Quality Analysis of ESG Information Disclosure-Take Luxin Venture Capital and Public Utility for Example

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Abstract. The national concept of sustainable development has gained popular support and the "two-carbon" strategy has continued to advance, domestic capital markets are increasingly paying attention to ESG (environmental, social, and governance). This paper constructed ESG information disclosure quality indicators based on GRI2 standards, and evaluated them against established ESG information disclosure quality indicators according to Luxin Venture Capital 2021 ESG Report and Public Utility 2021 Environment, Society and Governance (ESG) report. It is found that there are different differences in the ESG reports of different companies, as the paper has the common problems of lack of balance and reliability disclosure. By evaluating the quality of enterprise ESG information disclosure, the research hopes to improve the level of ESG information disclosure, and enhance the level of enterprise ESG management, to increase the quality of Chinese ESG information disclosure, promote sustainable development of enterprises, and realize high-quality development of enterprises.

Keywords: ESG, GRI, Quality index.

1. Introduction

Along with the concept of sustainable development becoming more and more popular in our country, enterprises in response to the sustainable development concept of the country, one after another pay attention to the ESG concept proposed by investment institutions represented by MSCI. ESG, short for Environment, Social, and Governance, is a new investment concept and evaluation standard focusing on enterprise performance. Investors can evaluate an enterprise's contribution to promoting sustainable economic development and fulfilling social responsibility by observing its ESG performance, and can also evaluate its corporate performance based on its ESG performance [1].

In recent years, based on the development of ESG information disclosure and ESG evaluation, ESG investment has gradually become the mainstream in domestic and foreign investment fields, and listed companies with high ESG performance quality have a positive impact on their stock price returns [2]. The promotion of the ESG information disclosure system also greatly promoted the green transformation development of Chinese enterprises [3]. High-quality ESG information disclosure will improve the enterprise's valuation [4], and also force high-quality development of enterprises. Therefore, high-quality ESG information disclosure plays a role in promoting sustainable development and long-term business strategy of enterprises, to better achieve high-quality development of enterprises.

2. Literature Review

At present, despite the rapid development of ESG in China, the information disclosure of ESG in China is not mature [5], and a complete ESG evaluation system has not yet been formed. Although the number of enterprises disclosing reports increases year by year, the proportion is still very low. The difference in the proportion of different types of enterprises is also obvious [6]. The research group of the Beijing Securities Regulatory Bureau introduced the content of ESG information disclosure in detail [7], and divided it into two aspects: disclosure should be made and disclosure encouraged. Studies have also shown that associated ESG activities reduce the risk [8]. Relevant international organizations, such as the Global Reporting Initiative (GRI), have also issued ESG content disclosure guidelines, while relevant rating agencies, such as MSCI, have disclosed ESG content topics. In addition, international ESG standards have large standard differences and low coordination degrees with financial reporting standards. Therefore, under different national conditions of different countries, ESG information standards need to adopt the principle of seeking common ground while setting aside differences and coordinating with financial reporting standards [9].

With the emergence of different disclosure frameworks, the change of information disclosure among authoritative organizations and the concern of relevant stakeholders, the international authoritative organization GRI released the latest GRI criteria on October 5, 2021 [10], GRI 2 is more comprehensive than integrity, reliability, timeliness, balance and other aspects elaborated ESG information disclosure content guidelines. Generally speaking, because our ESG concept started relatively late, the evaluation of the quality of ESG information disclosure is mostly divided into separate studies, and the comprehensive evaluation standard is less. Therefore, this paper is based on the newly released GRI 2 criterion, to construct the quality index of ESG information disclosure, and to take Lusin Venture Capital and Public Utility as examples, to promote the improvement of the quality of ESG information disclosure in our country, and to realize the high-quality development of enterprises.

