

# The listed company

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## Environmental Information Disclosure of Listed Companies

**Disclosure of environmental information  
of the listed pharmaceutical companies  
has improved**

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***Observations on the Disclosure of the Environmental Information of Listed Companies***  
***Disclosure of environmental information of the listed pharmaceutical companies has improved***

**Foreword**

The pharmaceutical industry is an important part of China's national economy. It is an industry that combines traditional and modern industrial activities with a very long and complex supply chain system. The fulfillment of the social and environmental responsibilities of the pharmaceutical industry is not only related to the health of the people, but also to the environmental protection and governance of the entire pharmaceutical supply chain. Therefore, it is very important for the healthy development of the stock market for listed pharmaceutical companies to disclose environmental information to the public in a timely, active, and effective manner.

After entering the 21st century, China's pharmaceutical industry has developed rapidly, and now the pharmaceutical industry is an important part of China's national economic development, but also one of the industries that the China focuses on in terms of energy conservation and environmental protection. The pharmaceutical industry has left the public with the general impression of "high precision", seemingly unrelated to the steel, chemical, cement and other "three high" industries. But the truth is that there are many cases of nuisance involving pharmaceutical companies. In the pharmaceutical industry, there are many production varieties, long production processes, many types and quantities of raw materials, and low utilization rate of raw materials, which lead to a large amount of "three wastes" and complex waste components generated in the production process of the industry, which may bring greater harm.

With the continuous improvement of national supervision of environmental protection, the pharmaceutical industry, as a heavy polluting industry, will definitely be affected a lot. Previously, in some regions, environmental enforcement was lax, and the cost of breaking the law was lower than the cost of abiding by the law. As a result, some pharmaceutical companies preferred to pay fines rather than make rectifications. In order to promote enterprises to further improve their environmental performance, the enforcement of environmental law has been strengthened in recent years, and on the other hand, corporate environmental information disclosure has also formed new requirements and has received more attention.

This report focuses on companies in the pharmaceutical manufacturing industry (including affiliates with more than 50% equity) that are listed on A-shares and listed in the list of key pollutant discharge units announced by the environmental protection department, and observe and analyze the status of their environmental information disclosure. This report takes 2020 and 2021 as the observation period, focuses on companies that have received a single environmental penalty of 100,000 yuan or more during this period, analyzes the performance of these listed companies in environmental information disclosure, and summarizes the problems found by PECC and IPE in the process of communicating with the observed enterprises and the progress of the overall environmental information disclosure, and puts forward some development suggestions for the improvement of environmental information disclosure in the pharmaceutical industry in the future. In addition, this report also mentions the new challenges that pharmaceutical companies will face after the implementation of the "Administrative Measures for Legal Disclosure of Corporate Environmental Information" (hereinafter referred to as the "Administrative Measures") newly issued by the Ministry of Ecology and Environment in February

2022.

### **1. Disclosure requirements for environmental information of listed companies involved in key emissions**

In order to implement the new “Environmental Protection Law” and guide and supervise the disclosure of environmental information by enterprises and institutions, the Ministry of Environmental Protection issued the “Measures for Disclosure of Environmental Information by Enterprises and Institutions” (hereinafter referred to as the “Measures for Disclosure”) on December 19th, 2014, and implemented it on January 1st, 2015. Although with the implementation of the new regulations - “Administrative Measures for Legal Disclosure of Corporate Environmental Information” (hereinafter referred to as the “Administrative Measures”) and “Guidelines for the Format of Legal Disclosure of Environmental Information of Enterprises” from February 8th, 2022, the Measures for Disclosure have expired on the same date. However, past disclosures by enterprises prior to February 8th, 2022 are still made with reference to the Measures for Disclosure. Therefore, the disclosures in this report covering the period prior to 2022 are still assessed with reference to the provisions in the “Measures for Disclosure”. Article 9 of the “Measures for Disclosure” clearly mentions that the environmental information that key pollutant discharging units should disclose are: pollutant discharge information, including the names of main pollutants and characteristic pollutants, discharge methods, number and distribution of discharge outlets, discharge concentration and the total amount, the situation that exceeds the standard, the implemented standard of the discharge of the pollutant, and the approved total amount of discharge; the construction and operation of facilities for pollution prevention and control; the environmental impact assessment of construction projects and other administrative licenses of environmental protection; emergency plans for environmental emergencies; other environmental information that should be disclosed. The key pollutant discharge units included in the list of key national monitoring enterprises shall also disclose their environmental self-monitoring plans.

