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Under the Current Global ESG Landscape: How to Improve China's ESG Information Disclosure System and Policy Recommendations

Xinyan Xu

Email: 1248435754@qq.com

Abstract:

this study explores the current development status of ESG concepts globally and in China, analyzes the current situation and differences of ESG information disclosure at home and abroad, and points out the challenges faced by ESG information disclosure in China, such as the lack of mandatory disclosure requirements and inconsistent disclosure standards. The article puts forward policy suggestions for improving the ESG information disclosure system in China, including incorporating ESG concepts into laws and regulations such as the Company Law, improving information disclosure requirements in specific fields such as environmental protection and labor law, emphasizing that large enterprises should play a leading role in promoting the in-depth practice and promotion of ESG concepts in China, and building an ESG ecosystem that conforms to international trends and has Chinese characteristics to promote the sustainable development of enterprises and the improvement of overall social welfare.

Keywords: ESG concept, Information disclosure, Policy suggestions, Sustainable development, Corporate governance

1. Introduction: Overview of ESG Concept and Research Background

this study explores the development of ESG (Environmental, Social, and Governance) concepts globally and in China, with a particular focus on how to improve the ESG information disclosure system in China. By comparing and analyzing the successful experiences and challenges in ESG practices both domestically and internationally, this study proposes policy recommendations suitable for China's national conditions to promote corporate sustainable development, enhance the transparency of the capital market, and improve the quality of investors' decision-making. China currently holds a positive attitude towards the ESG concept and is taking active steps to establish an ESG information disclosure system.

2. Literature Review on ESG Information Disclosure

Feng Guanlin and Zou Bei (2024) studied the differences in international ESG concepts and their impact on Chinese enterprises, pointing out that in recent years, the attitude towards ESG in Western countries such as the United States has wavered, with the rise of anti-ESG movements. The main reasons are the poor performance of ESG-related products, the damage to traditional industry interests, and domestic value differences. In China, the ESG concept is highly consistent with national strategies, but there is still a need to improve information disclosure and rating standards. The article suggests that Chinese enterprises should focus on ESG system construction, enhance information disclosure and risk management capabilities, innovate financial products, and strengthen supply chain ESG management in the manufacturing industry to promote high-quality development. [1] Yan Lanfei (2024) mentioned in the *International Commerce News* that ESG has become an important consideration for Chinese enterprises going global. With the advancement of ESG mandatory disclosure in China, the path to corporate sustainable development has become clearer. However, Chinese enterprises still face many challenges in practicing ESG overseas, such as non-unified information disclosure standards, difficulties in data collection, cultural differences, and external regulatory pressure. Experts suggest that enterprises should incorporate ESG into their strategic planning, strengthen cooperation with all parties, and improve their ESG performance to better adapt to international rules and enhance competitiveness. [2]

Wang Zhucheng (2024), based on the “dual carbon” goals, found that ESG ratings can significantly improve corporate green performance levels, promoting the transformation of enterprises towards green and low-carbon development and achieving sustainable development. [3] On September 23, 2024, reporters Shu Dongni, Song Qinzhang, and Song Meilu from *Everyday Economic News* reported that in the context of the global economic downturn, the ESG market presents a “hot and cold” situation. On the one hand, international ESG-related policies continue to be upgraded, making the importance of ESG to enterprises increasingly evident. On the other hand, enthusiasm for ESG investment in the European and American markets has cooled. The global president of the Australian Accounting Association, David Bintu, and EY Asia-Pacific Partner Zhu Yaming pointed out that the “anti-ESG wave” reflects uncertainties and cognitive differences in the ESG field, as well as complex global regulations and standards. Western countries’ attitudes towards ESG are fickle, with the United States obstructing the implementation of climate disclosure regulations due to political factors, and Europe enacting multiple bills to regulate ESG practices due to “greenwashing” behavior. Meanwhile, China’s ESG market is booming, with the government issuing policies to regulate corporate sustainable information disclosure, providing strong support for enterprises to implement ESG actions. [3] Geng Lihang and Zhu Xiangyu (2025) explored the transition of ESG information disclosure from voluntary to mandatory and the major issues of materiality standards. They pointed out that traditional materiality standards mainly focus on economic and financial aspects, limiting the scope of mandatory ESG information disclosure. The dual materiality standard proposed by the European Union, which focuses on both investors and stakeholders, expands the scope of information disclosure. The price impact standard in China’s Securities Law faces endogenous dilemmas in ESG information disclosure, which may lead to information overload, increased compliance costs, and moral hazards. The article suggests that China’s ESG information disclosure should start from the perspective of “rational investment,” meet the heterogeneous information needs of investors, avoid excessive changes to existing regulations, and introduce ESG-related concepts to promote the development of sustainable finance. [4]

