ESG Connotation, Disclosure and Legal Regulations in China

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Abstract. ESG investment concept has been developed for more than 20 years worldwide, and is a powerful tool for realizing the harmony between human and nature, social harmony and high-quality development of corporates. The content of ESG disclosure has various international standards, and China has its own ESG disclosure guidelines. At present, the United States, the European Union and Hong Kong, China, due to the early emergence of ESG concepts, legal regulations are more perfect, ESG disclosure quantity and quality is higher. Although China's current ESG disclosure is on the rise, due to the imperfect legal regulation of ESG disclosure, the disclosure proportion and quality still have more room for improvement. China should improve ESG disclosure by perfecting the legal regulations of ESG disclosure to help Chinese corporates "go global" with higher quality, and promote the realization of ESG investment concepts and sustainable economic and social development.

Keywords: ESG connotation; ESG disclosure; ESG practice; legal regulations;

1. Introduction

ESG is an acronym for Environmental, Social and Corporate Governance, a new concept and methodology for investing in and evaluating enterprises, with the aim of enabling them to achieve win-win situations in terms of both economic and social benefits, and to realize the goal of sustainable development. In 2004, the United Nations Global Compact released the report "Who Cares Wins", which formally put forward the concept of "ESG", advocating that enterprises should no longer focus on a single profitability indicator, but rather pursue long-term sustainable development in terms of the environment, social impact and corporate governance. The concept of ESG was formally introduced into the Chinese market in 2008, and it was not until 2016 when "green finance" and 2020 when "dual carbon" were proposed that it began to see explosive growth. The report of the 20th National Congress of the Communist Party of China (CPC) states that by 2035, "a green production and lifestyle will be widely formed, carbon emissions will peak and then decline steadily, the ecological environment will fundamentally change for the better, and the goal of a beautiful China will basically be realized". Therefore, exploring and practicing ESG concepts, enhancing the fulfillment of corporate social responsibility in investment and operation, and continuously improving the quality of the environment are consistent with the overall goal of China's development.

The ESG system includes three key aspects, including ESG disclosure, ESG evaluation, and ESG investment, which influence each other and complement each other. Corporates disclose ESG information according to the characteristics of their own industries, ESG information rating agencies evaluate the ESG information disclosed by corporates and combine it with other publicly available information and data, investors make ESG investments based on ESG ratings and combined with other risk factors, etc., and ESG investment promotes the improvement of the quality of ESG disclosure and the level of ESG evaluation. The above three links are concrete manifestations of practicing ESG concepts, which play an important role in realizing ESG objectives, and therefore should be regulated by domestic and international standards, laws and regulations.

Information disclosure system, also known as information disclosure system, refers to the requirement that listed companies must or voluntarily disclose or publish their relevant information and materials in accordance with the law in order to protect the interests of investors and accept the supervision of the public. ESG information disclosure refers to the disclosure of non-financial information of enterprises on their environmental, social and corporate governance situations. ESG

disclosure is of great significance to the investors, the companies and the regulators, and plays a fundamental role in the development of the ESG system.

2. Connotation and Function of ESG

2.1.Emergence and Development of ESG

The ESG concept first began with ethical investing in the early 18th century, when the Methodist Church called on its followers not to allow their businesses to harm their neighbors. It did not allow its followers to operate some chemical and tanning businesses because of the pollution that such businesses could bring to the surrounding environment and community. In 1972, the United Nations Conference on the Human Environment in Stockholm laid the groundwork for a series of initiatives related to common programs for environmental protection, such as the 1997 Kyoto Protocol and the 2016 Paris Agreement. 2003 saw the bursting of the Internet bubble, and Japan took the lead in issuing guidelines for ESG. 2004 saw the terminology of ESG being introduced for the first time in the United Nations study "Who Cares Wins". The Principles for Responsible Investment (UNPRI), launched in 2006 under the leadership of former United Nations Secretary-General Kofi Annan in 2006, have further integrated issues related to Socially Responsible Investing (SRI) at the level of the international community and promoted ESG as an investment approach. Besides, ESG is an extension of the Corporate Social Responsibility (CSR) movement, which has been around since the 1930s. In addition, the United Nations Sustainable Development Goals (SDGs) are one of the international initiatives related to ESG.On September 25, 2015, the United Nations Sustainable Development Summit was held at its headquarters in New York, at which the 193 member states of the United Nations formally adopted 17 Sustainable Development Goals. The SDGs aim to shift to a sustainable development path by thoroughly addressing development issues in the three dimensions of society, economy and environment in an integrated manner between 2015 and 2030.

