

Evaluation of ESG Disclosure Quality of Listed Companies: Ping An of China as an Example

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Abstract

ESG is the performance of decision-making and behavior in environment, social responsibility and corporate governance. Under the background of our country's sustainable development and the constant promotion of the national "Double carbon" target, ESG has received more and more attention in the capital market. Listed companies are also actively strengthening the practice and exploration of ESG, ESG-centered investment will become a major development trend. Exploring the quality of ESG information disclosure of listed companies will help companies better ensure their own business results, while addressing environmental and social issues. In recent years, China's ESG information disclosure requirements for listed companies gradually stringent, but the quality of ESG information disclosure, China has no clear evaluation criteria. In view of this, this project will take Ping An of China as an example to get its ESG Information Disclosure Quality Evaluation and recommendations, in order to continuously improve the quality of ESG information disclosure of listed companies and promote high-quality development of listed companies.

Keywords

ESG; Information Disclosure Quality Evaluation; China Ping An.

1. Background and Significance of the Study

1.1. Research Background

On September 30, 2018, the China Securities Regulatory Commission (CSRC) issued its corporate governance guidelines for listed companies, providing a theoretical and practical basis for information disclosure on environmental, social responsibility and corporate governance (ESG). In addition, the "Guidelines on the management of investor relations in listed companies" was officially issued on 11 April 2022 to further enrich the content and methods of investor relations management and implement the new development concept, environmental, social and governance (ESG) information should be included in the exchange.

At present, there is no unified standard for ESG disclosure in China. However, from the guidance documents, we can see that our supervision of ESG Information Disclosure has been more and more strict trend, the guidance direction and some issues in the ESG concept have a very high consistency, especially in the environmental aspect, it is becoming more and more obvious, gradually from the social responsibility report to the ESG report, the request is more clear and explicit. Under the guidance of policy and regulation, the willingness and degree of ESG information disclosure of listed companies are gradually increasing, among which, the number and proportion of companies that voluntarily disclose ESG information are increasing year by year, and some companies have put the ESG development concept into the company's business management, in order to improve the performance management level of the company through ESG management.

1.2. Research Significance

1.2.1. Theoretical

At present, the ESG Information Disclosure Quality Evaluation has become the mainstream idea of evaluating the listed companies, the research report on ESG Evaluation System of listed companies in China was published by the Institute of Finance, National Development Research Center in 2018. Under this background, Chinese scholars have done a lot of research and exploration on the ESG concept and the quality evaluation of environmental accounting and social responsibility information disclosure, there are few studies on the quality evaluation of ESG Information Disclosure. Therefore, this project takes Ping An of China as an example to study the quality evaluation of ESG information disclosure of listed companies, which can enrich the relevant literature in the field of ESG Information Disclosure Quality Evaluation, also for listed companies for the ESG Information Disclosure Standards and evaluation of ideas and methods, has a certain theoretical significance.

1.2.2. Practical Significance

To explore the quality evaluation of ESG information disclosure of listed companies, firstly, it is beneficial to pay attention to the environmental impact of enterprises in the process of operating activities; ESG evaluation of social responsibility emphasizes the balance of interests among stakeholders such as shareholders, employees, customers, communities, creditors, etc. , it is helpful for listed companies to carry out the development idea of coordination and sharing and realize the economic development and social harmony, formulating and implementing the company's development strategy rationally, thus realizing the sustainable development of the enterprise.