Gao Yange and Liang Zihui (2024), based on data from A-share listed companies in China from 2015 to 2021, found that ESG rating discrepancies significantly increased corporate tax avoidance behavior, mainly through reducing information transparency and intensifying financing constraints. This stimulating effect is more significant in non-polluting industries, non-high-tech industries, and regions with weaker tax collection and management. In addition, ESG rating discrepancies may also induce stock price crashes, thereby affecting financial market stability. [5] Jiang Fuxiu, Chen Si, and Wang Aoran (2024) pointed out that the ESG concept did not emerge in isolation but is rooted in the long-term development of corporate social responsibility (CSR), stakeholder theory, and corporate governance theory. Its core lies in focusing on the interests of important stakeholders, a concept that runs through the historical evolution of corporate goals and lays a solid foundation for the legitimacy of ESG. [6]

Zhao Jixin and Zhou Yongtao (2024), using Chinese A-share listed companies from 2012 to 2022 as samples, found that ESG practices help improve corporate financial performance, with the upgrading of human capital structure and the alleviation of financing constraints playing a positive mediating role. The corporate life cycle also plays a moderating role, especially for companies in the decline phase, where ESG practices can improve their operating conditions. This study combines ESG practices,

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human capital, financing constraints, and corporate life cycle to expand the research perspective on high-quality corporate development. [7] Wang Zhucheng (2024), based on the "dual carbon" goals, found that ESG ratings can significantly improve corporate green performance levels, promoting the transformation of enterprises towards green and low-carbon development and achieving sustainable development. [8]

3. Comparative Analysis of Domestic and International ESG Information Disclosure Status

The abbreviation ESG originated from the United Nations' 2005 report Who Cares Wins, which proposed that enterprises should incorporate "environment," "social responsibility," and "corporate governance" into their business evaluation criteria. This can have a positive impact on society, financial markets, and individual investment portfolios. In 2006, the United Nations also established the Principles for Responsible Investment (PRI), an organization committed to integrating ESG into investment decisions. The core belief is that ESG is an important factor in investment decisions, and therefore, responsible investors should use ESG to measure a company's social responsibility performance when investing.

The ESG concept has been well-developed in Western countries. In recent years, China has only begun to research and establish some ESG information disclosure systems. However, for Chinese enterprises, ESG information disclosure is not mandatory. Relevant government agencies in China only play an encouraging and regulatory role, without using compulsory legal means. Major exchanges were the first to require some listed companies to publish social responsibility reports, gradually incorporating ESG elements. However, the focus of each exchange varies. For example, the Hong Kong Stock Exchange requires Hong Kong-listed companies to follow the ESG Reporting Guide, which emphasizes climate-related financial disclosures, focusing more on the environmental aspect. In contrast, the Shanghai Stock Exchange focuses more on social and governance aspects. Overall, the influence of the ESG concept in China is still not widespread. The ESG concept has only been introduced and developed in China for a short period. The State-owned Assets Supervision and Administration Commission (SASAC) requires central enterprises to fully disclose ESG information starting from 2023, which also indicates the government's support for the development of the ESG concept in China. Since central enterprises have different management systems from private enterprises and are more unified in management, they were the first to implement the disclosure system, providing significant references for exploring the information disclosure system.

The ESG concept first became popular in Western countries, and many large enterprises in these countries are supporters of this concept. However, in recent years, due to the increasingly severe economic situation, many anti-ESG enterprises have emerged in Western countries. [1] This is mainly because most enterprises believe that the implementation of the ESG concept conflicts with corporate interests. This is primarily due to the lack of unified performance measurement standards for ESG in business operations. There are significant differences in measurement standards among various institutions, which makes it difficult for enterprises to have a unified standard for investment and information disclosure. [2] In addition, the ESG concept covers many non-economic benefits that are difficult to quantify, making it challenging for enterprises to accurately assess ESG performance, thereby affecting the promotion and application of the ESG concept.

The ESG concept requires enterprises to focus on environmental protection, social responsibility, and corporate governance issues while pursuing economic benefits. This often requires enterprises to invest more resources and energy. However, in the eyes of some enterprises, such investment may increase their operating costs, reduce their market.

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