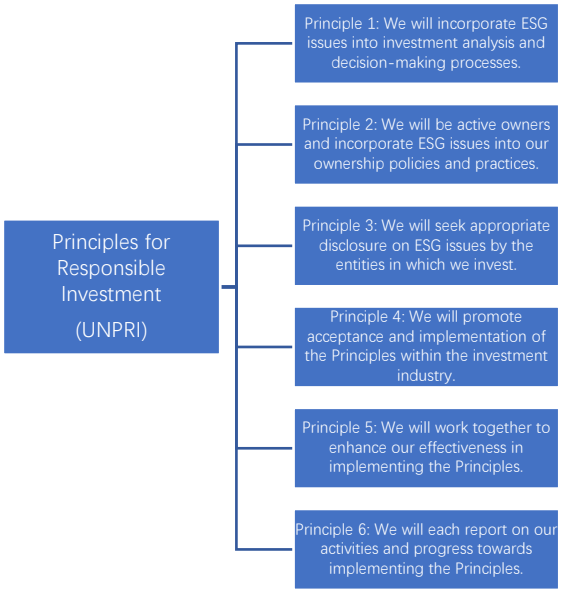


Table 1. Principles for Responsible Investment

2.2. ESG Function

ESG, as one of the core indicators of non-financial performance, is helpful for investors to gain a deeper understanding of a company's long-term performance, to invest using ESG concepts, and for risk control. For companies, ESG is a new goal for the company's business development and governance system, which introduces a new perspective to the company's decision-making in order to give management a better understanding of the full impact of its decisions [1]. Thus, ESG enables

the company itself to benefit from a harmonious society and a harmonious environment and climate brought about by ESG, thus realizing a virtuous, sustainable, spiral upward [2]. For regulators, ESG disclosure can be an effective tool for regulation in the interest of society and the general public.

After decades of rapid economic growth, China is entering a new era that demands high-quality development, and a dual-carbon strategy has become one of the new goals. The dual-carbon goal means that China strives to achieve carbon peaking by 2030 and carbon neutrality by 2060, and the ESG concept is fully in line with the spirit of this strategic goal. At the same time, the practice of ESG by corporates is conducive to the integration of Chinese corporates into the international market, the promotion of China's industrial upgrading, the promotion of China's sustainable development, and the fulfillment of the objectives of the 14th Five-Year Plan.

In short, the connotation of ESG is not limited to ESG investments, ESG reports, and ESG ratings, etc., but is more of a corporate's business strategy, a kind of value that focuses on long-term returns and takes into account not only economic returns but also environmental and social interests. Therefore, this makes ESG an important yardstick to scrutinize whether the production and operation methods of corporates meet the requirements of sustainable development.[3]

3. ESG Disclosure and Practices

3.1 Content of ESG Disclosure

ESG information is typically non-financial and non-quantifiable. There are some non-negligible ESG risks in the securities market, that is, non-financial risks that cannot be identified by traditional credit rating methods, but can be more effectively identified and predicted by ESG methods. ESG disclosure is generally recognized by the CFA Institute as reflecting a company's business performance and risks, and impacting investors' investment decisions and other stakeholders.

The specific content of ESG disclosure varies from country to country and is not always clear. Generally speaking, the environmental aspect includes information on the impacts of resource use, emissions, climate change, resource recovery and ecological damage in the course of business operations; the social aspect includes information on employee rights and interests, human rights protection, supply chain responsibility, customer and consumer rights, and community investment; and the corporate governance aspect includes information on transparency of information, board of directors' governance, shareholders' rights and interests, employees' welfare, and corporate compliance and ethics.