2. The Present Research Situation at Home and Abroad

2.1. Research Status at Home and Abroad

2.1.1. Status of ESG Information Disclosure Policy

In 2018, the Shanghai Stock Exchange issued a notice on strengthening the social responsibility of listed companies to promote the disclosure of corporate social responsibility reports and implement the scientific outlook on development. In November 2018, the Green Investment Guidelines (trial implementation) were promulgated by the Fund Industry Association. The guidelines, which focus on the environment, are conducive to building a green financial system and promoting the sustainable development of listed companies. In 2019, the Fund Industry Association released a research report on the ESG evaluation system for listed companies in China, implementing the green development concept, emphasizing the protection of the balance of interests among stakeholders, and improving modern corporate governance. In 2020, the Shenzhen stock exchange issued the "Shenzhen Stock Exchange Listed Companies Business Management Guide No. 2-regular report disclosure related matters", standardized disclosure methods, emphasizing the company's information disclosure standards and requirements, improving corporate information disclosure standards. In 2021, the content and format of ESG Information Disclosure Standard and format of listed companies are further clarified in the Guidelines No. 2-content and format of annual report (revised in 2021) and the Guidelines No. 3-content and format of semi-annual report. In March 2022, SASAC established the "Guidelines on investor relationship management of listed companies", which officially included ESG in the investor relationship guidelines, and added ESG information to the communication content of listed companies. On April 16, 2022, the China Association for Enterprise Reform and development issued the ESG Disclosure Guidelines for enterprises, which were officially implemented on June 1, 2022, it aims to help build and improve the ESG ecosystem with Chinese characteristics.

In 2021, the standards and formats of ESG information disclosure of listed companies are further regulated in the Guidelines No. 2-content and format of annual report (revised in 2021) and the Guidelines No. 3-content and format of semi-annual report. In March 2022, SASAC issued the "Guidelines for the management of investor relations in listed companies", which officially added ESG to the investor relations guidelines, it also added ESG information for listed companies to the communication content. In order to promote the establishment and improvement of the ESG ecosystem with Chinese Characteristics, the China Society for Enterprise Reform and development published the ESG Disclosure Guide For Enterprises on April 16,2022, it has been in effect since June 1.

2.1.2. Current Status of the ESG Information Disclosure Quality Evaluation System

ESG rating is the ESG rating of a company by a third party based on the ESG information and performance disclosed by the company. Currently, there are three main types of ESG rating agencies: one is Morgan Stanley, Dow Jones (DJ) , Freder-rough and other rating agencies with high international influence; Second, based on academic "Academic" third-party consultants, such as "Green business", "Runling global", "Social Value Investment Alliance" and so on; Third, the core participants in the secondary market based on the Vander, harvest and Huasheng indices.

2.1.3. The Current Situation of ESG Information Disclosure of Listed Companies

Since 2006, the ESG information disclosure level of a-share listed companies has been improving. As of June 30,2022,1,168 a-share listed companies have issued social responsibility reports, 213 have issued ESG reports, five have issued environmental disclosure reports and 54 have issued sustainability reports, overall, the share of ESG information disclosed reached 30.4 percent, up 4.0 percent from 2021. However, from the format of disclosure, in our listed companies, the form of social responsibility reports accounted for 81.1% , while ESG report less than 5% . This is very different from the situation that about 95% of enterprises in Hong Kong stock market use ESG report to disclose ESG-related information. There is a big difference between them, which is mainly due to our country's regulatory policy and listed companies to understand the concept of ESG caused by the difference. On the one hand, China's ESG investment is still in the initial stage, the enterprises' understanding and understanding of ESG is not deep enough, the willingness of enterprises to disclose information needs to be further improved; on the other hand, china has not established a standardized and unified ESG Information Disclosure System, listed companies in the ESG information disclosure does not have an effective reference standard, social responsibility reporting is still common.

2.2. Trends

Although Chinese scholars have done a lot of research and exploration on the ESG concept and the quality evaluation of environmental accounting and social responsibility information disclosure, their research mainly focuses on a single information disclosure quality evaluation, there are few studies on the quality evaluation of ESG Information Disclosure. Based on the review of policy development and existing literature, this paper believes that the evaluation of ESG Information Disclosure Quality of listed companies is worthy of further study.

