

Study on the Impact of ESG Disclosure Quality on Corporate Value

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Abstract. This study examines the impact of ESG disclosure quality on firm value. This paper delves into the definition and assessment methods of ESG disclosure quality, as well as the mechanism of its impact on corporate value. It is found that high-quality ESG disclosure can have a positive impact on corporate value by reducing information asymmetry, enhancing corporate reputation, optimising risk management and promoting sustainable development. However, the assessment of ESG disclosure quality still faces challenges such as inconsistent standards and insufficient comparability. In addition, there are industry and regional differences in the impact of ESG disclosure quality on corporate value. The study also demonstrates how ESG disclosure quality affects firm value in practice by analysing the cases of Apple, Novo Nordisk and Alibaba. Finally, the study provides recommendations for firms, regulators, and investors to promote improved ESG disclosure practices and sustainable growth in firm value.

Keywords: ESG Disclosure; Corporate Value; Information Quality; Sustainable Growth; Risk Management.

1. Introduction

ESG (environmental, social and governance) disclosure has become a key area of corporate sustainability and value creation. With the increasing global attention to the topic of sustainable development, investors, regulators and other stakeholders have rising expectations of corporate ESG performance. In this context, it is of great theoretical and practical significance to study the impact of ESG disclosure quality on corporate value.

The purpose of this study is to investigate how ESG disclosure quality affects corporate value and to analyse the mechanisms involved. From both theoretical and practical perspectives, we will comprehensively examine the connotation of ESG disclosure quality, its assessment methodology, and its multi-dimensional impact on corporate value.

Firstly, this study will systematically sort out the theoretical foundations of ESG disclosure, including information asymmetry theory, stakeholder theory and corporate reputation theory, in order to lay a solid theoretical foundation for the subsequent analyses. Secondly, we will explore the definition and assessment of ESG disclosure quality, analyse the existing assessment frameworks and methods, and explore their applicability and limitations.

On this basis, this study will focus on analysing the impact mechanism of ESG disclosure quality on corporate value. We will examine how high-quality ESG disclosure affects corporate value by reducing information asymmetry, enhancing corporate reputation, optimising risk management and promoting sustainable development. Through case studies, we will show how companies in different industries and regions can enhance their long-term value through high-quality ESG disclosure. Through this study, we hope to contribute to the improvement of ESG disclosure practices and promote the integration of sustainability concepts into business strategies, and ultimately to achieve the harmonious development of economy, society and environment.

2. Related Work

Research on the impact of ESG disclosure quality on corporate value has become a hot topic of concern. In recent years, with the deepening of the concept of sustainable development and the rapid development of ESG investment, related research has been deepening and expanding. This section

will briefly review and summarise the main research results in this area, laying the foundation for subsequent analyses.

Early studies mainly focused on the impact of environmental disclosure on corporate financial performance. For example, a study by Clarkson et al. (2011) found that the quality of environmental disclosure is positively correlated with firms' environmental performance, and that high-quality environmental disclosure can enhance firm value [1]. With the depth of research, scholars have begun to take social responsibility and corporate governance factors into consideration, forming a more comprehensive ESG disclosure research framework.

In terms of assessing the quality of ESG disclosure, Dhaliwal et al. (2012) proposed a method based on content analysis to measure the quality of disclosure by assessing the content richness of CSR reports [2]. This approach provides an important reference for subsequent studies. In addition, international organisations and rating agencies have developed a variety of ESG assessment frameworks, such as the Global Reporting Initiative's (GRI's) Sustainability Reporting Standards, which provide valuable data sources for researchers.

Regarding the mechanism of the impact of ESG disclosure quality on corporate value, scholars have explored it from multiple perspectives. Cheng et al. (2014) showed that high-quality ESG disclosure can reduce corporate capital constraints and improve financing ability, thus enhancing corporate value [3]. Fatemi et al. (2018), on the other hand, from the perspective of risk management, found that ESG information improved disclosure quality can help enterprises better identify and manage non-financial risks, and thus enhance the long-term value of enterprises [4].

In recent years, with the development of big data and artificial intelligence technology, research methods are also being innovated. For example, Liang and Renneboog (2017) used text analytics to analyse a large number of corporate reports and found that there is a significant association between the linguistic features of ESG disclosures and corporate value [5]. This approach provides researchers with new perspectives and tools.