3. Construction of ESG information disclosure quality index

GRI 2 contains a series of disclosures for organizations to describe reporting practices, activities and workers, governance, strategies, policies and practices, and stakeholder engagement. This information provides insight into the profile and size of the organization and provides context for understanding the impact of the organization. In addition, the criterion system of GRI 2 is increasingly favored by large organizations. By the end of 2018, more than 80% of large companies in the world have adopted GRI criteria, which shows its great influence. Therefore, this paper adopts the information quality requirements in GRI criteria to establish the characteristic dimension of ESG information disclosure quality. The specific index system is shown in the table: (scoring rules 0-5 points)

Table 1. ESG information disclosure quality indicators

Integrity	Environmental Governance
	Social Governance
	Corporate Governance
Reliability	Reporting information authenticity commitment
	Disclose the key quantitative performance calculation method
	The information is authenticated by a third party
Time effectiveness	Timely release of reports
	The report was released at the same time as the annual report
Character of balance	Disclose the company's deficiencies and negative information
Substance	Disclosure of substantive issues
Ability to understand	The degree to which information is digitized and diagrammed
	Explanation of Professional Vocabulary
Comparability	With the company's past data
	Whether the data disclosure caliber is consistent with the past

4. Quality analysis of ESG information disclosure

4.1. Lu Xin Venture Capital and Public Utility profile

Luxin Venture Capital Group Co., LTD. (Luxin Venture Capital for short) was listed on Shanghai Stock Exchange on December 25, 1996. In 2010, the company completed a major asset reorganization and became the first listed venture capital company in China. Shandong Luxin Investment Holding

Group Co., Ltd. is the controlling shareholder of the company. Company to venture capital as the main business, steady development of abrasive business. The operating subject of venture capital business is Shandong High-tech Investment Co., LTD. (hereinafter referred to as High-tech Investment), a wholly-owned subsidiary of the company, which is a state-owned venture capital company funded and established by the provincial government in June 2000. Since its establishment, Gaoxin Investment has been constantly pioneering and innovating and has established a standardized and rigorous investment management system and risk control system. It has invested in and cultivated many high-quality enterprises with good growth, high technology content, and a leading position in the industry. The first ESG report was published in 2021.

Founded on December 24, 1991, Shanghai Volkswagen Public Utilities (Group) Co., LTD. (Public Utility for short) formerly known as Shanghai Pudong Volkswagen Taxi Co., LTD., is the first joint-stock company in China's taxi industry and the first listed company after the establishment of Pudong New Area. Shenzhen Innovation Investment Group (with a registered capital of 1.6 billion yuan), holding 13.93%, is a local venture capital institution with the largest capital scale and the strongest investment ability in China. The company was officially listed on the Shanghai Stock Exchange on March 4, 1993. On December 5, 2016, the Group's overseas listed foreign shares (H shares) were listed and started trading on the main board of the Hong Kong Stock Exchange and began to be listed and traded. The financial venture capital industry is an industry that the Group has vigorously expanded by seizing the historical opportunity of the booming capital market. In the local financial industry, the Group owns Shanghai Dazhong Financial Leasing Co., LTD, and Shanghai Dazhong Transportation Business Co., LTD. In the venture capital industry, it has a wholly-owned "public capital" and some venture capital platforms and investment funds including "Shen Venture Capital", "Hua Can Fund", "Dacheng Huicai" and "Xingye Venture Capital". It has invested in banks, securities, funds, companies to be listed, financial enterprise equity, and other fields. At present, the group's direct investment and venture capital platforms have invested and cultivated more than 200 listed enterprises.

4.2. Lu Xin Venture Capital information disclosure

4.2.1. Integrity aspect

Environmental requirements for Shangluxin Venture Capital included basic information on enterprise production and ecological environmental protection, pollutant generation, treatment, emission, carbon emission, emission facilities, and emergency ecological environment, but there was no enterprise environmental management information, so it got 4 points. In terms of corporate governance, Luxin Venture Capital covers sustainable profit, comprehensive risk management, information confidentiality and security, Party building guidance, and other aspects, and gives a comprehensive introduction to its corporate governance, so it gets 5 points. In terms of social responsibility, Luxin Venture Capital covers responsible investment, industrial cooperation, supply chain management, talent management, social good, and other aspects. It gives a comprehensive introduction to the social responsibility part of its company, so it gets 5 points.

4.2.2. Reliability

GRI standards hold that information disclosure should be true and reliable, and reliability can be measured from the scope and degree of external verification. Luxin Venture Capital 2021ESG report, the company's board of directors, and all directors guarantee that the content of this report does not contain any false records, misleading statements, or major omissions, and the authenticity, accuracy, and completeness of the content of the individual and joint liability. So that's 5 points. No third-party information authentication, so score 0. There is no key quantitative performance calculation method, so it gets 0 points.