In recent years, many international organizations and institutions have developed ESG disclosure frameworks. In November 2010, the International Organization for Standardization officially issued the Guidance on Social Responsibility, also known as ISO26000, which clarified the definition and connotation of social responsibility, and provided a reference guide for the organization and fulfillment of social responsibility. The ISO26000 include seven core themes: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement and development [4], with specific issues subdivided under each theme. In December 2015, the International Financial Stability Board (FSB) established the Task Force on Climate-Related Financial Disclosure (TCFD), which published the Recommendations of the Task Force on Climate-Related Financial Disclosure in June 2017. TCFD's disclosure framework is organized into four areas, governance, strategy, risk management, metrics and targets, which contains 11 disclosure recommendations applicable to all industries. The goal of TCFD is to maintain the stability of financial markets by developing the same framework for financial disclosure related to climate change, which promotes more transparent and credible information and helps financial institutions and investors assess the potential impact on companies and make investment judgments. Besides, the Global Reporting Initiative (GRI) standard is currently the most widely used sustainability reporting standard in the world, representing the position of multiple stakeholders, and has been cited and benchmarked by various ESG standards representing the position of investors. Compared with the GRI Standard (2016 Edition), the GRI Standard (2021 Edition) is still a modular

and interconnected system of standards, but with significant adjustments to the overall structure, consisting of three parts: universal standards, sector standards and topic standards [5]. In addition to the ESG disclosure frameworks mentioned above, there is also the CDSB framework issued by the Climate Disclosure Standards Board (CDSB), the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC), and specific standards issued by the Sustainability Accounting Standards Board Foundation (SASB) that include five dimensions - environment, social capital, human capital, business model and innovation, and leadership and governance - and that can be applied to 77 industries [6].

The International Sustainability Standards Board (ISSB) was launched by the International Financial Reporting Standards Foundation (IFRS Foundation) at the end of 2021 to promote and regulate the disclosure of sustainability-related information by companies in their financial reports. The first two final drafts of the ISSB standards were published on June 26, 2023. The IFRS Sustainability Disclosure Standard is comprised of two standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. IFRS S1 sets out a series of general disclosure requirements for companies to understand their short-, medium- and long-term sustainability-related risks and opportunities so that investors can make investment decisions accordingly [7], while IFRS S2 builds on IFRS S1 by setting out disclosure requirements for climate change-related risks and opportunities [8]. Both standards will guide companies in disclosing information related to sustainable development and climate change in their financial reports, which will help to improve corporate transparency and enable investors to more fully assess corporate sustainability risks and opportunities. The release of these two standards marks the unification and standardization of sustainability reporting, and can also bring the standardization and comparability of ESG disclosure by companies to a higher level.

According to the "Guidelines on the Content and Format of Information Disclosure for Companies Issuing Public Securities No. 2 - Content and Format of Annual Report (Revised in 2021)" issued by the China Securities Regulatory Commission (CSRC) in June 2021, the content of ESG disclosure is shown in Table 2:

Table 2. Content of ESG Disclosure Required by CSRC

Environmental	Social	Governance
Situation of companies and their subsidiaries required by the environmental authorities to be under key control	Employees of parent and subsidiary companies (number, professional composition, compensation system, training status, etc.)	Corporate basic information
Emissions information (qualitative and quantitative)	Employee equity incentive plan	Corporate sustainability strategy
Pollution prevention and control facilities construction and operation	Coverage of retiree costs	Corporate social responsibility purpose and philosophy
Environmental impact assessment of construction projects	Employee rights and interests protection mechanism	Core competitiveness and explanation
Environmental protection licenses,	Customer and consumer rights protection mechanism	Responsibilities and composition of directors and supervisors (gender, age, professional background, etc.)
Emergency response plan for sudden environmental practices	Supplier information	Internal system review and risk analysis
Environmental penalties	Public relations	Protection of shareholders' and creditors' rights and interests
Third-party verification and forensics	Social public welfare	Reputation and credit of key stakeholders
Emission reduction and carbon reduction measures and their effectiveness	Poverty alleviation and rural revitalization	Key transaction information
		Investor relations

