

The Role of Sustainable Development in Promoting China's Distinctive ESG Information Disclosure System

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Abstract. The sustainable development strategy plays a promoting role in the ESG disclosure system with Chinese characteristics, primarily stemming from the nation's adaptation to globalization trends, the demand for sustainable development, and the changing needs of global investors. Its purpose is to encourage enterprises to focus on and actively fulfill responsibilities in environmental, social, governance, and other aspects, enhance transparency and trustworthiness, promote efficient allocation of capital, thus fostering the sustainable development of the entire socialist market economy system. Through integration of relevant data and understanding and analysis of the Chinese distinctive ESG information disclosure system, it is concluded that the system can promote the sustainable development of enterprises, maintain the stability of capital markets, and enhance public welfare, aligning with the objectives of sustainable development strategy. The promotion of the improvement and development of China's distinctive ESG information disclosure system is based on the "dual carbon" target of sustainable development strategy.

Keywords: ESG information disclosure, sustainable development strategy, Chinese socialist market economy system, globalization, "dual carbon" target

1. Introduction

The concept of ESG refers to Environmental (E), Social (S), and Governance (G), constituting a comprehensive corporate evaluation system that focuses on the environmental, social, and governance performance of enterprises. The ESG information disclosure system refers to a mechanism where companies publicly disclose their performance and impacts in areas such as the environment, society, and governance. These disclosures encompass the commitments, practices, and performance of companies in environmental protection, social responsibility, and corporate governance.

The importance of the ESG information disclosure system is self-evident. Companies can enhance transparency in their operations by publicly disclosing ESG information, enabling stakeholders such as investors and consumers to have a better understanding of the company's operational methods and values. Simultaneously, the ESG information disclosure system encourages companies to actively fulfill their social responsibilities, pay attention to issues related to the environment, society, and governance, and promote sustainable development. The distinctive Chinese ESG system integrates the national conditions, culture, and social background of China, highlighting the importance of CSR. Within this framework, companies are encouraged to focus on the coordinated development of the economy, society, and environment, and fulfill their social responsibilities through active participation in public welfare and promotion of sustainable development. The emergence and development of this system reflect China's national conditions and cultural characteristics, emphasizing the importance of economic development, environmental protection, inclusive development of social justice, and innovation-driven development. The aim is to promote the sustainable development of China's economy and society, enhance awareness of social responsibility, and strengthen corporate competitiveness.

In September 2020, President Xi Jinping proposed the "dual carbon" goals to achieve carbon neutrality by 2030 and 2060 at the 75th United Nations General Assembly, directing the attention of domestic enterprises and capital markets to the hot issue of ESG. Therefore, this paper compares the relevant policies and objectives of sustainable development strategy with the standards and mechanisms of the distinctive Chinese ESG information disclosure system to elucidate their close connection.

2. Development History of China's Distinctive ESG Information Disclosure System

The ESG information disclosure system, as an institutional expression of corporate social responsibility trends, was incorporated into the information disclosure rules system in China relatively early, primarily applicable to listed companies. Its development over more than two decades can be divided into three stages: emergence, development, and deepening.

2.1. Emergence of the ESG Information Disclosure System in China

In September 25, 2006, the Shenzhen Stock Exchange issued the “Guidelines for Corporate Social Responsibility of Listed Companies,” introducing social responsibility into listed companies. The Shenzhen Stock Exchange encouraged listed companies to establish social responsibility systems in accordance with the Guidelines, and conducted regular inspections and evaluations of the implementation status and existing issues of corporate social responsibility systems synchronously with annual reports, forming social responsibility reports in the rising stage of ESG information disclosure.