3. The Optimization of Environmental Management Accounting of Ping An in China based on ESG

China's Ping An Insurance (Group) Co. , Ltd. (hereinafter referred to as "China Ping An ") released the "2019 report on Sustainable Development" in early 2019, in the following year, we invested in ESG at the level of the whole group, carried out ESG governance using artificial intelligence technology, and constructed a relatively complete "Safe mode"(PA-ESG) platform,

finally, a new ESG rating system is proposed to further refine ESG operation and promote the implementation and optimization of environmental management accounting.

3.1. China Pingan's ESG System

3.1.1. Esg Scoring System

The CN-ESG data evaluation system launched by Ping An of China applies artificial intelligence technology to the collection and processing of ESG data, which greatly improves the efficiency of data collection and processing. The index system is divided into three parts, namely, general indicators, industry matrix, public opinion regulation, the company's ESG Performance Evaluation. Its universal indicators mainly around the environment, social and governance three dimensions, including a four-tier structure, 18 levels, more than 350 data points, a wide range of coverage, greatly improving the quality of information disclosure.

3.1.2. ESG Corporate Governance System

China ping An will ESG system into the group's development strategy, improve the level of enterprise management specialization and systematization. The sustainable development management structure of ping An in China consists of four levels from L1 to L4, which cooperate with each other to form a complete ESG corporate governance system. First, establish and improve the assessment system of each department. Secondly, the relevant departments of the ESG business to carry out continuous improvement and improvement, in order to achieve the maximum risk reduction. Finally, the ESG Risk Management Program and implementation of timely feedback to the company's board of Directors and senior management to ensure the timeliness of information.

3.2. Effect of China's Pingan ESG Implementation

China ping An always adhere to the concept of sustainable development, and equity structure, responsible investment, precision poverty alleviation and other aspects of the in-depth discussion. Ping An of China published 5 sustainable development reports in July 2021, which further strengthened the ESG system and achieved better social and economic benefits.

3.2.1. Steady Improvement in Economic Performance

Its financial statements from 2018 to 2020 show a steady improvement in its operating performance. In 2019, ping An became the first Chinese company to disclose its ESG index, which was included in the Hang Seng Index, and later in the Dow Jones ESG Emerging Markets Index, indirectly reducing the company's funding costs. According to statistics, in 2019, the operating profit of ping An, which belongs to the shareholders of the parent company, maintained a growth rate of 23.8% . With a full-year dividend growth of 7.3% in 2020, the company is more solvent and cash-flow-capable. China's ping An achieved a high level of growth in 2019 overall and, in the face of a worldwide economic downturn, through an improved corporate governance structure and efficient environmental management accounting system, maintained good momentum.

3.2.2. Environmental Costs are Falling

Ping An of China uses credit to support the development of low-carbon environmental protection industries. As of December 2020, the total amount of green credit granted by Ping An of China had reached 94,867 million yuan, this has helped promote the development of green industries. Between 2018 and 2020, Ping An's environmental targets such as natural gas consumption, per capita electricity consumption and per capita greenhouse gas emissions continued to decline, environmental costs dropped significantly, and the company's greenhouse gas emissions increased. Active participation in energy saving and emission reduction projects can reduce environmental costs, avoid negative environmental effects, and promote enterprises to be more active in ESG information disclosure.

4. Enlightenment and Countermeasures

As one of the first companies to introduce ESG into China, ping An establishment and improvement of ESG accounting system is a good attempt for Chinese enterprises to establish a better concept of green development and better fulfill their social responsibilities. However, there are some problems in the construction and implementation of environmental management accounting system, such as the rising of environmental cost and the uncertainty of income, which are disadvantageous to the development of environmental management accounting in China. In order to realize the "30-60 target" put forward by China, China should speed up the development of environmental management accounting and promote the development of our economy to high quality.

4.1. Improve the Environmental Management Accounting System

The establishment of a sound environmental management accounting system is of great significance to improve the eco-economic benefits, reduce the environmental costs and promote the sustainable development of enterprises. In the process of establishing the environmental management accounting system, we should start with the elements layer, the data layer, the application layer and the target layer, and perfect each element, financial and non-financial data can be obtained, so as to achieve the Operation Budget and control, performance measurement and other applications, so as to achieve the ultimate goal of sustainable management of enterprises.

