

# ESG Practice of Domestic Listed Companies

Yina Song \*

Department of business, City University of Macao, Macao, 999078, China

\*Corresponding Author: [yina331@icloud.com](mailto:yina331@icloud.com)

---

## ABSTRACT

This article conducts in-depth research on the uniformity of the ESG (Environmental, Social, and Governance) information disclosure framework. The article points out that in order to ensure horizontal comparability of ESG information, a standardized disclosure framework similar to financial information must be implemented. The article emphasizes the importance of establishing a unified disclosure framework by analyzing the current situation of ESG information disclosure both domestically and internationally, especially the relevant laws, regulations, and guidelines in Europe and America. At the same time, the article also points out the problems in the ESG development of listed companies in China, including incomplete regulations, inconsistent disclosure frameworks, and insufficient information comparability. Based on these analyses, this article proposes suggestions for constructing a unified ESG disclosure framework in China to promote effective comparison and evaluation of ESG information among enterprises.

## KEYWORDS

ESG; Listed companies; Strategic recommendations; Information disclosure

---

## 1. INTRODUCTION

### 1.1. Research Background

In recent years, with the continuous development of the global economy, ESG has become a "compass" for the sustainable development of Chinese enterprises. As an important component of the market economy, listed companies not only have their own economic benefits related to their business behavior, but also have a profound impact on the sustainable development of society. ESG stands for Environmental, Social and Governance, which is highly aligned with the national "dual carbon" goals and has become an important reference frame for measuring sustainable and high-quality development of enterprises. It emphasizes that enterprises should not only pursue economic benefits but also pay attention to their responsibilities to the environment and society [1].

The practice of ESG (Environmental, Social, and Corporate Governance) concepts by domestic listed companies is becoming increasingly common. In the face of sustainable development and new situations and changes in the investor market, in recent years, the willingness and level of ESG information disclosure of A-share listed companies have also significantly increased. ESG is not only information disclosure, but also a tool for the business development strategy and management of enterprises. Only by truly integrating ESG into enterprise strategy and daily management can we truly promote sustainable development of enterprises.

## **1.2. Research Meaning**

### **1.2.1. Theoretical significance**

Deepening the ESG theoretical framework can further enrich and improve the ESG theoretical framework through in-depth research on the ESG development history of domestic listed companies. ESG (Environment, Society, and Governance) is an important tool for evaluating non-financial performance of enterprises. Its theoretical system needs to keep up with the times and constantly adapt to changes in the domestic and international economy, society, and environment. By reviewing and analyzing the development history of ESG in domestic listed companies, we can discover the uniqueness and challenges of the application of ESG theoretical framework in China, providing practical basis for the improvement of the theoretical framework.

Enhancing the value of academic research, ESG research has become one of the focal points of global academic attention. By studying the development process of ESG in domestic listed companies, the practical experience and lessons of ESG in China can be revealed, providing valuable academic references for scholars both domestically and internationally. Meanwhile, this study also contributes to enhancing the academic status and influence of domestic scholars in the field of ESG.

### **1.2.2. Realistic significance**

Guiding the practice of listed companies, domestic listed companies started relatively late in ESG practice, but developed rapidly. By studying the development process of ESG, we can summarize the successful experiences and lessons learned from failures of domestic and foreign listed companies, providing practical guidance and reference for listed companies. This helps listed companies better fulfill their social responsibilities, enhance their corporate image and brand value, and achieve sustainable development.

To promote sustainable social development, ESG aims to enhance the environmental sustainability, social value, and governance capabilities of enterprises. By studying the ESG development history of domestic listed companies, more companies can be encouraged to pay attention to environmental, social, and governance issues, and actively participate in sustainable social development. This helps to promote the development of the entire society towards a more green, harmonious, and sustainable direction.