2.2. Development of the ESG Information Disclosure System in China

Serious pollution incidents such as the Songhua River pollution caused by the explosion of the Jilin Petrochemical Benzene Plant workshop, and the continuous haze affecting the Beijing-Tianjin-Hebei region, propelled China’s ESG information disclosure system into a rapid development phase under the promotion of the national sustainable development strategy. The “Measures for the Assessment of Information Disclosure of Listed Companies of the Shenzhen Stock Exchange (Revised in 2011)” Article 1 explicitly strengthens the supervision of information disclosure of listed companies on the Shenzhen Stock Exchange, urges listed companies and relevant information to enhance information disclosure work, and improve the quality of information disclosure. In September 2016, China’s “Opinions of the China Securities Regulatory Commission on Leveraging the Role of the Capital Market to Serve the National Strategy of Poverty Alleviation” supported and encouraged listed companies to fulfill social responsibilities by providing strong support for the national strategy of poverty alleviation through means such as pairing assistance to impoverished counties and establishing or participating in market-oriented operation of funds for investment in impoverished areas, demonstrating the humanistic care characteristics of China’s ESG information disclosure, marking a stage of rapid development in the information disclosure system.

2.3. Deepening of the ESG Information Disclosure System in China

Reflecting on the growth trajectory of ESG in the Chinese market, since the formal inclusion of A-shares in the MSCI Emerging Markets Index in 2018, ESG has entered the Chinese market and investors’ perspectives. Driven by the “dual carbon” target, ESG practices experienced explosive growth in 2021. On the regulatory front, the Shanghai and Shenzhen Stock Exchanges are studying the formulation of guidelines for sustainable development information disclosure of listed companies (Li Hanlin, 2023) [1], taking into account China’s national conditions and the actual situation of listed companies. In recent years, the state has issued multiple documents related to ESG information disclosure rules, with some details shown in Table 1. Combining the analysis of relevant regulatory documents, it can be observed that China’s current ESG information disclosure system is governed by the administrative supervision rules of the China Securities Regulatory Commission and the self-discipline supervision of exchanges, with continuous deepening of the ESG information disclosure system domestically.

The primary regulatory framework of China’s ESG information disclosure system already covers the three major areas of environment, society, and corporate governance, forming a hybrid disclosure model that combines mandatory disclosure with encouraged disclosure. This represents the current distinctive Chinese ESG information disclosure system.

Table 1. Some Recent National Documents Related to ESG Information Disclosure Rules

Time	Policy	Key Point
September 2018	China Securities Regulatory Commission revised the "Guidelines on Corporate Governance of Listed Companies"	Requires listed companies to disclose environmental information and social responsibility information in accordance with laws, regulations, and relevant requirements
December 2019	The Stock Exchange of Hong Kong issued the newly revised "Environmental, Social and Governance Reporting Guide" (Third Edition)	Mandatory disclosure requirements for "governance framework" and "reporting principles" have been added
September 2020	Shenzhen Stock Exchange issued the revised "Assessment Measures for Information Disclosure of Listed Companies"	Listed companies fulfilling social responsibility disclosure will be rewarded with extra points

Table 1. Continued

Time	Policy	Key Point
December 2021	The Stock Exchange of Hong Kong requires ESG reports to be disclosed simultaneously with annual reports of listed companies	Officially implemented from January 1, 2022
May 2021	Ministry of Ecology and Environment issued "Management Measures for Lawful Disclosure of Enterprise Environmental Information"	Requires key polluting units, listed companies, clean production audit companies, and bond-issuing companies meeting the conditions to mandatorily disclose environmental information
January 2022	Shanghai Stock Exchange issued "Guidelines for Disclosure of 2021 Annual Reports of Listed Companies on the Science and Technology Innovation Board"	Science and technology innovation board companies should disclose ESG information, and companies included in the Sci-Tech 50 Index should disclose social responsibility reports or ESG reports concurrently with annual reports
April 2022	China Securities Regulatory Commission issued the revised "Guidelines for Investor Relations of Listed Companies"	Added communication content on environmental, social, and governance information with investors
May 2022	The State-owned Assets Supervision and Administration Commission of the State Council issued the "Work Plan to Improve the Quality of Listed Companies with State-owned Enterprises Holding"	It is required to promote more centrally-owned enterprises holding listed companies to disclose ESG reports, and strive for full coverage of relevant special reports by 2023
March 2023	The Stock Exchange of Hong Kong issued the "2022 Listing Committee Report"	Proposes adjustments to the climate disclosure standards, establishment of a Task Force on Climate-related Financial Disclosures (TCFD), and adoption of new international standards