3.2 ESG Disclosure Practices

3.2.1 United States

The U.S. capital markets are among the most mature and largest in the world, with both the NASDAQ Stock Exchange and the New York Stock Exchange joining the Sustainable Stock Exchange Initiative. On February 8, 2010, the U.S. Securities and Exchange Commission (SEC) issued Guidance on Disclosure of Climate Change-Related Issues, which ushered in a new era of rapid growth in environmental disclosure by U.S. public companies. The Guidance explicitly requires registrants to (1) disclose items of cost incurred by the company in complying with environmental laws, and appropriately disclose the material impact that compliance with federal, state, and local regulations relating to environmental protection may have on the company's capital expenditures, earnings, and competitive position; and (2) disclose relevant environmental litigation and its impact on the company's business, financial condition [9].

From 2010-2015, the number of S&P 500 constituent companies issuing ESG reports grew rapidly as a percentage of the total number of S&P 500 constituent companies. According to Governance &Accountability Institute (G&A) statistics, only 20% of S&P 500 constituent companies published sustainability reports in 2011, which rose rapidly to 81% by 2015. The rate of disclosure slowed after surpassing 80% [10]. The percentage of the S&P 500 publishing a 2020 sustainability report is 92%. In addition, NASDAQ revised its ESG Reporting Guidelines 2.0 in May 2019, a version that expanded on human rights, labor, and data security. However, the U.S. securities laws still largely follow the principle of shareholder primacy, and further reform of ESG reporting system in the U.S. is not easy. Currently, most U.S. companies only make essential disclosures in compliance with laws and policies, and few companies have consciously set higher standards for themselves.

3.2.2 European Union

In October 2014, the EU amended the Non-Financial Reporting Directive to require that non-financial disclosures of large companies with more than 500 employees cover ESG information, either in the annual report or in a separate report, and that member states should start complying with the content of Directive by December 2016. The Directive requires that the non-financial statements of these large companies should provide detailed information on the existing and foreseeable impacts of their operations on the environment in relation to environmental matters, and, where appropriate, environmental information such as the use of renewable and/or non-renewable energy sources, greenhouse gas emissions, the use of water resources, and air pollution, etc. ESG-related policies and regulations in Europe have a history of more than two decades of development, and the issuance of the Directive has made the EU's non-financial disclosure more comprehensive, complete and specific [11]. In 2017, the EU issued a companion Guidelines on Non-Financial Reporting as a non-binding document to provide help and reference for companies to issue non-financial reports.

As a result, the disclosure rate of key ESG information by EU companies led the world in 2017. According to Corporate Knights' statistics on the disclosure rate of listed companies on major exchanges in each country on the seven key ESG indicators (energy, greenhouse gas emissions, water resources, waste, employee turnover, workplace injuries, and employee compensation), Spain, Portugal, France, Italy, the Netherlands, and Germany reached 77.7%, 73.8%, 68.6%, 66.3%, 64.9%, and 54.6%, respectively, in 2017, significantly higher than the United States, Japan and South Korea during the same period; the compound annual growth rate (2013-2017 CAGR) was 2.3%, 3.7%, 2.2%, 10.7%, respectively, 6.6%, 5.9%.

3.2.3 Hong Kong Special Administrative Region

In August 2012, the Hong Kong Stock Exchange issued the first edition of the Environmental, Social and Governance Reporting Guidelines, which follow the "voluntary principle" and encourage listed companies to disclose information on workplace quality, environmental protection, operational practices and community involvement on an annual basis. Since then, the Guidelines on

Environmental, Social and Governance Reporting have been revised several times, and the second edition of the Guidelines released in 2015 defined two major disclosure categories, namely environmental and social, and introduced the "comply or explain" provision in the environmental category, upgrading ESG disclosure to a semi-mandatory status. The third edition of the Guidelines, revised in 2019, extends the semi-mandatory requirement of "comply or explain" to all social indicators, and for the first time, the document adds the item of "mandatory disclosure", which covers the regulatory framework, reporting principles, reporting scope, and so on.

