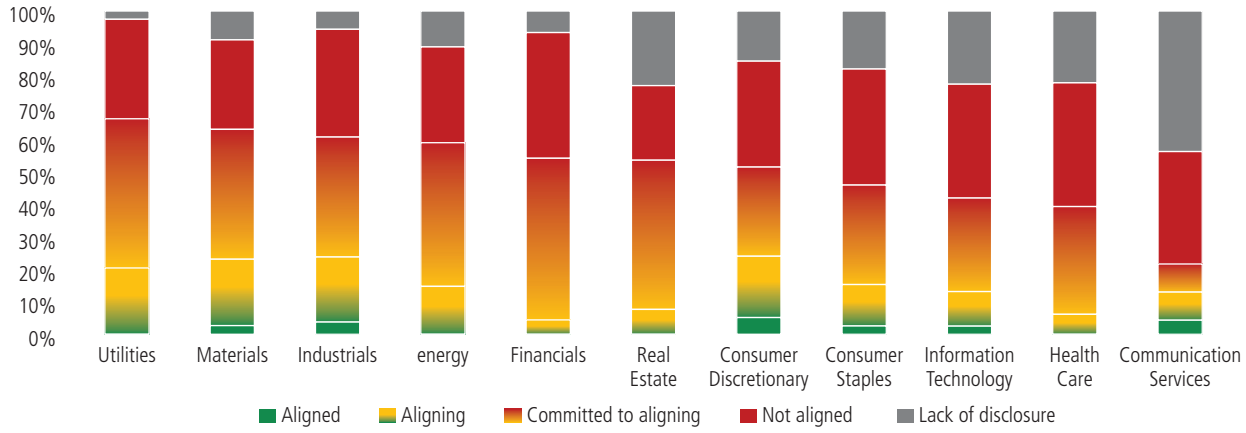
[11] S&P 500 is assessed based on MSCI data and NB estimate of Nvidia green revenues.
[12] Neuberger Berman's China NZIF evaluation system is a proprietary system that assesses companies' progress toward their net-zero ambitions, which is represented by their alignment status. The system incorporates specific sub-indicators informed by the high-level expectations of the Institutional Investor Group on Climate Change as well as China's decarbonization pathway.

ALIGNMENT STATUS (CSI 800, EQUAL WEIGHTED) – % OF TOTAL AND YEAR-ON-YEAR CHANGE 2022 TO 2024

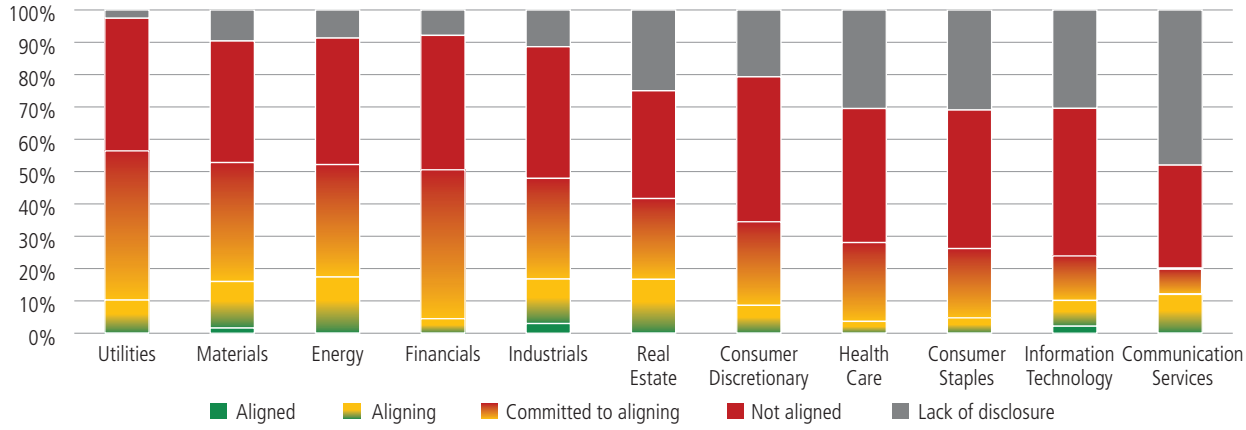


Source: NB Research. Data is as of the end of each financial year.

