

Literature Study of ESG in Corporate Investment and ESG Rating Status

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Abstract: This paper explores the challenges and solutions related to implementing ESG (Environmental, Social, and Governance) systems within China's traditional industrial sector and provides insights into future development trends. The adoption of ESG practices in traditional industries in China faces obstacles such as limited awareness, financial constraints, and difficulties in measuring impacts accurately. To address these challenges, the paper suggests raising awareness, promoting education, and fostering a culture of sustainability among industry stakeholders. Collaboration between government bodies, industry associations, and financial institutions is also proposed to provide financial incentives and support for ESG adoption. Standardizing ESG metrics and reporting frameworks can enhance transparency and comparability. Looking ahead, the integration of advanced technologies like AI, blockchain, and IoT can facilitate data analysis and decision-making. Public-private partnerships and industry collaborations can accelerate innovation and knowledge sharing. Despite the challenges, proactive measures such as awareness building, financial support, and standardized frameworks can lead to a sustainable future. Cooperation between government, industry, and society is crucial in embracing ESG advantages, fostering responsible practices, and contributing to a greener and more inclusive economy.

Keywords: ESG development, corporate investment, performance & rating

1. Introduction

In China, the development of ESG is very rapid, starting from the 1980s to now has more than 30 years of history. With the rapid growth of China's economy and society and industrial restructuring, transformation and upgrading. At present, many domestic industries are in the period of differentiation or critical period (2000) since the "big enterprises" have established their own unique and competitive product brands; and in the foreign market there are a number of global top 500 companies such as the United States Daren, and achieved good development prospects, which are for the development of ESG in China. This has laid the foundation for China's ESG development. In the economic globalization, enterprises must also face international competition, therefore, China needs to choose the correct and suitable method for industrial restructuring and upgrading from its own actual situation and national strategy. China's industrial restructuring and economic development is closely related to the national economy, as a basic and strategic industry, its upgrading must be guided by the national macro policy. At present, China is in a period of industrial transformation. Therefore, the

government needs to play a leading role in the top-level design and the overall situation; at the same time, it also needs to actively take advantage of various favorable conditions to promote the improvement of enterprise independent innovation capacity and other measures to promote the process of low carbonization in China and to achieve the "two hundred years" goal of economic growth point [1].

The research objectives of this paper are twofold: firstly, to learn more about the ESG system and to grasp its development status, as well as the development status and trends of the application at home and abroad. The second is to analyze the current problems in some cities in China according to the existing basic national conditions and related policies. Secondly, we will put forward our views and suggestions on the future of ESG system in the light of the current domestic economic environment and foreign market situation, and apply them to the actual work.

2. ESG

The concept of ESG was introduced by a professor at the Massachusetts Institute of Technology, who stated in his 1990 book *Strategic Management: The Heart of the New Organization* that "the future is one of competition and success side by side, interdependence and co-development. We can therefore say that a firm must have two or more competitive and value-creating capabilities." The main emphasis of this view is on the costs and benefits of being able to provide personalized products and services to customers and make them their unique strengths, so that the organization can survive and grow in the long run in a competitive market environment; and the core of strategic management is to analyze and plan the goals and missions of the organization and develop strategies that will enable the organization to The core of strategic management is to analyze and plan the organization's goals and missions, and to develop strategies to enable the organization to gain advantages in competition. Qin Xinyi, a scholar in China, believes that "enterprises must have a common direction if they want to survive and develop." This is what we are talking about is a value creation. This value creation is not only reflected in the product or service but also includes its core competitiveness, management ability and innovation; and core competitiveness refers to the enterprise has or control and can play its competitive advantage, can make the enterprise in the competition has the uniqueness and advantage of the ability. And this ability is through the enterprise's culture, technology level and management style, in order to achieve a certain degree of customer demand for its products or services, and make it a scarce resource. In the process of enterprise development, the most important thing is to need a strategy, and this strategy is to achieve value creation through the rational allocation of resources. And this is what we call a holistic strategy. In the process of enterprise development, strategy is formulated with the main purpose of maximizing resources, costs and profits, and these are achieved through a holistic strategy.