With the entry into force of the above documents and increasing regulatory efforts, the number of ESG disclosures by Hong Kong listed companies has continued to rise, and jumped in FY2016.The first version of the ESG Reporting Guidelines issued by the Hong Kong Stock Exchange in 2012 was only on a voluntary basis, and a total of 1,643 annual reports were published in Hong Kong stocks in 2013, with only 50 companies disclosing ESG information, accounting for 3% of all companies. Among them, 17 companies issued ESG reports individually and 33 companies disclosed them in their annual reports. 2015 version added the provision of " comply or explain", thus the ESG disclosure rate of Hong Kong stocks in FY2016 has made a landmark leap. 2015, only 141 companies disclosed ESG information, which is 7.6% of the total number of Hong Kong stocks of 1,866. In 2016, a total of 1,526 companies disclosed ESG information, accounting for 77.3% of the total number of Hong Kong stocks 1973. As of July 31, 2021, a total of 2,418 listed companies have published ESG reports, accounting for 93% of the listed companies on the Stock Exchange, a significant increase from 80% in 2019 [12].

3.2.4 China

Compared with foreign countries, China's corporate ESG information disclosure rate is not high, although the number of A-share listed companies publishing ESG reports has been increasing year by year, the proportion has not seen significant improvement. According to the Report on ESG Information Disclosure of A-share Listed Companies in 2021 issued by the Listed Companies Association, a total of 1,366 companies (excluding newly listed companies in 2022) disclosed their social responsibility reports in 2021 on the Juchao Information Network by April 30, 2022, which accounted for 29.42% of all listed companies, and an increase of 2.52% compared with that of 2020, showing that the disclosure rate of listed companies is on the rise, but the proportion has not seen significant improvement. It can be seen that the disclosure rate of listed companies is on the rise, but the proportion of the number of companies publishing reports is still low.

From the perspective of report releasing boards, affected by different boards' regulatory system and rules, Shanghai main board has the highest number of releases and release rate among the four boards, with the number of releases amounting to 714 and the release rate reaching 43.48%. This is followed by the Shenzhen Main Board, with the number of releases reaching 420 and the release rate reaching 28.67%. The number of releases on the Shanghai Science and Technology Board reached 84, with a release rate of 22.28%. The Shenzhen GEM had the lowest release rate, with 148 releases and a release rate of 13.68%.

In terms of the forms of release, the forms of disclosure of social responsibility by listed companies are more diverse, but they have not formed a unified standardization. Among the 1,366 listed companies that released social responsibility reports, 1,157 listed companies released CSR reports, and only 178 listed companies released ESG reports, accounting for only 13.03% of the released reports.

In terms of the nature of the enterprises that publish the reports, the subjects that publish the reports cover state-owned, privately-held, foreign-owned and collectively-held companies. The number of state-controlled listed companies releasing social responsibility reports is 613, accounting for 44.88%; 561 privately-controlled companies account for 41.07%. In terms of the release rate, state-owned holdings ranked high with a release rate of 47.37%, while privately-held holdings had the lowest release rate of 19.98%.

From the distribution of industry sectors that publish social responsibility reports (according to the 2012 SEC industry classification), among the A-share listed companies in 2021, the financial industry has the highest degree of information disclosure, reaching 88.10%; followed by the cultural and sports industry, with a release rate of around 57.38%; the release rate of other industries remains at 20%-50% The lowest rate of release of social responsibility reports is in the information technology industry, with a rate of 24.20%. The manufacturing industry, which accounts for the highest number of listed companies, has a lower release rate of 25.07%.

