

China advances climate disclosure with release of new standard

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On 25 December 2025, the Ministry of Finance, together with the Ministry of Ecology and Environment and several other ministries, officially released the *Corporate Sustainability Disclosure Standard No. 1 – Climate (Trial)* (hereinafter the “*Climate Standard*”). Being the first specific standard issued under the national unified sustainability disclosure framework, the *Climate Standard* marks the beginning of a new journey for China’s corporate climate disclosure, shifting from policy advocacy and industry exploration to an institutionalized and standardized approach.

Against the backdrop of steady progress toward China’s dual carbon goals and the continuous improvement of the green financial system, the *Climate Standard* not only provides companies with a clear and structured disclosure framework, but also builds a unified and comparable information system for capital markets, regulators and other stakeholders. It represents a major milestone in China’s participation in global climate governance and international sustainability disclosure development.

This article interprets the content and impact of the *Climate Standard* from five key aspects.

1. From “*Basic Standard*” to “*Climate Standard*” – a solid step within a unified system

Following the release of the *Corporate Sustainability Disclosure Standard – Basic Standard (Trial)* (hereinafter the “*Basic Standard*”) in November 2024, the *Climate Standard* has become the first thematic standard implemented under this framework, playing an important bridging role.

The *Climate Standard* aligns closely with the *Basic Standard* in purpose, disclosure objectives, structure, terminology and technical requirements. It does not repeat provisions on information quality, materiality, general disclosure requirements and terminology. This forms a structured and practical disclosure framework that also provides a reference for future thematic standards (such as biodiversity).

2. Disclosure framework – highly aligned with international standards

The *Climate Standard* adopts the same four core pillars used in the *Basic Standard* and other international mainstream frameworks – governance, strategy, risk and opportunity management, and metrics and targets. This structure also aligns with the International Sustainability Standards Board’s *IFRS S2 Climate-related Disclosures*. It helps enhance Chinese companies’ international influence and improves the comparability and understandability of disclosures.

In terms of disclosure requirements, the *Climate Standard* covers both climate-related physical and transition risks. It requires companies to disclose the current and anticipated impacts of climate-related risks and opportunities on their strategy, business model, financial position and operating results, as well as cash flows. The technical approaches for measuring scope 1, scope 2 and scope 3 emissions also align with mainstream international disclosure frameworks.

To ease the reporting burden, the *Climate Standard* provides several “relief measures” for challenging disclosure areas, requiring companies to use reasonable and supportable information available as of the reporting date without undue cost or effort. These areas include:

- Identifying climate-related risks, opportunities and impacts
- Anticipated financial impacts of climate-related risks and opportunities and climate-related impact information
- Determining appropriate methods, selecting inputs and assumptions, and making analytical decisions on how to conduct scenario analysis
- Selecting methods, inputs and assumptions for scope 3 emissions accounting
- Amount and percentage of assets or business activities exposed to physical or transition risks or associated with climate opportunities

For items 2 and 3, companies should also apply methods that match their skills, capabilities and resources.

3. Chinese characteristics – innovation built on alignment

Aligning with international standards does not mean simply copying. The *Climate Standard* incorporates several features with Chinese characteristics after considering local environment and corporate sustainability maturity:

- Separation of standard setting and implementation – The *Climate Standard* continues the approach of the *Basic Standard* by proposing comprehensive and forward-looking disclosure requirements. Before implementation scope and requirements are finalized, companies may adopt the standard voluntarily, avoiding a one-size-fits-all compliance burden.
- Introduction of “climate-related impact” disclosure – Consistent with the *Basic Standard*, the *Climate Standard* requires companies not only to disclose “how climate affects the company” but also the significant impacts of the company’s own activities on climate change. This reinforces corporate responsibility in climate governance and reflects a public policy-oriented system design.
- Clear financial disclosure of carbon trading and related matters – Companies must disclose carbon allowances trading, green power certificates, voluntary emissions reduction projects, trading of emission reduction units and renewable energy contracts, along with their financial statement impacts. This reflects integration between China’s carbon market, energy transition policies and climate disclosure requirements.
- Development of sector-specific guidelines – As climate risks and transition pathways differ across industries, authorities have initiated development of sector guidelines for nine industries, including power, steel and coal. These guidelines are expected to provide companies with more detailed directions for applying the *Climate Standard*.

4. What this means for companies – from disclosure requirements to governance transformation

Although the *Climate Standard* is a disclosure standard, its impact goes far beyond reporting. On one hand, it requires companies to integrate climate considerations systematically into strategy, risk management and resource allocation. The focus is not only on “final results” (such as emissions) but also on “process information” such as governance, decision-making and risk control.

On the other hand, requirements related to value chains, internal carbon pricing, scope 3 emissions and sector-specific financed emissions will push companies to strengthen cross-department coordination, data integration and value chain management capabilities.

In the long run, climate disclosure will become essential for companies seeking investment, gaining market recognition and managing risk. Companies with forward-looking strategies and strong governance foundations are more likely to gain strategic advantages in the low-carbon transition.

5. EY insights – taking the *Climate Standard* as a starting point to empower companies' high-quality development

We believe the release of the *Climate Standard* is a milestone in China's sustainability disclosure system. For companies, especially those deeply affected by climate issues, the key questions are not *whether* to disclose, but:

- how to integrate climate considerations into governance, strategy and risk management
- how to build reliable data collection and process systems
- how to meet compliance needs while delivering long-term value

We will continue to follow the implementation of the *Climate Standard* and related guidelines. By combining global experience with local insights, we will help companies turn disclosure requirements into drivers of governance improvement and value creation. Climate challenges are long term. The formal adoption of China's climate disclosure framework not only strengthens the sustainability regulatory system but also provides companies with opportunities to achieve long-term value in an uncertain environment.

Looking ahead, EY team will continue to support companies on their sustainability journey, helping them achieve steady, high-quality and sustainable long-term development.

For more information, please contact us:



Maria Sun

Managing Partner
EY Greater China IFRS
Ernst & Young Hua Ming LLP
+86 10 5815 3225
maria.sun@cn.ey.com



Nick Xu

Partner
EY Greater China Professional Practice Group
Ernst & Young Hua Ming LLP
+86 21 2228 6847
nick.xu@cn.ey.com



Lawrence Lau

Managing Partner
EY Greater China Sustainability and Financial
Accounting Advisory Services
Ernst & Young Hua Ming LLP
+86 21 2228 2816
lawrence.lau@cn.ey.com



Ivan Tong

Managing Partner
EY Greater China Sustainability Services
Ernst & Young Hua Ming LLP
+86 10 5815 3373
ivan.tong@cn.ey.com



Jessie Zhang

Partner
EY Greater China Sustainability Services
Ernst & Young Hua Ming LLP
+86 21 2228 3237
jessie-b.zhang@cn.ey.com

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