ALIGNMENT STATUS (CSI 800, EQUAL WEIGHTED) BY SECTOR – END OF YEAR 2024



ALIGNMENT STATUS (CSI 800, EQUAL WEIGHTED) BY SECTOR – END OF YEAR 2023



3. Overview of China's sustainable finance policies

Key Policies/Major policymaker	Timeline	Comment
Transition taxonomy • People's Bank of China (PBOC, the central bank)	• In 2021, PBOC launched a research initiative on a transition finance framework and led the development of a national taxonomy for steel, coal power, construction materials, and agriculture sectors • In March 2022, Huzhou released China's first city-level transition finance taxonomy • As of October 2025, the national transition framework has been implemented in pilot regions with over RMB50b in transition loans issued. PBOC is developing standards for seven additional sectors, including shipping and chemicals.	China's transition taxonomy combines PBOC's top-down guidance with local pilot-zone experimentation. It extends beyond project-level criteria to include company-level transition plans, addressing the complexities of hard-to-abate industries. However, China's plans to implement a standard national climate transition taxonomy across different provinces with varying levels on economic development and structures remains a question.
Sustainability disclosure • Ministry of Finance • China Securities Regulatory Commission (CSRC)	• In April 2024, China's three major stock exchanges issued sustainability reporting guidelines • In November 2024, the Ministry of Finance released the Corporate Sustainability Disclosure – Basic Standard • In April 2025, the Ministry of Finance and the Ministry of Ecology and Environment jointly issued a draft for public consultation on the Climate Disclosure Standards	By closely aligning with the International Sustainability Standards Board framework, China is strengthening the credibility on its sustainability information disclosure, enhancing cross-border comparability and potentially flows. The standard addresses uniquely Chinese priorities—such as rural revitalization—and introduces a dedicated impact disclosure building block, reflecting China's dual focus on financial materiality and real-world outcomes. With phased implementation starting with listed companies and a unified national system target by 2030, China is laying the groundwork for a robust sustainability reporting regime.
Carbon market • Ministry of Ecology and Environment (MEE)	In 2021, China launched its national carbon emissions trading market In January 2024, China launched its national GHG voluntary emission reduction trading market In March 2025, the MEE published a work plan for extending the sectoral coverage of the national carbon market from the thermal power sector to include the steel, cement, and aluminum industries By 2027, China plans to further expand the ETS to include heavy industry and aviation	After its expansion, China's national carbon market will cover over 3,500 companies and about 8 billion tons of CO_2—more than 60% of the country's emissions. Unlike the EU ETS, China's current system is based on emissions intensity, not an absolute cap. After 2030, once carbon emissions have peaked, stricter benchmarks and fewer free allocations are expected. This will drive more accurate carbon pricing and potentially enable absolute emissions reductions in high-emission sectors.
Stewardship code • CSRC (the security regulator)	• In May 2025, Asset Management Association of China (AMAC) issued the "Administrative Rules for Fund Managers' Participation in Listed Company Governance"	Fund managers are required to actively engage with listed companies on material ESG issues, vote on proposals when their shareholding reaches 5% or more, and publicly disclose proxy voting policies, voting records, and rationales. In line with CSRC's push for high-quality capital market development, the stewardship code is expected to drive fund managers to vote more frequently and enhance the quality and transparency of their stewardship practices.
Market value management • CSRC (the security regulator)	In November 2024, CSRC issued Regulatory Guidelines for Listed Companies No. 10 – Market Value Management	The new guidelines define market value management as "strategic actions" to boost a company's investment and shareholder value, reinforcing the regulatory push to improve listed company quality. Boards are now explicitly responsible for monitoring their valuation metrics and implementing a value enhancement strategy if there is a sustained decline in their stock price. A few Asian countries such as Japan and Korea have implemented market value management programs for their listed entities. Like these countries, China's program suggests optimizing a company's capital allocation through dividends and share buybacks. However, China differs in that it includes M&A as a potential source of value enhancement.

NEUBERGER | BERMAN

Neuberger Berman
1290 Avenue of the Americas
New York, NY 10104-0001

www.nb.com