In 2017, the China Securities Regulatory Commission issued the “Standards on the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports (Revised in 2017)”, in which Section 5, Article 44 states that: the companies of key pollutant discharge units or their main subsidiaries announced by the environmental protection department shall disclose the following main environmental information in accordance with the provisions of laws, administrative regulations, departmental rules and normative documents: (1) The information of pollution discharge. Including but not limited to the names of main pollutants and characteristic pollutants, discharge methods, number and distribution of discharge outlets, discharge concentration and total amount, excessive discharge, implemented standards of pollutant discharge, and approved total discharge. (2) The construction and operation of facilities for pollution prevention and control. (3) The environmental impact assessment of construction projects and other administrative licenses of environmental protection. (4) Emergency plans for environmental emergencies. (5) Environmental self-monitoring plan. (6) Other environmental information that should be disclosed.

In June 2021, the China Securities Regulatory Commission issued a new revised version of the “Standards on the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports (Revised in 2021)”,. Compared with the revised version in 2017, this version adds a disclosure for companies or their major subsidiaries that

are key pollutant discharge units announced by the environmental protection department: administrative penalties for environmental issues during the reporting period.

In addition, according to Chapter VIII - Supplementary Provisions Article 78 [Definition of Larger Fines] of the Measures for Environmental Administrative Penalties (2010): The larger fines in Article 48 of these Measures refer to RMB (or the value of equivalent items) more than 5,000 yuan for citizens, and for legal persons or other organizations, refer to the value of RMB (or equivalent items) more than 50,000 yuan. Article 8 of the “Administrative Measures” stipulates that listed companies and enterprises that were fined more than 100,000 yuan for ecological and environmental violations in the previous year need to disclose in accordance with the “Administrative Measures”. Therefore, based on the definition of larger fines in the “Measures for Environmental Administrative Penalties” and the role of 100,000 RMB in the Administrative Measures, PECC and IPE have considered and selected companies with environmental penalties of more than 100,000 RMB in 2020 based on the Blue Map database ([www.ipe.org.cn](http://www.ipe.org.cn)) as the targets of this report, with the aim of focusing on the comprehensiveness and completeness of the disclosure of companies with environmental penalties above the larger fines.

## **2. Changes in the performance of the environmental disclosure of listed pharmaceutical companies involved in key emissions in 2020 and 2021**

This report focuses on the environmental information disclosure of A-share listed companies in the pharmaceutical manufacturing industry (including subsidiaries with more than 50% equity) that were fined \$100,000 or more in environmental penalties for a single environmental violation in 2020 and are also listed in the list of key discharge units published by the environmental protection department. By going through the 2020 and 2021 annual reports of listed companies that meet the screening criteria, we observe whether their awareness of environmental information disclosure has increased with the new regulations that have been introduced during the two-year period.

When paying attention to the disclosure situation in 2020, we will compare the annual reports of companies that meet the screening conditions with Article 9 of the “Measures for the Disclosure of Environmental Information of Enterprises and Institutions” and the Article 44 of Section V of the “Standards on the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports (Revised in 2017)”. When paying attention to the disclosure situation in 2021, we mainly refer to the “Standards on the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports (Revised in 2017)”, and compare it with the company’s annual report to evaluate the company’s disclosure situation.

