# Key trends shaping responsible investment in China by 2025



Every year, the ESG consultancy Syntao Green Finance, in conjunction with the China Sustainable Investment Forum (SIF), publishes a report detailing the prevailing trends in responsible investment within China. The latest report outlines the key trends predicted to shape the landscape by 2025, highlighting critical developments in environmental, social, and governance (ESG) practices and their implications for businesses.

The first trend identified is the increasing influence of **protectionism on global ESG development**. Geopolitical conflicts, particularly in the United States, have led to a polarisation around ESG issues, prompting many institutions to adopt a strategy described as **“greenhushing.”** This term refers to the avoidance of explicit discussions surrounding ESG goals and net zero targets, despite continued engagement with climate concerns, particularly in international markets. The need for collaboration between China and the EU becomes paramount to achieve objectives outlined in the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement, amid escalating trade tensions that may arise from protectionist policies.

The second trend is the **green transition coupled with monetary policy**, which is driving ESG growth in China. Despite facing economic challenges, China remains steadfast in its commitment to achieving **carbon peak** and **neutrality targets**. The coordinated approach to reducing pollution and carbon emissions, while stimulating economic growth, is forecasted to fuel the evolution of **transition finance**. It is predicted that by 2025, initiatives from China's national carbon market will extend to multiple sectors, encompassing approximately 60% of national greenhouse gas emissions.

**Climate adaptation efforts aimed at mitigating extreme weather risks** constitute the third trend noted in the report. As the frequency of extreme weather events escalates, the necessity for adaptation strategies has become prominent. Recent government initiatives, such as the **Action Plan on Early Warning for Climate Change Adaptation (2025-2027)**, reflect a commitment to building resilience in sectors vulnerable to climate risks by enhancing monitoring and adopting sustainable practices.

The fourth trend outlined involves the **standardisation and expansion of ESG disclosure**. Milestones in 2024 included the introduction of new sustainability reporting guidelines across major Chinese stock exchanges, bolstering the quantity and quality of ESG reporting. Companies will need to grapple with challenges like the application of the double materiality principle and climate risk analysis to meet these new standards.

**Carbon accounting and transition planning** emerge as a pertinent focus under the fifth trend, with financial institutions and corporations increasingly required to disclose their carbon emissions, particularly Scope 1 and Scope 2. As awareness of Scope 3 emissions grows, the pressure for more comprehensive reporting and credible transition plans rises, necessitating adaptations across a range of industries.

The report also anticipates that **nature-related financial disclosures** will gain traction, largely driven by the **Taskforce on Nature-related Financial Disclosures (TNFD)**. Discussions surrounding biodiversity and ecosystem protection will become more pronounced as the financial sector integrates nature-related data into risk management frameworks.

Additionally, **export compliance** is set to enhance ESG performance across businesses, particularly among Chinese manufacturers exporting globally. The EU’s sustainability-focused legislation necessitates due diligence and accountability, demanding significant ESG compliance from companies aiming to penetrate European markets.

The seventh trend indicates a **broader application of ESG ratings**, with a more mature Chinese ESG rating industry expected to emerge. As competition among rating providers increases, transparency in methodologies will enhance the credibility of these ratings, essential for investment decisions in various sectors.

The eighth trend highlights the **untapped potential within pension finance**. Reforms in China's pension system, particularly regarding private scheme tax incentives, indicate a growing alignment between pension funds and ESG goals, creating opportunities for innovative integration of ESG factors into investment strategies.

Finally, **rapid advancements in artificial intelligence (AI)** represent the tenth trend, underscoring the significance of technology ethics amidst the growth of generative AI. As regulatory frameworks continue to evolve, companies are encouraged to embrace ethical compliance to mitigate potential risks, including those highlighted by incidents like the robotaxi controversy in 2024. This imperative for ethical governance, particularly among tech companies, includes the need to disclose performance on technology ethics in sustainability reporting.

In summary, the report articulates a dynamic landscape for responsible investment in China, distinguishing critical trends that are poised to influence both local and global ESG practices as stakeholders navigate a complex milieu of economic, social, and environmental considerations.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://en.chinasif.org/products/2025top10> - This URL supports the claim about the Top 10 Trends in Responsible Investment in China 2025, highlighting key developments in ESG practices. It provides insights into trends such as protectionism affecting global ESG development and the green transition coupled with monetary policy.
* <https://www.ifcbeyondthebalancesheet.org/node/521> - This link corroborates the importance of stakeholder collaboration in driving climate action and sustainable finance, aligning with global ESG standards. It highlights China's role in advancing these standards.
* <https://www.un.org/sustainabledevelopment/sustainable-development-goals/> - This URL supports the mention of the United Nations Sustainable Development Goals (SDGs) and their relevance to global ESG objectives.
* <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement> - This link provides context for the Paris Agreement, which is mentioned as a key framework for achieving climate goals amidst protectionist policies.
* <https://www.cdp.net/en> - This URL relates to carbon disclosure and transition planning, highlighting the importance of comprehensive reporting on carbon emissions.
* <https://www.tnfd.info/> - This link supports the trend of nature-related financial disclosures, driven by the Taskforce on Nature-related Financial Disclosures (TNFD).
* <https://ec.europa.eu/environment/eussd/smgp/index_en.htm> - This URL provides information on EU sustainability-focused legislation, which impacts export compliance and ESG performance for companies exporting to European markets.
* <https://www.mof.gov.cn/zhengwuxinxi/zhengcefabu/2023/202302/t20230227_5121115.htm> - This link relates to recent government initiatives in China, such as the Action Plan on Early Warning for Climate Change Adaptation, reflecting a commitment to building resilience against climate risks.
* <https://www.chinadaily.com.cn/a/202307/06/WS64d8e2fda31057c47ebb6a0d.html> - This URL supports the discussion on China's national carbon market and its expansion to multiple sectors, aiming to cover a significant portion of national greenhouse gas emissions.