From the perspective of ESG disclosure structure, more companies disclose information in qualitative form such as textual description, but lack of specific data and quantitative information as support in the environmental dimension. Social dimension disclosure is concentrated on internal employees, but there is less disclosure on the fulfillment of responsibilities to external stakeholders such as creditors, investors, and the public in the community. Governance disclosure highlights compliance orientation, but remains weak in the top-level design of ESG structures and mechanisms.

By studying the ESG disclosure reports of listed companies in China, it can be seen that there are several problems in China's current ESG disclosure:First, the disclosure rate is not high, and the disclosure of information is insufficient, and there is still a certain gap between the United States, the European Union and Hong Kong. Secondly, the disclosure content is not comprehensive, more corporates choose to disclose favorable data and hide unfavorable data, and the disclosure of the three dimensions of ESG is not balanced. Third, ESG disclosure is mainly qualitative disclosure, not much quantitative disclosure, lack of data basis, data credibility can not be verified. Fourth, there is a lack of uniform disclosure standards, and data comparability between different companies is poor, which is not conducive for investors to make decisions accordingly. Fifth, there is a big gap between the disclosure rates of corporates in different industries and of different natures, which means the development of ESG information disclosure is not balanced among industries. These problems are related to the late emergence of the ESG concept in China and the fact that China's ESG disclosure-related policies are not yet perfect.

4. Legal Regulations of ESG Disclosure

4.1 Legal Regulations of ESG Disclosure in China

China's legal regulations on ESG information disclosure mainly encourages voluntary disclosure, and the revision of relevant laws in recent years reflects the increasing importance of China's corporate social responsibility and information disclosure. Article 5 of the revised Company Law in 2006 included "corporate social responsibility" as a general provision in the General Provisions, proposing corporate environmental responsibility and social responsibility on the basis of shareholders' responsibility. Article 86 of the Civil Code of 2017 elevates "social responsibility" to the status of a general provision, putting forward the ethical requirements for enterprises to assume social responsibility and accept the supervision of the government and the public. The new Securities Law, which will come into effect in 2020, places information disclosure requirements at the core of the law, setting up a special chapter to provide detailed provisions on the investor protection system and information disclosure. Article 84 of the Securities Law provides that "except for information required to be disclosed in accordance with the law, information disclosure obligation holders may voluntarily disclose information relevant to investors in making value judgments and investment decisions."

The above legal documents constitute the legal basis of the ESG disclosure system for listed companies in China. In addition, administrative, financial and environmental regulatory authorities, stock exchanges and industry self-regulatory organizations have issued corresponding policies and regulations to provide top-level design and policy guidance for the ESG disclosure system framework [13].

Table 3. China's ESG Disclosure Policies

Issuing organization	Release time	Name of the document	ESG-related content
Former Ministry of Environmental Protection (now Ministry of Ecological Environment)	2015	Environmental Protection Law	Add a special chapter on "Information Disclosure and Public Participation"
Ministry of Ecology and Environment	2021	Administrative Measures for Legal Disclosure of Enterprise Environmental Information	Clarify the subject, content, form, time limit and supervision and management of enterprise environmental information disclosure in accordance with the law, and standardize the activities of environmental information disclosure in accordance with the law
Ministry of Ecology and Environment	2022	Format Guidelines for Legal Disclosure of Enterprise Environmental Information	Refine the content of environmental information disclosure and standardize the disclosure format
State-owned Assets Supervision and Administration Commission (SASAC)	2022	Work Program for Improving the Quality of Listed Companies Controlled by Central Enterprises	Implementing the new development concept and exploring the establishment of a sound ESG system. Central enterprise groups should further improve the ESG working mechanism, enhance ESG performance and play a leading role in the capital market. Based on the actual situation of state-owned enterprises, actively participate in building ESG disclosure rules, ESG performance ratings and ESG investment guidelines with Chinese characteristics. Promote the continuous improvement of ESG professional governance and risk management capabilities of listed companies held by central enterprises, and promote the disclosure of ESG special reports by more listed companies held by central enterprises
China Securities Regulatory Commission (CSRC)	2017	Guidelines on the Contents and Format of Annual and Semi-annual Reports of Listed Companies	Clearly proposed a hierarchical environmental information disclosure system for listed companies, i.e., requiring mandatory disclosure by key polluters and implementation of the "comply or explain" principle by other companies, and adding new disclosure requirements for listed companies in support of poverty alleviation and development efforts
China Securities Regulatory Commission (CSRC)	2018	Guidelines on Governance of Listed Companies	For the first time, the basic framework for ESG disclosure was established, and a chapter on stakeholders, environmental protection and social responsibility was added, stipulating that listed companies shall disclose environmental information, social responsibility and corporate governance-related information in accordance with the requirements of laws and regulations and relevant authorities