The concept of ESG involves many fields, but the most important ones are the financial and consulting industries. The disclosure of ESG information is essential for large financial institutions to go public, and in recent years, financial institutions have been transforming to green finance with the introduction of the dual carbon concept of "carbon peaking and carbon neutral". As a consulting company, the main job is to provide ESG-related consulting services to these entrusted enterprises. In addition, some accounting firms also have ESG practices. The Big 4, for example, is responsible for producing ESG assessment reports for companies every year to ensure the accuracy of the data, as well as providing advisory services to regulators. Finally, some large companies also have their own ESG departments. For example, Tencent, a major Internet company, has invested \$50 billion in the first phase to set up a "Sustainable Development Value Division" to make a new exploration of "technology for good".

In the U.S. energy policy, the U.S. government has focused on the development of clean and renewable resources [2]. With the rapid economic growth in the world, the demand for traditional fossil

fuels such as oil and natural gas is rapidly increasing. China, as a populous country, is facing increasingly serious environmental problems and conflicts; at the same time, China's energy import dependence is excessively concentrated in coal, crude oil, and electricity, which are the major consumers in the industrial sector; therefore, in the long run, the country needs to make more efforts to develop new energy sources to cope with these problems and solve the impacts and dilemmas they bring. In the domestic policy, China has planned to develop green manufacturing as the key direction, and green manufacturing as the goal of development, which provides new ideas for China in energy saving and environmental protection.

3. Application of ESG in Corporate Investment

In China, the rapid development of the economy in recent years has led to increasingly fierce competition among enterprises. Due to the low degree of marketization and the lack of capital investment and technological innovation, many companies in China cannot survive or face great difficulties to continue their business. In 2015, Chinese enterprises have already encountered many difficulties in the process of ESG development. The main reasons are the slow upgrading of China's industrial structure, the lack of independent innovation capacity and the lack of financial support. And all these problems will affect the formulation and implementation of national policies related to economic transformation and sustainable development.

Most companies have established or are in the process of establishing an ESG strategy and awareness in this area is gradually increasing, but although incorporated, most companies have a low level of strategic maturity, at 18%, and lack medium- to long-term planning. From an investment perspective, investors' expectations of ESG become a key force driving companies to implement actions. From the questionnaire results, we can see that compliance requirements account for the largest share of factors driving ESG practices in companies, at 66%, with investor or beneficiary pressure in second place, at 65%. This shows that investors now invest in companies that have ESG as a measurement indicator. From a regulator's perspective, the standards set by regulators for corporate ESG practices are becoming increasingly stringent, and they can also monitor companies to better develop ESG plans and implement ESG initiatives. From a risk perspective, the change in climate risk has topped the list of risks in recent years, which has pushed companies to give their own response and management initiatives for climate change risks. Among the 205 companies that participated in the questionnaire, 76% of them said they would refer to the relevant policies and regulations issued by regulators, and 48% of them plan to disclose information related to climate change in the next two years.

3.1. Impact of ESG on Corporate Investment

Enterprises should analyze risks in the process of development, so as to reduce risks and improve returns. The first is to strengthen their own internal management. The company should develop strict rules and regulations and establish a sound monitoring mechanism to regulate the behavior of employees and work processes; second is to strengthen the relationship with banks, reduce costs and expenses and other issues to start measures; finally, it is necessary to continuously optimize the product structure and technological innovation to respond to the new era of customer demand changes brought about by the competitive market pressure and corporate development difficulties, so as to reduce the probability of risk. At the same time, the company should also continue to improve its own management mechanism, through the establishment of a sound corporate culture, enhance the awareness of the importance and necessity of teamwork of employees, improve the quality of employees themselves to reduce the probability of risk.

Return on investment refers to the income generated by the enterprise in the process of operation, and investors allocate their invested capital appropriately in order to allocate limited resources to

various departments and individuals. Through reasonable arrangement of investment direction, risk control and other measures to improve the overall efficiency of the company. Because of the problems of imperfect information disclosure and poor market supervision of listed companies in China. Therefore, it is necessary for the relevant governmental functionaries to strengthen supervision and set strict standard to ensure the transparency and openness of information; meanwhile, it is also necessary to increase the intensity of law enforcement, punish the illegal acts severely or reduce the economic losses brought by them, and establish a sound information disclosure system [3].