## **1.3. Research Objective**

The main purpose of this study is to deeply explore and analyze the development process of domestic listed companies in the field of environment, society, and governance (ESG), providing historical basis and theoretical support for the ESG practice of Chinese listed companies. This study aims to reveal the positive role of ESG in promoting sustainable development, optimizing corporate governance structure, and enhancing the level of corporate social responsibility fulfillment by thoroughly sorting out and analyzing the origin, formation, development, and current situation of ESG concepts in domestic listed companies. Meanwhile, this study also aims to provide useful reference and inspiration for Chinese listed companies to improve their ESG management level in the context of globalization by comparing the differences in ESG practices between domestic and foreign listed companies.

## **2. THEORETICAL FOUNDATION OF ESG GOVERNANCE**

The ESG system covers the performance of enterprises in the three dimensions of environment, society, and governance, aiming to evaluate their ability to respond to environmental challenges, fulfill social responsibilities, and optimize internal governance. ESG system is an abbreviation of the three English words "Environmental", "Social", and "Governance". It represents a new methodology

for evaluating corporate performance and value. The core of the ESG system lies in incorporating the three dimensions of environment, society, and governance into the investment decision-making process, to guide investors in pursuing economic returns while also considering the social impact and environmental responsibility of the enterprise. The environmental dimension mainly focuses on the performance of enterprises in reducing pollution, conserving resources, and responding to climate change. The social dimension involves the responsibility of enterprises in areas such as employee rights, consumer rights, and community relations. The governance dimension emphasizes issues such as internal management mechanisms, board structure, anti-corruption, and transparency of the enterprise [1]. The emergence of ESG system is not only an inevitable result of economic and social development, but also an inevitable choice for enterprises to seek sustainable development paths in the face of increasingly serious environmental and social problems [2].

### **3. CURRENT DEVELOPMENT STATUS OF ESG GOVERNANCE IN DOMESTIC LISTED COMPANIES**

#### **3.1. Regulatory Status**

In recent years, with the deepening of ESG (Environmental, Social, and Governance) concepts, the Chinese government and regulatory agencies have gradually strengthened their supervision of ESG practices of listed companies. On April 12, 2024, the Shanghai Stock Exchange officially released the "Guidelines for Sustainable Development Reports of Listed Companies", marking a new stage of ESG regulation for listed companies in China. This guideline clearly requires listed companies to integrate the concept of sustainable development into their development strategies and business management activities, continuously strengthen ecological environment protection, fulfill social responsibilities, improve corporate governance, and continuously enhance their corporate governance, competitiveness, and innovation capabilities. In addition, regulatory authorities have strengthened their regulatory enforcement efforts and imposed penalties on listed companies that fail to disclose ESG information as required or have serious environmental and social issues, in order to promote listed companies to better fulfill their ESG responsibilities.

#### **3.2. Disclosure Status**

In recent years, sustainable finance has been evolving at a rapid pace globally, especially in the Asia Pacific region. ESG has also gradually moved from concept to practice, from investment niche concepts to mainstream trends, and has become a hot topic of global discussion. On June 26, 2023, the International Sustainable Development Standards Board (ISSB) officially released two standards, the General Requirements for Sustainability Related Financial Information Disclosure and the Climate Related Disclosure, which have reached global benchmarks and are important milestones in the development of sustainable information disclosure. This has had a wide-ranging impact on regulatory agencies and securities trading in various countries, and also poses new requirements for companies to disclose ESG information compliance in the future. In addition, the Hong Kong Stock Exchange has released a consultation document on climate information disclosure under the framework of optimizing the environment, society, and governance, which recommends that all issuers disclose climate related information in their ESG reports and introduce new climate related information disclosure requirements that comply with the International Sustainable Development Standards Board's ISSB climate guidelines, consistent with the effective date of the ISSB guidelines on January 1, 2024. Under the continuous promotion of the market and regulation, the ESG information disclosure level of Chinese listed companies has reached a new level, with a significant increase in the number and proportion of listed companies actively disclosing ESG information, and the completeness of ESG disclosure is also constantly improving [3].