In addition, cross-cultural and cross-country comparative studies have become an important trend. A study by Ioannou and Serafeim (2017) compares the differences in ESG disclosure policies and their impact on firm value across different countries and regions [6], which provides important insights into understanding the role of institutional environment in ESG disclosure.

However, existing studies still have some limitations. First, the criteria for assessing the quality of ESG disclosure have not been fully harmonised, which poses a challenge to the comparability of research results. Second, most of the studies have focused on developed markets and there is a relative lack of research on emerging markets. In addition, there is a lack of research on the long-term effect of ESG disclosure quality on firm value.

In summary, although significant progress has been made in the research on the impact of ESG disclosure quality on firm value, there are still many issues that deserve further exploration. Future research can focus on improving the assessment methods of ESG disclosure quality, exploring in depth the long-term mechanism of its impact on corporate value, and examining the differences in the effects of ESG disclosure under different institutional environments. These studies will provide stronger support for corporate management practices and policy formulation.

3. Definition and Assessment of ESG Disclosure Quality

When discussing the impact of ESG disclosure quality on corporate value, it is first necessary to clearly define the connotation of ESG disclosure quality and establish an effective assessment system. ESG disclosure quality refers to the completeness, accuracy, timeliness, and comparability of the information disclosed by an enterprise in terms of the environment, society, and corporate governance. High-quality ESG disclosure not only meets the information needs of stakeholders, but also reflects an enterprise's true performance in sustainable development and long-term value creation ability [7].

The definition of ESG disclosure quality involves multiple dimensions. In the content dimension, high-quality ESG disclosure should cover comprehensive information on environmental protection, social responsibility and corporate governance, including but not limited to key indicators such as carbon emissions, energy use, labour rights and interests, supply chain management and board structure. In the form dimension, information should be presented in a clear and understandable manner, and a combination of quantitative and qualitative methods should be used as appropriate [8]. In the time dimension, the disclosure should be continuous and comparable so that stakeholders can track the changing trends in corporate ESG performance.

Assessing the quality of ESG disclosure is a complex process that requires comprehensive consideration of multiple factors. A variety of assessment methods and indicator systems have been developed. Among them, the more common assessment frameworks include the Global Reporting Initiative's (GRI) Sustainability Reporting Standard, the Sustainability Accounting Standards Board's (SASB) industry standard, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These frameworks provide important references for assessing the quality of ESG disclosure [9].

In the specific assessment process, the following aspects can be taken into account: firstly, assess the completeness of the information, i.e., whether the enterprise discloses all the important ESG information related to its industry and operating characteristics. Second, the accuracy and reliability of the assessment information, including whether the source of the data and the calculation method are clear and whether they have been verified by a third party [10]. Third, the timeliness of the assessment information, i.e., whether the company is able to update and release ESG-related information in a timely manner. Finally, the comparability of the assessment information, including horizontal comparability (comparison with other companies in the same industry) and vertical comparability (comparison between different periods of the company itself).

It is worth noting that the assessment of the quality of ESG disclosure should not be limited to formal compliance, but should also focus on the degree of integration of a company's ESG practices with its core business strategy and the substantial impact of ESG information on the company's long-term value creation. High-quality ESG disclosures should be able to reflect how companies integrate ESG factors into their risk management and decision-making processes, and how these initiatives create long-term value for the organisation.

With the increasing popularity of ESG investments and the continuous improvement of regulatory requirements, it has become more and more important to establish a scientific and objective system for assessing the quality of ESG disclosures. This not only helps to improve the overall level of corporate ESG disclosure, but also provides a solid foundation for studying the impact of ESG disclosure quality on corporate value. In the future, with the advancement of technology and the improvement of data availability, the assessment methods of ESG disclosure quality will be further refined and improved to provide investors and other stakeholders with a more valuable basis for decision-making.

4. Analysis of the impact mechanism of ESG disclosure quality on enterprise value

The impact of ESG disclosure quality on enterprise value is a complex and multidimensional process, and its influence mechanism involves many aspects. High-quality ESG disclosure can have a positive impact on corporate value through various channels, mainly in reducing information asymmetry, enhancing corporate reputation, optimising risk management and promoting long-term sustainable development.