According to the previous experience of paying attention to the disclosure of corporate annual reports, in general, many listed companies can disclose information on pollution discharge in a more standardized manner in accordance with regulations, but it is easy to lack the disclosure of environmental administrative penalties. In this report, PECC and IPE also focus on observing the disclosure performance of pharmaceutical manufacturing companies on this easily overlooked item.

According to incomplete statistics from Blue Map Big Data, in 2020 there were 11 listed pharmaceutical companies involving heavy emissions (including affiliates with more than 50% equity) that received a single fine of 100,000 yuan or more in environmental penalties, and there were a total of 17 environmental regulatory records of 100,000 yuan or more. Among them, 4 companies’ disclosures are basically in line with the norms; 7 listed companies involving in heavy emissions do not

fully disclose environmental information; 0 listed companies involving in heavy emissions do not disclose environmental information.

The same eleven listed companies involving in heavy emissions, a total of nine companies were again subject to environmental penalties in 2021, of which eight companies' annual environmental disclosures were largely compliant and one company did not fully disclose environmental information. Of the nine companies that were penalized again, four of the companies that originally did not disclose environmental penalties did so, and five of the companies that originally disclosed continued to do so. Among the remaining companies, there were two companies that had no new penalties compared to the previous year. In addition, in the future, listed companies should not only disclose in the annual report, but also should strengthen temporary disclosure according to the requirements of the new regulations "Administrative Measures", so as to help listed companies disclose environmental information more legally and compliantly.

### **3. Challenges faced by enterprises after the implementation of Administrative Measures for Legal Disclosure of Corporate Environmental Information**

The "Administrative Measures for Legal Disclosure of Corporate Environmental Information" and the "Format Guidelines for Legal Disclosure of Corporate Environmental Information" issued by the Ministry of Ecology and Environment have come into effect on February 8th this year, clarifying the legal disclosure of corporate environmental information for the year (hereinafter referred to as the annual report) and the normative requirements for the preparation and release of the temporary disclosure reports of environmental information (hereinafter referred to as temporary reports). The promulgation and implementation of these two regulations provides a crucial legal basis for the disclosure of the corporate environmental information, which means that the disclosure of the corporate environmental information in China has entered a new era.

The Administrative Measures clarify the subjects of enterprises that should disclose environmental information according to the law, among which, two progresses have been made for the disclosure of environmental information of listed companies: first, the scope of disclosure is clarified, i.e. "listed companies and subsidiaries at all levels within the scope of consolidated reporting"; second, the definition of significant administrative penalties is established, i.e. "fines of 100,000 yuan and above". These two points provide a clear and enforceable theoretical basis for promoting annual and interim disclosure of environmental information of listed companies.

Article 11 of the Management Measures stipulates that enterprises shall prepare annual reports and temporary reports in accordance with the guidelines, and upload them to the corporate disclosure system of environmental information in accordance with the law by March 15th each year. It is reported that the information disclosure system has not yet been built.

In addition to this, the Management Measures set out clear requirements for the temporary disclosure of environmental information of enterprises. For information of high market interest and timeliness, such as changes in ecological and environmental administrative permits, administrative penalties and compensation for ecological and environmental damage, the Administrative Measures and the Format Guidelines require that enterprises shall disclose in a timely manner within five working days from the date of receipt of the relevant legal documents, in the form of an interim disclosure report of environmental information in accordance with the law:

- Information on the approval, modification, renewal and revocation of ecological and environmental administrative licenses;

- Information on administrative penalties for ecological and environmental violations;
- Information on ecological and environmental violations for which the legal representative, principal person in charge, directly responsible supervisors and other directly responsible persons have been sentenced to administrative detention according to law;
- information on ecological and environmental violations for which the enterprise or its legal representative, principal person in charge, directly responsible supervisors and other directly responsible persons have been held criminally liable;
- Information on ecological and environmental damage compensation and agreements.