With the strengthening of regulatory efforts, the quantity and quality of ESG information disclosure by listed companies have improved. According to Wind data, from 2019 to 2023, the number and disclosure rate of independent ESG reports released by A-share listed companies have shown a continuous upward trend, with the number of companies releasing reports increasing from 1020 to 2093, doubling over the past five years. The disclosure rate also increased from 27.13% to 39.23%, an increase of 12 percentage points. From the perspective of industry distribution, some industries such as the banking industry have shown outstanding performance in ESG information disclosure, with a consistently high disclosure rate. From the perspective of regional distribution, although the number of listed companies in some regions is relatively small, their ESG disclosure rates have a clear leading advantage.

### **3.3. Rating Status**

China's ESG rating is still in the exploratory stage, with existing rating agencies including China Securities, Huazheng, Wanda, and Menglang, showing a diversified development pattern [4]. These rating agencies construct an ESG evaluation system to quantitatively evaluate the ESG performance of listed companies and provide corresponding rating results. The rating results not only provide important reference information for investors, but also promote the attention and improvement of ESG issues by listed companies. There are the following problems in China's ESG rating: firstly, the ranking principle deviates from the original intention of ESG and mistakenly starts the rating from the perspective of helping capital allocators obtain more profits; The second is that the cognitive bias of rankings misleads investors. Many ranking institutions are not professional financial institutions, and their ESG ranking lists may have a misleading effect on investors; The third is to use ESG for profit, which leads to adverse selection. There is a behavior in the capital market that pursues investment returns under the name of ESG, resulting in companies that do not possess the basic ESG attributes being pursued by related ESG investment activities; Fourthly, political factors interfere with the objectivity of ratings, and Western discourse power, Western values, and Western investment logic are manipulating global ESG. The reasons behind the chaos lie in some rating agencies ignoring the internal logic of ESG, publishing agencies lacking professionalism, difficulties in obtaining data, and opaque rating processes in order to "ride the heat".

### **3.4. Investment Status**

With the rise of ESG investment philosophy, more and more investors are paying attention to the ESG performance of listed companies and incorporating it into their investment decisions. Some institutional investors even set up ESG investment funds specifically to support listed companies that perform well in ESG. At the same time, some listed companies have also begun to attach importance to ESG investment, increasing investment in environmental protection, social responsibility, and corporate governance to improve their ESG performance and attract more ESG investors. This trend not only helps to promote listed companies to better fulfill their ESG responsibilities, but also promotes the healthy development of the capital market. In summary, domestic listed companies have made some progress in ESG practice, but there is still a need to continue to strengthen supervision, improve disclosure quality, improve rating systems, and promote ESG investment.

## **4. COMPARISON OF ESG GOVERNANCE BETWEEN DOMESTIC AND FOREIGN LISTED COMPANIES**

### **4.1. Similarities**

Core philosophy: Both domestic and foreign listed companies regard ESG governance as a key factor for their long-term development, emphasizing the balanced development of the three dimensions of environment, society, and governance.

International trend: With the global emphasis on sustainable development and environmental protection, both domestic and foreign listed companies have actively responded by incorporating ESG governance into their corporate strategies and daily operations.

## **4.2. Differences**

### **4.2.1. Evaluation criteria**

For the domestic, the ESG evaluation standards in China have not yet been fully unified, and there are differences in evaluation standards among different institutions. For example, the Green Investment Guidelines released by the China Securities Investment Fund Industry Association and the ESG Evaluation Guidelines for Chinese Enterprises released by the Chinese Academy of Social Sciences differ in terms of evaluation dimensions and indicator settings.

For the international, the international ESG evaluation standards are relatively mature, such as MSCI, Sustainalytics, and other internationally renowned ESG rating agencies, whose evaluation standards and methods have been widely recognized and applied.

