

## China imposing green policy on companies

Beijing has put into effect a "green securities" plan aimed at making it harder for polluters to raise capital and requiring listed companies to disclose more information about their environmental records.

The plan is part of a drive by the State Environmental Protection Administration to enlist other government agencies to give financial and economic policies a green hue.

China has adopted "green credit" and "green insurance" in recent months and has plans for "green taxation" and "green trade" to help clean up the economy.

"It will curb excessive growth in highly polluting sectors, reduce capital-market risk and spur listed firms to improve their environmental performance," Pan Yue, deputy head of the agency, said Monday on its Web site.

The need to comply with tougher environmental standards is a reason that executives regularly give for the rising cost of doing business in China.

One element of agency's "green securities" program is already in place. Companies in sectors including thermal power, steel, cement and aluminum need its approval before they can apply to the securities regulator to sell shares.

The agency said it had checked the environmental record of 37 listed companies and objected to the capital-raising plans of 10 companies last year. Eight of them went on to issue shares only after improving their pollution controls, the agency said. Pan said some listed companies had applied to sell shares to finance environmental protection but then used the capital to expand production.

The second pillar of the program is a requirement that listed companies provide more information about their environmental performance.

The agency said fewer than half of listed companies bothered to even mention the environment in their 2006 annual reports.

Greater disclosure would not only push companies to meet their environmental responsibilities but also help to protect investor interests, Pan said.

He said Beijing's drive to clean up the environment was translating into policy risks for many listed polluters and for retail investors in those companies.

Last year, permits for new projects by the companies or local governments were suspended until they had resolved the environmental violations that the agency had reported.

The shares of Datang Power, Huaneng Power International, Huadian Power International and GD Power Development had all underperformed the broader market in 2007 because of tougher environmental standards, Pan said.

Environmental tightening had also weighed on the share performance of petrochemical, paper-making and pharmaceutical companies, he said.

His agency is a relatively weak arm of the government. Pan acknowledged this month that some provinces and banks had simply ignored its "green credit" policy, which requires financial institutions to block loans to companies that pollute.

But the agency's clout is growing as environmental protection gains prominence on the political agenda, and there is talk that next month's annual meeting of Parliament will upgrade the to a ministry.

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