Some listed companies and their consolidated-statement enterprises have been included in the list of the disclosure of the environmental information publicly announced by local environmental protection departments because they are key emission units and mandatory cleaning audit units. Meanwhile, according to the “Administrative Measures”, listed companies and their subsidiaries at all levels within the scope of consolidated statements that have been held criminally liable or subject to significant administrative penalties for ecological and environmental violations that occurred in the previous year are among the corporate subjects that should be subject to temporary disclosure of the environmental information in accordance with the law.

With the implementation of the Administrative Measures and Disclosure Guidelines, if a listed company receives an environmental penalty decision after February 8th, 2022, it should make temporary information disclosure on the penalty situation within five working days and make a public explanation to the community on the environmental violations.

According to the Administrative Measures and Format Guidelines, enterprises shall disclose environmental information in a timely, truthful, accurate and complete manner in accordance with the law, and the environmental information disclosed shall be concise, clear, and easy to understand, and shall not contain any false records, misleading statements or major bugs.

The formulation and implementation of the Administrative Measures has greatly improved the disclosure system of the environmental information of Chinese enterprises, and it is also extremely challenging for enterprises to disclose environmental and climate information. As one of the industries that the country focuses on in the field of environmental governance and low-carbon development, the pharmaceutical industry needs to pay more attention to the environmental performance of itself and its subsidiaries, innovate green and low-carbon technologies, reduce the impact and damage of production activities on the ecological environment, and actively fulfill its responsibility for environmental protection, adhere to good environmental compliance and accelerate low-carbon transformation.

#### **4. Conclusion**

By observing the environmental information disclosure of A-share listed companies in the pharmaceutical manufacturing industry (including affiliates with more than 50% equity) that have a single large fine of 100,000 yuan or more and are listed in the list of key emission units published by environmental protection departments, we find that the overall disclosure of these companies in 2020 is mixed. In 2020, 11 companies had environmental penalties of 100,000 yuan or more, of which 4 companies were able to actively and completely disclose environmental information including environmental supervision records of themselves or their subsidiaries; 1 company voluntarily disclosed environmental supervision records, but did not disclose the information of pollution discharge; 2 companies failed to disclose environmental supervision records in their annual reports,

but made supplementary disclosures/explanations in their semi-annual reports or on the website of Blue Map on IPE; 1 company: Zhejiang Jiuzhou Pharmaceutical Co., Ltd made passive disclosures, 3 companies: Hisun Pharmaceutical Co., Ltd., Menovo, and Chengyi Pharmaceutical Co., Ltd. failed to disclose their environmental supervision records. PECC contacted 2 of these companies and kindly prompted them to make additional disclosures. Among them, Hisun Pharmaceutical believes that the amount is too small to be disclosed, and Menovo avoids a positive answer, while Chengyi Pharmaceutical cannot get in touch. As of the end of April, the above 11 companies have all released their 2021 annual reports. 2 companies: Hainan Shuangcheng Pharmaceutical Co., Ltd. and Ningbo Menovo have no new environmental punishments. All 9 companies with new environmental penalties have taken the initiative to disclose the penalties, and the overall disclosure situation tends to be compliant, with only one company, Adisseo, not disclosing emissions information.

Here, PECC and IPE would like to use this report to remind the majority of listed pharmaceutical companies that the new regulations have arrived, and they have expanded the scope of the subjects of the information disclosure, set a time limit for companies to disclose, and at the same time, the content of information that needs to be disclosed by companies is also updated. The era of mandatory disclosure of environmental information has come. Compared with the disclosure under the “Measures for Disclosure”, under the “Administrative Measures for Legal Disclosure of Corporate Environmental Information”, enterprises need to put more effort into the work of their environmental management, and pay attention to the company’s environmental performance and green development to make accurate and effective disclosure. The disclosure of environmental information by listed companies in accordance with the law is not only conducive to increasing the disclosure of environmental information of enterprises, thus leading to extensive public participation in environmental protection, but is also important for enterprises to fulfill their main responsibility, avoid environmental risks, establish a good brand image or repair environmental credit. The disclosure of environmental information in accordance with the law is also a way to help companies achieve green and sustainable development, so that they can be truly “environmentally friendly”.