### **4.2.2. Information disclosure method**

For the domestic, domestic listed companies are still in the early stages of ESG information disclosure, and mostly adopt voluntary disclosure as the main method. At the same time, the quality of information disclosure varies, and there is a lack of unified information disclosure standards and norms [5].

For the international, international listed companies are more mature in ESG information disclosure, combining mandatory and voluntary disclosure, generally following internationally recognized information disclosure standards and norms, with higher quality information disclosure, more comprehensive and specific data.

### **4.2.3. Practical level**

For the domestic, domestic listed companies are still in the exploratory stage of ESG governance practices, with varying levels of ESG governance practices. Some companies lack systematic ESG governance strategies and implementation measures.

For the international, international listed companies are relatively mature in ESG governance practices and have generally established systematic ESG governance strategies and implementation measures, integrating ESG governance into their daily operations.

## **5. THE SHORTCOMINGS OF ESG DEVELOPMENT IN DOMESTIC LISTED COMPANIES**

### **5.1. The ESG Rating System of Domestic Listed Companies Lacks a Unified Standard**

The development of ESG rating systems abroad is mature, while research on ESG rating systems in China is still in the initial stage. Moreover, social entities have insufficient understanding of ESG, which has limited market impact on ESG rating results [6]. Listed companies do not have unified standards for ESG information disclosure, resulting in poor information disclosure efficiency [6]. China is a system with public ownership as the mainstay and multiple forms of ownership developing together. Therefore, based on this, adjustments have been made to China's ESG rating system. In terms of social responsibility and corporate governance, private and state-owned enterprises are different. In addition to profit goals, state-owned enterprises also have a responsibility to the country and society. In terms of environmental factors, foreign countries have already experienced the problems currently encountered in China, and the environmental pollution caused by it has been

properly solved. However, China is still in the stage of concentrating efforts to solve environmental pollution, so compared to developed countries, the pressure on pollution control in China is greater.

## **5.2. ESG Disclosure Varies Significantly Among Companies of Different Sizes**

Top companies disclose actively, but low market value companies have a lower willingness to disclose. According to a report by Fan Ziying, Dean of the Fuguo ESG Research Institute at Shanghai University of Finance and Economics, from 2018 to 2022, although the number of listed companies in China that disclosed ESG reports doubled, the disclosure rate of companies with very low market capitalization was only 10%, far lower than the 77% disclosure rate of top companies. This shows significant differences in attitudes and enthusiasm among companies of different sizes in ESG disclosure.

## **5.3. Insufficient Standardization of ESG Information Disclosure**

Currently, there is no unified system of sustainable disclosure standards for enterprises in China, resulting in insufficient standardization and standardization of ESG information disclosure. This not only poses difficulties for companies in report preparation, but also challenges investors in information interpretation. At the same time, the ESG information disclosure of domestic listed companies lacks unified and independent third-party certification, which may lead to the phenomenon of "greenwashing", where companies may exaggerate their ESG performance or conceal their bad behavior. In response to the current issue of inconsistency in ESG information disclosure frameworks, we need to emphasize that ESG information should also have horizontal comparability with financial information. This requires companies to clearly articulate the methods of data compilation, analysis, and disclosure in their external reports, and provide reports on data consistency [7].

# **6. STRATEGIES AND SUGGESTIONS FOR IMPROVING THE ESG GOVERNANCE LEVEL OF DOMESTIC LISTED COMPANIES**

## **6.1. Actively Implementing Climate Action to Help Achieve the "Dual Carbon" Goals**

As the foundation of the real economy, the vast number of listed companies, based on the concept of green development, actively respond to the "dual carbon" goals, set their own "dual carbon" goals or make carbon reduction commitments, formulate corresponding strategic plans, release carbon reduction action plans, and solidly promote the implementation of specific measures to promote high-quality sustainable development.