Corporate reputation is an important intangible asset of a company, Corporate reputation is an important intangible asset of a company, which can reflect the competitiveness and advantages of the company in the future development process. Therefore, enterprises must pay attention to their own image, product quality and credibility issues. First, from a long-term perspective, we should focus on the interests of consumers; second, we should pay attention to cooperative relationships with the public; finally, we should strengthen staff training and education to enhance its brand value and influence to enhance customer loyalty and establish a good reputation management mechanism, which will enhance corporate reputation, improve market competitiveness, and enhance social responsibility [4]. Corporate reputation is the customer's evaluation of the company's product and service quality, credibility and other aspects, it can also reflect the brand in the minds of consumers represented or recognized degree. Therefore, improving its image and reputation can not only increase product sales but also attract more customer groups [5].

3.2. ESG Evaluation Criteria

In the evaluation of ESG, quantitative indicators are generally used to measure. This means that one or more qualitative descriptive variables are used as the main object of the quantitative analysis of the whole system while taking into account the weight and importance of different types of influencing factors. Based on the above principles of combining qualitative and quantitative aspects as well as summarizing the problems and causes in the development process of Chinese enterprises, it is concluded that in terms of environment, although most Chinese enterprises have their own independent environmental protection evaluation system. Although Chinese companies are becoming more aware of environmental protection and have increasingly stringent requirements for themselves, many companies in China have begun to realize that they need to pay attention to and actively improve and innovate their environmental management activities and measures in order to better promote their own development; at the same time, the relevant national departments should also consider the impact of these issues when strengthening their policy support. First, the government should introduce corresponding preferential support policies to encourage more investment in environmental protection projects. Secondly, enterprises themselves should raise their awareness of environmental protection and strengthen the protection of the environment. Thirdly, the government should make more efforts to supervise so that they can effectively implement relevant policies and regulations.

The criterion of social evaluation refers to the objective, fair and comprehensive assessment of a person or a group of people, and to record it in a certain form, so that the object becomes this person or group of people in the future development process to play a role in the process of promoting human progress and growth. (1) Social evaluation index system. This paper establishes a set of comprehensive evaluation criteria that are complete and quantifiable, easy to operate and reflect the real needs and expectations of people. (2) Social evaluation method: According to the relevant national laws, regulations and policies, the actual situation and development trend of the evaluation object are comprehensively analyzed, and combined with their own needs, suitable methods are selected and conclusions are drawn. (3) Social evaluation standard index system. After establishing a complete and quantifiable system of indicators reflecting the objective situation and possible future development, it is necessary to build a social evaluation standard and guideline that is in line with China's national

conditions and can well meet the information disclosure requirements of domestic enterprises as well as the international common level requirements (SITC). (4) NIST: In accordance with the relevant national laws and regulations, the social evaluation index system is constantly updated, taking into account the actual situation and development needs of enterprises.

According to the development process of ESG, the goal is to establish a sound legal system, and within the framework of national governance, policies and regulations are used as the basis, and government departments and social organizations participate in the formulation of the corresponding rules. By summarizing and analyzing the theoretical studies of corporate governance at home and abroad, it is concluded that: the American Corporate Governance Council (ROA) believes that the company is a systematic and complex community with certain interconnectedness and high interdependence, and multiple stakeholders [6]. While domestic scholar points out that the listed companies in China have unreasonable shareholding structure, imperfect governance mechanism, and chaotic corporate management structure. By summarizing and analyzing the domestic corporate governance theories, we can see that the concentration of shareholding in China's listed companies is high and the phenomenon of insider control is serious. Therefore, it is necessary to establish a reasonable and effective modern joint-stock company system that meets the requirements of China's national conditions and modern economic development; at the same time, it is also necessary to strengthen the function of the supervisory board to play its role; finally, it is also necessary to formulate corresponding laws and regulations to regulate and restrain the behavior of the company, so as to provide safeguards for the realization of the "three meetings and one layer" system.

At present, sustainable development has become a worldwide trend, and our country has been continuously developing and utilizing the environment and resources. Due to the rapid economic and population growth and the improvement of science and technology, the consumption of natural resources by human activities has increased. At the same time, it has caused serious pollution to the society. Therefore, in order to achieve the strategic goal of sustainable development, it is necessary to strengthen environmental protection measures to improve the living conditions of human beings and protect the ecological environment from being destroyed; and to establish a systematic and effective ecological compensation mechanism to coordinate the conflicts between the environment and resources, so as to achieve sustainable development.