China Banking and Insurance Regulatory Commission (CBIRC)	2020	Guiding Opinions on Promoting High-Quality Development of the Banking and Insurance Industries	Banking institutions should establish a sound environmental and social risk management system, incorporate ESG management factors into the entire credit decision-making process, and strengthen the disclosure of ESG information and communication and interaction with stakeholders
China Securities Regulatory Commission (CSRC)	2021	Guidelines on the Content and Format of Information Disclosure by Companies Offering Public Securities No. 2 - Content and Format of Annual Reports (2021), Guidelines on the Content and Format of Information Disclosure by Companies Offering Public Securities No. 3 - Content and Format of Half-Annual Reports (2021)	Require the establishment of a separate section on "Environment and Social Responsibility" in annual and semi-annual reports, require all listed companies to disclose the administrative penalties imposed on them for environmental issues during the reporting period, encourage voluntary disclosure of measures taken to reduce carbon emissions and their effects, and encourage active disclosure of the consolidation and expansion of poverty alleviation and rural revitalization efforts
China Securities Regulatory Commission (CSRC)	2022	Guidelines on Investor Relations Management for Listed Companies (2022)	For the first time, company ESG information is included in the communication content of investor relationship management, requiring listed companies to explain to investors on ESG matters
China Banking and Insurance Regulatory Commission (CBIRC)	2022	Guidelines on Green Finance for the Banking and Insurance Sectors	ESG is an important pillar of green financial management, and banking and insurance institutions are required to incorporate ESG requirements into their business management processes and risk management systems to realize green and low-carbon transformation and development while supporting the green development of the real economy

4.2 Deficiencies in the Legal Regulations of ESG Disclosure in China

First, China's ESG disclosure legal regulations are not sufficiently mandatory and the rules themselves have gaps. Although the Guiding Opinions on Building a Green Financial System and the newly revised Code of Governance for Listed Companies have in principle established a mandatory ESG information disclosure framework, due to the lack of specific practical guidance and supporting measures from relevant departments and industry self-regulatory organizations, listed companies in China are not subject to the mandatory constraints of the above framework, and voluntary disclosure is still predominantly used in practice [14]. And some of the documents contain contradictory parts, making it difficult for enterprises to identify the scope of mandatory and voluntary disclosure of information. For example, Section IV "Social Responsibility" of the Rules for Listing of Stocks on the Kechuan Board of the Shanghai Stock Exchange clearly stipulates that "Listed companies shall disclose the fulfillment of social responsibility in their annual reports, and compile and disclose separate reports on social responsibility, environment and sustainable development as appropriate. ". However, the accompanying document "No. 2 Guidelines on the Application of Self-regulatory Rules for Listed Companies on the Kechuan Board - Voluntary Disclosure of Information" classifies social responsibility information as voluntary disclosure [15].

Second, China's ESG disclosure legal regulations lack uniform standards and are not regulated by procedural rules, so there are still obvious deficiencies in disclosure quality, reliability and comparability, and timeliness. In terms of disclosure methods, as no uniform format requirements have been issued, companies can either include social responsibility information in their annual reports or separately issue a separate CSR report. At the same time, the lack of a standardized disclosure framework makes the scope of ESG data collection and key topics inconsistent across companies and industries, and ESG data are mostly non-quantitative policy descriptions with poor comparability of ESG information. Some companies even choose to deliberately avoid the disclosure of negative events and indicators [16], and use ESG reports as a tool to beautify their corporate image and promote their brands, resulting in chaotic phenomena such as companies "drilling holes" and "greenwashing".