First, high-quality ESG disclosure can help reduce information asymmetry between enterprises and external stakeholders. By disclosing ESG-related information in a comprehensive, accurate and timely manner, enterprises are able to convey their performance and commitment to environmental protection, social responsibility and corporate governance to investors, customers, suppliers and other

stakeholders. This increased transparency not only reduces the cost of information gathering for external stakeholders, but also enhances their trust in the enterprise. Reduced information asymmetry helps to reduce adverse selection and moral hazard problems, thereby lowering the cost of financing for enterprises and increasing the valuation of enterprises in the capital market [11].

Second, high-quality ESG disclosure can significantly enhance corporate reputation. In today's society, consumers, investors and other stakeholders are increasingly concerned about corporate social responsibility performance. By proactively and comprehensively disclosing ESG information, companies can demonstrate their positive actions in environmental protection, employee rights and community contributions, and thus establish a responsible corporate image. A good corporate reputation not only enhances customer loyalty, but also attracts high-quality talent, which in turn enhances a company's brand value and market competitiveness. The appreciation of such intangible assets is directly reflected in the long-term value of the enterprise.

Then, the improvement of ESG information disclosure quality can optimise the enterprise's risk management system. High-quality ESG disclosure requires enterprises to systematically identify, assess and manage ESG-related risks. This process can help companies gain a more comprehensive understanding of the environmental, social and governance risks they face and take appropriate preventive and response measures. By proactively managing these risks, companies are able to reduce the impact of potential negative events on their operations and reputation, thereby protecting and enhancing corporate value. At the same time, this improved risk management capability can also enhance investor confidence in the long-term stability of the enterprise.

Finally, high-quality ESG disclosure can promote the long-term sustainable development of enterprises. By systematically collecting, analysing and disclosing ESG-related data, companies are able to better understand the environmental and social impacts of their operations and identify opportunities for improvement. This process of self-reflection and continuous improvement can drive enterprises to make continuous progress in resource utilisation efficiency, innovation capability, employee satisfaction, etc., thereby enhancing their long-term competitiveness and value creation. In addition, high-quality ESG disclosure can also attract more long-term investors who are concerned about sustainable development and provide stable financial support for enterprises.

It should be noted that the impact of ESG disclosure quality on enterprise value is not one-way or immediate, but a dynamic, long-term process. Enterprises in different industries and at different stages of development may experience different paths and degrees of impact. In addition, external factors such as the market's emphasis on ESG information, changes in the regulatory environment, and the evolution of social values may also affect the relationship between ESG disclosure quality and firm value. Therefore, when studying this impact mechanism, it is necessary to adopt a dynamic perspective that takes into account the time factor and changes in the external environment in order to fully grasp the long-term impact of ESG disclosure quality on firm value.

5. Case analyses

To gain a deeper understanding of the impact of ESG disclosure quality on corporate value, we can specifically illustrate this relationship by analysing several typical cases. These cases cover companies from different industries and regions and demonstrate how high-quality ESG disclosure affects corporate value in practice.

Take global technology giant Apple as an example, the company has excelled in ESG disclosure in recent years. Apple not only regularly releases detailed environmental responsibility reports, but also updates environmental indicators in real time on its official website. The company discloses in detail its specific goals and progress in renewable energy use, carbon emission reduction, and material recycling. This high-quality, highly transparent ESG disclosure has greatly enhanced Apple's brand image and attracted more environmentally conscious consumers and investors. As a result, Apple has

not only maintained its premium brand positioning, but also set an industry benchmark in the field of sustainability, further consolidating its market leadership and long-term value.

Another is the Danish pharmaceutical company Novo Nordisk. The company has taken a comprehensive and innovative approach to ESG disclosure, not only reporting in detail on its efforts to reduce its environmental footprint, improve global health, and ensure ethical business practices, but also introducing the concept of the ‘triple bottom line’, which integrates financial, social, and environmental performance into a single comprehensive report. Novo Nordisk's high-quality ESG disclosures have helped it build strong trust among investors and stakeholders, while also driving sustainability practices within the company. This has not only enhanced the company's reputation in the healthcare sector, but has also helped it attract significant responsible investment, which supports its long-term growth strategy.