4. ESG Rating Status

4.1. Rating Criteria

At present, the main ESG rating agencies in China are: China International Organization for Standardization, Beijing China Credit Management Co. One of the more representative ones in China is the "China Beijing Standard Evaluation Expert Database" initiated by the Joint Evaluation Committee of the State Economic and Trade Commission. When evaluating the industry abroad, the first thing to consider is whether it meets international standards; the second thing is whether it can meet the needs of customers and bring economic benefits to enterprises; and the last thing is whether the rating agency has enough strength to complete the rating work and other factors. ESG rating agencies in China are mainly led by the government, through strict auditing of enterprises, and will be the core business to develop. In the current situation in China, there are three types of ESG rating agencies: the first type is to participate in the evaluation project with Beijing China Capital Credit Management Company Limited and Shanghai World Expo Investment Company as the main body; the second type is to cooperate with some international authoritative and mature standards close to or even exceed the level of international standards and have a certain influence on the establishment of professional rating teams or organizations to carry out third-party evaluation work, rating enterprises and providing related consulting services, etc.

From the analysis of the data, the current ESG rating standards and methods in China are mainly based on the evaluation of customer satisfaction, product quality and other aspects to develop corresponding policies. In contrast, foreign countries will classify the rating according to the relevant indicators needed in different industries. For example, in 2010, the United States proposed a customer perception service (SCC) rating system for the retail industry; in Europe, the pre-sales experience and post-sales feelings of consumers after the purchase of goods are incorporated into the consumption process, and set of perfect and scientific and effective customer satisfaction evaluation mechanism and customer perception system model is established. In China, customer perception service was incorporated into the consumption process in 2010, and a perfect customer satisfaction evaluation mechanism was established. Therefore, the research on ESG rating standards and methods in China is still at a preliminary stage.

The development of a company is the result of economic growth, social progress and technological change. From theoretical analysis, we can see that enterprises rely on ESG to a certain extent, but we cannot ignore it. First, there are a large number of inefficiencies in domestic enterprises in China; second, the industrial structure is unreasonable leading to high production costs; third, most industries in China are in a loss-making state and cannot be developed on a large scale, etc. [7]. In the economic development of foreign developed countries, we can find that their industrial structure are more reasonable, and enterprises in the development process of ESG have a certain degree of dependence, so most economists in foreign developed countries believe this view [8]. Most of China's domestic industries are labor-intensive, with low resource consumption and low pollution. From these three aspects, we argue that it is of great theoretical significance and practical value how to carry out internal control of enterprises and optimize their competitiveness in the current situation of high production costs in China; secondly, there are many key factors in the ESG system: low technology level, lack of human resources, backward management concept, etc., which all restrict the competitiveness of enterprises in China to some extent [9]. Therefore, this paper puts forward the strategy of enterprise internal control and management optimization.

4.2. Corporate Performance and Industry Effect

Since the relationship between corporate performance and corporate employees is a complex and lengthy process, it needs to be analyzed and evaluated accordingly. Therefore, it focuses on four aspects to illustrate the correlation between ESG ratings and company performance. (1) ESG ratings mainly reflect the problems arising from the internal operation and management of the company. (2) Different types of customers have different requirements and standards for products, service quality and other factors. (3) These indicators can help to improve overall employee productivity by knowing whether the personal qualities of employees meet the requirements of their positions [10]. By analyzing the relationship between corporate performance and company performance, it can be seen that ESG ratings can accurately reflect employees' requirements for the work environment, service quality, and other aspects. If the customer satisfaction rate is high, it means that there are fewer problems in the process. On the contrary, if the customer dissatisfaction rate is high or if there are many staff departures, it will affect the overall development. Therefore, only by improving their own capabilities can they better contribute to the improvement of corporate performance and company performance.

What about higher customer satisfaction being better for ESG ratings? By analyzing the current situation of the overall development of ESG, it can be seen that there is a positive relationship between corporate performance and company performance. For customer satisfaction, it is customer satisfaction that affects the evaluation results. If the quality of products, services and employees are improved to a certain extent, the quality of products and services will be improved and the efficiency of services

will be increased; and vice versa. Therefore, only when people improve their ability can better promote the company's performance and other aspects of development to achieve the overall goal, so that the company can achieve better performance and market share.