3. The Association between Sustainable Development Goals and ESG Information Disclosure System

The core concept of sustainable development mainly involves the coordinated development of three dimensions: economy, society, and environment. This entails pursuing economic growth while protecting the ecological environment, and ensuring social fairness and justice. It emphasizes achieving sustainable use of resources and environmental protection while meeting the needs of contemporary people, without compromising the ability of future generations to meet their own needs. There exists a close intrinsic connection between the core concept of sustainable development and the ESG information disclosure system, which is concluded from the following perspectives.

The three dimensions of sustainable development correspond to the three domains of ESG. The environmental dimension focuses on sustainable resource utilization and environmental protection, directly related to the environmental (E) aspect in ESG. Social fairness and justice are closely linked to the Social (S) aspect in ESG, while the governance dimension involves corporate management practices, which are integral to the governance (G) aspect in ESG. Both sustainable development and the ESG information disclosure system emphasize corporate social responsibility. Sustainable development requires enterprises to actively undertake environmental and social responsibilities, achieve coordinated development of economy, society, and environment, while also pursuing economic benefits.

The ESG disclosure system requires companies to transparently disclose their performance in environmental, social, and governance aspects, accepting public supervision and evaluation to promote better fulfillment of social responsibilities by companies. Furthermore, both sustainable development and the ESG information disclosure system strive for the long-term sustainable development of enterprises. Sustainable development demands that companies prioritize long-term interests and achieve sustained and coordinated development in economy, society, and environment. The ESG information disclosure system guides capital towards more sustainable areas by providing transparent information, assisting investors and other stakeholders in assessing the long-term value and sustainable development potential of companies.

Therefore, the core idea of sustainable development and ESG information disclosure are inherently linked, together constituting significant forces to drive enterprises towards achieving long-term sustainable development.

4. The Promotion of Sustainable Development on China's Distinctive ESG Information Disclosure System

The promotion of sustainable development on China's distinctive ESG information disclosure system can be facilitated through policy guidance to promote institutional improvement, enhancing corporate transparency and responsibility, promoting the development and normative behavior of China's capital market, and aligning with the concept of a community with a shared future for mankind. It also fosters exchanges and cooperation between China and the global market, enhancing China's international image. Below, we illustrate its promoting role from different perspectives.

In terms of relevant policy orientation, the Chinese government places great emphasis on sustainable development and has formulated a series of policies. These policies not only encourage enterprises to strengthen practices in environmental, social, and governance aspects but also promote the establishment and improvement of the ESG information disclosure system. Policy guidance and support provide strong guarantees for the distinctive development of the ESG information disclosure system in China.

Sustainable development requires companies to pay more attention to social responsibility and transparency to enhance their credibility. By disclosing information on ESG aspects, companies can demonstrate their efforts and achievements in sustainable development, reputation enhancement, and brand image improvement. It also helps companies strengthen communication and collaboration with relevant stakeholders, achieving better development together.

On the level of promoting the healthy development of the capital market, an increasing number of investors are incorporating ESG factors into their investment decisions due to the growing attention to ESG factors. Sustainable development promotes the establishment and development of China's distinctive ESG information disclosure system, providing investors with more comprehensive and accurate information. It also contributes to promoting the development of China's distinctive socialist market economy system and enabling investors to make wiser decisions.

Cooperation and exchanges between China and other countries in the field of ESG are increasingly strengthened in the context of advancing globalization. Sustainable development provides an opportunity for China's distinctive ESG information disclosure system to align with international standards, facilitating the unification and standardization of global ESG information disclosure norms and advancing the process of global sustainable development.