4.2. Enhance the Disclosure of ESG Information

Based on the domestic ESG information disclosure requirements, using the evaluation methods of foreign MSCI and DJSI for reference, the ESG system suitable for enterprises is established. In the aspects of ESG Information Disclosure, System Standard and measurement index, we should make ESG information disclosure more standardized and set a clearer and transparent index to calculate the weight, make the scope of indicators as comprehensive as possible, and promote scientific and rational company decision-making. In constructing the index system of Environmental Impact Assessment, we should follow five basic principles, namely, ESG inclusion principle, Prudence Principle, information transparency principle, theme investment principle and active shareholder principle. Therefore, enterprises should integrate ESG factors into management decision-making and actively develop ESG intelligent evaluation system to form evaluation criteria and investment basis for stakeholders, regularly disclose relevant responsible investment information in sustainable development reports. On this basis, the company should also adhere to the "Green development" concept, through ESG communication management and due diligence management, enhance the positive impact of shareholders, and then enhance the company's ESG performance.

4.3. Enhance the Level of Enterprise Digitization

At present, digital technology, financial data, process automation, scene intelligence, are developing rapidly, so, to establish a unified data control platform, it is of great significance to the development of environmental management accounting. It can strengthen the effect of external constraints, and thus enhance the enthusiasm of enterprises in the disclosure of green information and the environmental benefits of enterprises. According to ISO14001 environmental management framework and requirements, enterprises can establish environmental management data model, through RPA (Robot Process Automation), from the data layer, component layer, service layer and application layer, and so on, achieve full process automation analysis of environmental performance. By means of big data and AI management, the Unified Process Management and risk monitoring can be realized more conveniently and effectively, and the standardization of group environmental management can be realized.

4.4. Accelerate Green Development

4.4.1. Strengthen Green Management in Enterprises

From the perspective of internal governance, the board of directors, as the highest authority of the company, should strengthen environmental supervision to ensure the orderly operation of the company. In the ESG risk identification, set up a special committee to focus on the implementation of CSG, and supervision of environmental protection, safety and other matters. From the perspective of enterprise strategic planning, enterprises should put more energy into long-term interests, in green design, procurement, production, logistics, use, recycling, green information platform, etc. , the combination of environmental benefit and social benefit will promote the implementation of the Enterprise Green Development Plan and realize the maximization of enterprise value and social value.

4.4.2. Improve the Carbon Market Mechanism

On July 16,2021, the national carbon market was declared open. This project will provide new ideas and methods for the improvement of carbon trading level and the construction of carbon trading environment in our country. However, compared with the developed countries in Europe, China started late, because of its low degree of financialization and market participation, leading to its small scale, less types of transactions, and related policy support is not sound, therefore, its development is still in its infancy. Therefore, it is necessary not only to have systematic system design and policy support, but also to actively cultivate the supply and demand of carbon trading market. Increase the publicity of the carbon market, encourage the active participation of enterprises and individuals; expand the carbon trading sector, improve the overall liquidity and flexibility of the carbon market.

5. Conclusion

Since 2020, the covid-19 pandemic has swept the world, and countries are paying more attention to the combined performance of non-financial factors, such as environment, society and governance, while fighting the pandemic, there has also been a growing focus on the resilience of companies to crises and their long-term value. This makes environmental management accounting even more important. At present, enterprises should strengthen the construction of financial intelligence, establish and optimize environmental management accounting system, establish ESG system suitable for the development of enterprises, and promote the green development of enterprises. From the internal point of view, enterprises should pay more attention to environmental management accounting, link it with the operation of enterprises, and strengthen the construction of ESG system. From the external point of view, enterprise as an independent unit of social economy, enterprise and the whole social economy are closely linked, in order to achieve sustainable development in the global economy, therefore, all parties should shoulder their own social responsibility and environmental protection responsibility, and seek the path of common development.

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