Generally speaking, China's information disclosure system still lacks mandatory effectiveness and is dominated by voluntary disclosure. Meanwhile, there are various disclosure standards and a lack of procedural rules. For these reasons, the number of ESG disclosures by listed companies in China is growing rapidly, but the proportion of ESG disclosures and the quality of disclosures are still low, which often puts listed companies in China at a disadvantage in the international ESG rating system.

4.3 Suggestions for Improving Legal Regulations of ESG Disclosure in China

Considering the above mentioned problems with the current legal regulations of ESG disclosure, China should establish a mandatory and unified framework for ESG disclosure.

First, improve the mandatory regulations on ESG information disclosure. The Code of Governance for Listed Companies has provided a basic framework for ESG disclosure for listed companies in China, and authoritative disclosure policies and legislation should be adopted to popularize and require the mandatory use of this framework for eligible issuers. At the same time, taking the opportunity of the establishment of a special chapter in the new Securities Law to strengthen the investor protection and information disclosure system, integrate the relevant requirements of the guidelines on the format of annual and semi-annual reports of listed companies. Add mandatory requirements for social responsibility information disclosure in Chapter 2 "Periodic Reports" of the Measures for the Administration of Information Disclosure of Listed Companies, and separately set out the specific disclosure standards and preparation rules, so as to realize the effective connection between the Measures and the new Securities Law. Finally, integrate the disclosure guidelines and regulations issued by various financial and regulatory authorities and exchanges, and formulate specific norms with flexibility for listed companies in different fields and of different sizes, so as to avoid one-size-fits-all mandatory provisions that would impose excessive disclosure costs and compliance burdens on companies in specific fields or start-ups. For example, China may allow eligible companies to apply the "comply or explain" rule to some specific indicators, so as to increase the flexibility of the institutional norms under the unified disclosure framework.

Secondly, China should standardize the specific content and procedural rules of ESG disclosure. Uniform disclosure standards and procedural rules can make Chinese companies more targeted in the practice of ESG data disclosure, and also make it easier for investors to incorporate ESG factors into their investment decisions and make comparisons between different markets and industries. The disclosure framework should be actively aligned with international standards, and the specific content of the disclosure can be formulated with reference to the thematic categorization and refined indicators of the relevant international standards mentioned above. At the same time, ESG disclosure topics and related indicators can also be refined based on new issues in international and domestic socio-economic development, for example, security and privacy issues in the context of the Internet and big data. In addition, the requirements for quantitative indicators, especially negative indicators, should be appropriately increased to improve the comparability and comprehensiveness of ESG data. What's more, the procedural rules for ESG information disclosure should be improved and the form of ESG information disclosure should be stipulated. Finally, China can follow the example of the

European Union and introduce a third-party verification mechanism to improve the reliability of ESG information disclosure [17].

5. Conclusion

As an emerging investment concept, ESG makes requirements on the environment, society and corporate governance of enterprises, which is in line with global sustainable development and China's "dual carbon" goal. Information disclosure is an important part of ESG, and perfecting ESG disclosure is of great significance to attracting international capital, improving capital structure, upgrading traditional industries and low-carbon development of emerging industries. In the context of the booming development of the global ESG investment market, the establishment of ESG standards and disclosure framework in line with international standards, and the improvement of China's ESG information disclosure laws and regulations can, on the one hand, effectively guide enterprises and investors to practice the concepts of sustainable development and responsible investment, and give full play to the leverage effect of the market in promoting the transformation of China's development model to a green and low-carbon economy. On the other hand, it can help explore the potential of China's ESG capital market, so that China's listed companies will not continue to be at a disadvantage in the international ESG rating system.

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