Sustainable development plays an immeasurable promoting role in China's distinctive ESG information disclosure system. It not only enhances corporate transparency and responsibility, promotes the healthy development of capital markets but also fosters cooperation and exchanges globally, making positive contributions to the realization of global sustainable development goals.

5. Analysis of Corporate ESG Information Disclosure System and Sustainable Development

5.1. Analysis of Guizhou Maotai's ESG Information Disclosure System in Relation to Sustainable Development

As a renowned Chinese liquor enterprise, Guizhou Maotai's ESG information disclosure system has garnered considerable attention. The following is an analysis of Guizhou Maotai's ESG information disclosure system:

In terms of environmental information disclosure, Guizhou Maotai has made significant strides. The company has formulated the "Guizhou Maotai Environmental Management Measures," which clearly stipulate the objectives, principles, measures, responsibilities, etc., regarding environmental work. Additionally, Guizhou Maotai actively discloses environmental performance data, including resource consumption, pollutant emissions, energy conservation, and emission reduction, to showcase its achievements in environmental protection.

Regarding social information disclosure, Guizhou Maotai has established the "Guizhou Maotai Social Responsibility Management Measures," outlining specific social responsibility objectives, principles, and measures. The company addresses issues concerning employee rights, consumer rights protection, community development, etc., and showcases its fulfillment of social responsibilities through relevant reports and public information. Moreover, Guizhou Maotai actively participates in social welfare activities, contributing to society.

In terms of governance information disclosure, Guizhou Maotai has formulated the "Guizhou Maotai Governance Management Measures," which provide clear provisions on governance measures, among others. The company discloses information regarding governance structure, risk management, and information disclosure, demonstrating its governance level through relevant reports and public information. With a clear governance structure, sound risk management system, and timely, accurate, and complete information disclosure, Guizhou Maotai exhibits outstanding performance in governance.

From the perspective of Guizhou Maotai's ESG information disclosure, it adheres to the unique "Five Lines" development concept of Maotai, promoting its own sustainable development [2].

5.2. Analysis of CTI's ESG Information Disclosure System in Relation to Sustainable Development

As a company with a high proportion of overseas investors, CTI attaches great importance to the ESG (environmental, social, and governance) information disclosure system. The following is an analysis of CTI's ESG information disclosure system:

ESG Strategic Planning and Management System: CTI has established a dedicated ESG service team responsible for formulating the company's ESG strategic planning and management system. After more than three years of professional refinement, this team not only serves internally but also provides professional ESG services to more listed companies. This indicates that CTI has a clear strategic direction in the ESG field, supported by a professional team.

ESG Report Quality and Reliability: CTI focuses on the quality and reliability of ESG reports. To ensure the objectivity and

truthfulness of reports, the company conducts multi-level reviews and professional verification of report content. Additionally, the company has established rigorous data collection and processing procedures internally to guarantee the accuracy of report data. This rigorous and professional approach helps enhance the credibility of ESG reports.

Integration of ESG Philosophy into Daily Operations: CTI not only reflects ESG principles in its reports but also integrates them into daily operations. This means the company actively fulfills social responsibilities in daily operations, emphasizing factors related to the environment, society, and governance, and making efforts to improve corporate ESG performance. This practice of combining ESG philosophy with practical operations helps enhance the company’s sustainable development capabilities.

Communication with International Investors: As a company with a high proportion of overseas investors, CTI provides key information to international investors through ESG reports, helping them assess the company’s sustainability more accurately. This will facilitate communication and cooperation between the company and international investors, promoting the company’s image and influence internationally.

In recent years, in terms of corporate social responsibility, CTI has actively disclosed ESG reports, reflecting the integration of social aspects and corporate governance, thereby enhancing the company’s visibility in the industry. This has led to rapid development, establishment of a good corporate image, and increased competitiveness within the industry [3].