## **6.2. Actively Participate in the Development of International ESG Disclosure Frameworks and Standards**

ESG rating agencies often form evaluation indicator systems based on international mainstream ESG disclosure standards. Therefore, when relevant departments and institutions actively participate in the formulation and promotion of global mainstream disclosure standards such as ISSB, they can promote the integration of Chinese characteristic indicators such as rural revitalization, agricultural modernization, and public welfare donations into the ESG mainstream standard system, and build China's discourse power in the field of ESG standard formulation and ESG evaluation. This is also conducive to gradually promoting the global ESG rating to truly and comprehensively reflect the ESG performance and practical achievements of Chinese enterprises, and enhance the competitiveness of Chinese enterprises in the global supply chain, investment and financing fields.

### **6.3. Expand the Integration of Multi-Channel High-Tech ESG and Promote High-Quality Sustainable Development**

Listed companies actively adapt to the new development pattern, fully implement the new development concept, take promoting environmental protection as their own responsibility, take healthy development as a guide to give back to society, and work together from multiple parties to promote sustainable and high-quality development of the real economy.

### **6.4. Introduce ESG Disclosure Standards and Related Detailed Guidelines at the National Level As Soon As Possible**

On the premise of following the international mainstream disclosure standards of the ISSB, relevant departments in China need to first introduce ESG disclosure frameworks and standards that are in line with international standards and national conditions as soon as possible, and provide corresponding regulatory measures to solve the current problem of confusion in enterprise reference standards [8]; Secondly, it can provide a clear and clear reference indicator system and disclosure template, unify the disclosure level and granularity of ESG standards, and clarify the quantitative indicators that enterprises need to disclose quantitatively; Thirdly, we can refer to the experience of the Hong Kong Stock Exchange to launch a unified platform for enterprise ESG information accounting, reporting, and disclosure, reducing the difficulty of enterprise disclosure. After most enterprises have a certain foundation of ESG information disclosure ability, we will gradually promote third-party authentication of ESG reports.

## **7. CONCLUSION**

With ESG becoming a benchmark for the sustainable development of Chinese enterprises, through in-depth exploration of the ESG information disclosure framework, this article has drawn the following conclusions: firstly, achieving horizontal comparability of ESG information is an important means to promote sustainable development of enterprises; Secondly, establishing a unified ESG disclosure framework is key to improving information comparability; Finally, China should draw on international experience, improve relevant rules and regulations, and accelerate the construction of a unified and standardized ESG information disclosure system. Through these measures, not only can we enhance the competitiveness of Chinese enterprises in the international market, but we can also effectively promote the sustainable development of our economy and society.

## **REFERENCES**

- [1] Cui, X. (2022) The Impact of ESG Rating Performance on Corporate Value. Thesis of East China Normal University.
- [2] Shen, H., Lin, H., Han, W., Wu, H. (2023). ESG in China: A review of practice and research, and future research avenues. *China Journal of Accounting Research*, 4.
- [3] Yu, Z. (2023) The regulatory dilemma of ESG information disclosure system and its local optimization *South China Sea Law*, 05:80-91.
- [4] Liu, H., Zeng, L., Li, H., Zhou, Y., Huang, M. (2024) Research on the Construction of China's ESG Standard System under the Background of "Dual Carbon" *Financial and accounting communication*
- [5] He, Y. (2023). Current Status and Future Prospects of ESG Ratings for Chinese Enterprises *Heilongjiang Finance*, 12:32-35.
- [6] Bai, Y., Sing, X. (2023). Current Status and Prospects of Environmental, Social, and Governance (ESG) Development *Modern Marketing (Second Quarter)*, 07:13-15.
- [7] Zheng, Q., Han, G., Liu, Y., Dong, Y. (2022) Comparative analysis and experience reference of ESG systems at home and abroad *Financial Horizons*, 07:65-73
- [8] Dong, Z., Wu, H., Jia, Z., Li, X., Pan, Y. (2024) Research on the Exploration and Practice Progress of China's ESG Policy *China Environmental Management*, 01:7-15