The impact of the industry and the region is very big because it is directly related to the national economic development, so there is a certain degree of influence on its rating. China's domestic enterprises in this regard there are many shortcomings and deficiencies. Firstly, there is no unified standard; secondly, there is a lack of authority: domestic agencies have large differences and fierce competition among each other and other problems will lead to our enterprises not being able to effectively assess the quality of their own products and services and the size of their own competitiveness, so the impact of domestic agencies on ESG ratings is very large, which also leads to our enterprises in the international market cannot effectively assess the quality of their own products and services. The quality of their own products and services.

5. Corporate-Level ESG

ESG is a concept that has received a lot of attention in recent years. At the enterprise level, ESG can help companies identify and address ESG issues and improve their sustainability. The role of ESG in corporate sustainability. How companies can identify and address ESG issues and suggest some sustainable development practices. Companies should pay attention to environmental protection, social responsibility and corporate governance in order to improve their competitiveness and sustainability.

Alibaba focuses on social responsibility and environmental protection in its sustainable development strategy. Alibaba has launched initiatives such as the "Green Logistics" program and "Ali Cloud on Community" to raise awareness of social responsibility and sustainability. In addition, Ali has made significant investments in environmental protection, such as developing new energy vehicles and promoting renewable energy. Wal-Mart has launched initiatives such as the "Green Store" program and the "Food Without Packaging" program to reduce packaging waste and environmental pollution. In addition, Walmart has strengthened its cooperation with local communities and environmental organizations to enhance its awareness of social responsibility and sustainable development. BMW focuses on environmental protection and social responsibility in its sustainable development strategy. BMW is actively involved in environmental protection activities, such as reducing carbon emissions and using renewable energy. In addition, BMW also focuses on employee rights protection and product development to enhance its social responsibility and competitive

ESG practices can have an impact on business performance and suggest some sustainable practices. ESG practices can help companies become more competitive and sustainable and provide better products and services to their customers. Since 2020, for example, apple's corporate operations have been carbon neutral. Building on this achievement, an ambitious and urgent goal has been set to produce carbon-neutral products by 2030. Green chemistry and recycling innovations have brought them closer than ever to making electronics without taking products from the earth. In all of these efforts, Apple officials are working with communities and local leaders to ensure that Apple's environmental efforts also become a force for equity and justice.

The relationship between ESG and corporate governance. Companies should pay attention to governance in order to improve their efficiency and sustainability. The core of modern enterprise management systems is to improve corporate governance structure, and good corporate governance structure is the basic element to improve the efficiency of enterprise operation and management. And a scientific and effective internal control system is a powerful guarantee for modern enterprises to achieve their business management goals. Internal controls, as a set of rules, policies, and procedures established by management to meet management objectives, are integral to corporate governance and Apple's efforts to integrate transparency and accountability at all levels of the company. apple's board

of directors and governance structure help promote principled action, informed and effective decision-making, and appropriate monitoring of our compliance and performance. Corporate governance is inextricably linked.

6. Conclusion

This thesis focuses on two aspects of ESG investing: the application of ESG investing and the development of ESG ratings. From the application perspective, this thesis discusses the application of ESG investing in corporate investment decisions and makes suggestions on how investors can improve ESG performance and ratings. From the perspective of ESG ratings, this thesis introduces and analyzes several important international ESG rating agencies and makes suggestions on how companies can improve their ESG performance and ratings. From the perspective of future research, this thesis focuses on the current problems in the field of ESG ratings and future research directions. In corporate investment, more and more investors are paying attention to corporate ESG performance and ratings, which are important for understanding corporate investment risks and opportunities and promoting sustainable development of companies. From the current problems in the field of ESG rating, the main aspects include the following:

First of all, due to the current inconsistency of standards used by major rating agencies, companies encounter various problems when choosing different agencies for their investments. To solve this problem, we proposed a standardized ESG rating system (ISSB), and it has been widely accepted worldwide. Second, the evaluation indicators currently used by various rating agencies are often not comprehensive and can, to some extent, "manipulate information" about companies. To address this issue, we propose a comprehensive, multi-dimensional indicator system (ISSB) that reflects the actual ESG performance and ratings of companies. The ISSB considers environmental, social and governance indicators and assigns weights to each indicator using the hierarchical analysis method (AHP).

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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