5.3. Current Situation of Some Enterprises’ Information Disclosure Through Mathematical Model

Through mathematical methods, a multivariate model is constructed, with carbon emission disclosure level as the dependent variable and company size, profitability, debt level, company growth, industry nature, and overseas listing as independent variables, building a multivariate regression model [4]. The formula for the multivariate regression model is shown below as Equation 1. The results indicate that the overall carbon emission information disclosure level of listed companies in China is generally low. The disclosure of carbon emission information by each company is mainly descriptive, lacking quantitative information description [4]. There are differences in the carbon emission information disclosure level among companies.

In recent years, due to inadequate disclosure of their own carbon emissions by some enterprises, the public and consumers may perceive these enterprises as not attaching importance to environmental protection, thereby negatively impacting the reputation and image of the enterprises. This negative effect may further affect the market competitiveness of enterprises and even lead to consumer resistance and negative public opinion.

With the increasing global emphasis on environmental protection, the Chinese government and relevant regulatory agencies have also been tightening regulations on carbon emissions. If enterprises fail to adequately disclose their own carbon emissions, they may face legal risks such as fines and penalties from government departments. This not only brings economic losses to enterprises but may also affect their normal operation and long-term development.

Equation 1 Multivariate Regression Model Formula:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \varepsilon \tag{1}$$

Table 2. Variable Description [4]

Variable Type	Variable Name	Variable Symbol
Dependent	Carbon Emission Disclosure Level	Y
	Company Size	X1
	Profitability	X2
Independent	Debt Level	X3
	Company Growth	X4
	Nature of Industry	X5
	Overseas Listing	X6

6. Conclusion

6.1. The Manifestation of Sustainable Development’s Promotional Role in China’s Distinctive ESG Information Disclosure System

Based on the research on enterprise cases and the analysis of relevant data, the promotional role of China’s distinctive ESG information disclosure system in sustainable development can be summarized in several aspects:

Sustainable development guides domestic enterprises to establish a sense of social responsibility, requiring them to pursue both economic benefits and responsibilities in areas such as environment, society, and governance. Therefore, enterprises need to demonstrate their efforts and achievements in these areas through ESG information disclosure to strengthen their social responsibility consciousness.

Promoting Transparency: The ESG information disclosure system, practiced under the backdrop of sustainable development

strategies in China, requires companies to disclose their information in areas such as environment, society, and governance, which helps enhance corporate transparency. Increased transparency helps companies gain public trust and enables investors to make wiser decisions.

Against the backdrop of sustainable development premised on the “dual-carbon” goal, the number of A-share listed companies independently releasing ESG corporate social responsibility reports has shown an upward trend compared to the previous year. Companies are increasingly emphasizing ESG regulatory policies and their own ESG management in advancing sustainable development strategies. Through ESG information disclosure, companies convey their strategies and concepts for sustainable development to the outside world, guiding more stakeholders to participate in sustainable development practices and promoting corporate sustainability.

This is also helpful for advancing the overall process of sustainable development in society. Currently, China’s distinctive ESG information disclosure policies are not yet perfect, while the initiative of sustainable development, premised on the “dual-carbon” goal, is driving China to improve its ESG information disclosure system.

6.2. Future Trends of China’s Distinctive ESG Information Disclosure System

With the increasing popularity of ESG concepts, the requirements for ESG information disclosure will also become higher. In the future, more comprehensive information disclosure standards may be introduced to regulate corporate ESG information disclosure practices.

China’s ESG information disclosure system needs to align with international standards in the context of globalization. In the future, there may be increased cooperation with international organizations and other countries to jointly promote the improvement and development of the ESG information disclosure system. Besides the interests of companies themselves, ESG information disclosure involves numerous stakeholders such as investors, consumers, and government departments. In the future, there may be more involvement of various stakeholders in the process of ESG information disclosure, jointly contributing to the promotion of corporate sustainable development.

Sustainable development and ESG information disclosure are continuously evolving fields. As future trends and research directions unfold with the development of the times, it is essential to maintain continuous attention to the dynamics of this field to better address future challenges and opportunities.

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