Among emerging markets, China's Alibaba Group, a leader in e-commerce and technology, has significantly improved the quality and scope of its ESG disclosures in recent years. The company not only reports in detail on its initiatives to reduce carbon emissions, promote rural development, and support small and micro-enterprises, but also actively discloses information on its corporate governance structure and anti-corruption measures. This comprehensive ESG disclosure has helped Alibaba maintain strong investor confidence in the face of regulatory pressure and market volatility, while also enhancing its competitiveness in the international market.

However, we cannot ignore the potential negative impact of ESG disclosure quality on corporate value. Germany's Volkswagen provided a negative lesson in the “Dieselgate” incident. Before the incident, Volkswagen claimed in its sustainability report that it was committed to environmental protection and clean technology, but in reality it cheated on emissions tests. This inconsistency between ESG disclosure and actual behaviour severely damaged the company's reputation, resulting in a large fine and a significant drop in market value, demonstrating the significant risks that false or misleading ESG disclosure can pose to a company.

These cases clearly demonstrate how the quality of ESG disclosure can affect corporate value in a number of ways. High-quality ESG disclosure can enhance corporate image, increase stakeholder trust, and attract responsible investment, thereby supporting long-term corporate value creation. Conversely, low-quality or false ESG disclosures can lead to serious reputational damage and financial risk. These examples emphasise the need for companies to genuinely integrate ESG concepts into their business strategies and communicate their ESG performance to the market in a high-quality and transparent manner to achieve sustainable value growth.

6. Discussion

For enterprises, ESG information disclosure should be incorporated into the company's strategic management system to improve the quality and transparency of information disclosure. Enterprises should establish a systematic ESG data collection and reporting mechanism to ensure the accuracy, completeness and timeliness of disclosed information. At the same time, companies should focus on the integration of ESG practices with their core business, avoid “greenwashing” and truly integrate the concept of sustainable development into their operations.

Regulators should continue to improve regulations and guidelines on ESG disclosure and promote the establishment of unified assessment standards. Consideration can be given to formulating differentiated disclosure requirements based on industry characteristics, as well as strengthening supervision and auditing of ESG disclosure to improve the reliability of the information.

For investors, they should pay more attention to ESG information and incorporate ESG factors into the investment decision-making process. By demanding higher-quality ESG disclosure, investors can push companies to improve their ESG practices, thereby promoting the development of sustainable investment.

Future research can further explore the long-term impact of ESG disclosure quality and delve into the differences across industries and regions. Meanwhile, new technologies such as big data and artificial intelligence can be utilised to develop more accurate and comprehensive methods for assessing the quality of ESG disclosure. For all sectors of society, the attention and ability to utilise ESG information should be increased. The media, non-governmental organisations and others can play a supervisory role to push companies to improve the quality of ESG information disclosure. At the same time, public education should be strengthened to improve the understanding and ability to use ESG information in the community.

In conclusion, improving the quality of ESG disclosure is a systematic project that requires the joint efforts of enterprises, regulators, investors and all sectors of society. By continuously improving ESG disclosure practices, we can promote sustainable growth in corporate value, facilitate the coordinated development of economy, society and environment, and ultimately realise the ambitious goal of sustainable development.

7. Conclusion

By deeply analysing the impact of ESG disclosure quality on corporate value, this study concludes that high-quality ESG disclosure has a significant positive impact on corporate value. By reducing information asymmetry, enhancing corporate reputation, optimising risk management, and promoting sustainable development, high-quality ESG disclosure can create long-term value for firms. This finding emphasises that firms should view ESG disclosure as a strategic tool, not just a compliance exercise to meet regulatory requirements. Second, the assessment of ESG disclosure quality is a complex process that requires consideration of multiple dimensions. This study finds that although current assessment methods are improving, there are still problems such as inconsistent standards and lack of comparability. This suggests the need to further improve and unify the assessment criteria for ESG disclosure in order to improve the reliability and comparability of the assessment results. Finally there are industry and regional differences in the impact of ESG disclosure quality on corporate value. Different industries face different ESG risks and opportunities, and the importance attached to ESG disclosure varies. At the same time, the institutional environment and cultural background of different regions also affect the effectiveness of ESG disclosure. This means that companies need to fully consider industry characteristics and regional factors when formulating ESG disclosure strategies.

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