4.2.3. Timeliness

GRI guidelines agree that the timing of sustainable development reports and other reports, especially annual reports, facilitates information comparison among stakeholders. The report was not released on time, so 3 points. The report coincides with the annual report, so it gets 5 points

4.2.4. Balance

GRI guidelines hold that the information disclosed in the report should reflect the positive and negative performance of the company. Did not disclose the company's shortcomings and negative information, so the score is 0.

4.2.5. Substantive Aspects

GRI guidelines summarize substantive information disclosure as the disclosure of issues that have a substantial impact on the decision-making of stakeholders. Luxin Venture Capital fully identifies and evaluates substantive issues, clarifying those that have an important impact on the company and stakeholders. Based on the actual operation and management situation, Luxin Venture Capital identifies and determines key priorities in the three fields of corporate governance, environmental responsibility, and social responsibility promotes the implementation within the year, and gradually improves the management and practice level of the company's sustainable development. They did disclose substantive issues, so they got 5 points.

4.2.6. Intelligibility

The chart presentation is 1/3 of the way up, so you get 5 points. The professional terms are easy to understand, but there is not too much explanation, so 4 points.

4.2.7. Comparability

If the ESG indicator is quantitatively disclosed, it is considered to be comparable. Because there is no previous data, the company's previous data and data disclosure caliber are all 0 points.

4.3. Public Utility information disclosure

4.3.1. Integrity aspect

Environmental governance from the Public Utility environmental theme training, environmental protection system construction, and environmental protection measures implementation. Waste emission management, resource-saving action, resource use performance, climate change management objectives, climate change action, greenhouse gas emissions from the perspective of the detailed introduction of the company's low-carbon transformation, green development of environmental governance objectives, therefore, 5 points. In terms of social governance, the Public Utility uses the employment system, employment situation, employee turnover situation, training and development, safety and health protection, community contribution, and some specific cases to demonstrate its people-oriented social governance goal of common growth, so it gets 5 points. In terms of corporate governance, the Public Utility introduced its corporate governance goals of supplier management, integrity supervision, product responsibility, complaints and feedback, after-sales service, and quality inspection, and got 5 points.

4.3.2. Reliability

For the 2021ESG report for Public Utility use, the board of directors and all the directors guarantee that the information disclosed in the report does not contain any false records, misleading statements, or major omissions, and assume individual and joint liabilities for the authenticity, and accuracy, and completeness of the content. Therefore, the authenticity of the information reported is committed, so 5 points are scored. There is a basic disclosure of key quantitative performance calculation methods, hence a score of 3. The information was not verified by a third party, so it got 0.

4.3.3. Timeliness

The report was not released on time, so 3 points. The report coincides with the annual report, so it gets 5 points.

4.3.4. Balance

It only disclosed the complaints received by the company but did not disclose the deficiencies and negative information of the company, so it got 1 point.

4.3.5. Substantive Aspects

Review the company's ESG strategy implementation and feedback to identify the ESG issues that are most relevant and important to the company's business and shareholders. The topic sources include suggestions from the company's management, analysis suggestions from internal and external experts, media information analysis, domestic and foreign benchmarking research and ESG guidelines, etc., therefore, 5 points.

4.3.6. Intelligibility

The chart presentation is 1/3 of the way up, so you get 5 points. The explanation of professional terms is easy to understand, and there is a special section to introduce the professional terms in the report, so 5 points.

4.3.7. Comparability

The company has many years of past data, so it gets 5 points, and the data disclosure is consistent with the past, so it gets 5 points.

Table 2. Score summary table of Luxin Venture Capital and Public Utility

Factor		Luxin Venture Capital		Public Utility	
		Five out of five	Rate of scoring	Five out of five	Rate of scoring
Integrity	Environmental Governance	4	80%	5	100%
	Social Governance	5	100%	5	100%
	Corporate Governance	5	100%	5	100%
Reliability	Reporting information authenticity commitment	5	100%	5	100%
	Disclose the key quantitative performance calculation method	0	0%	3	60%
	The information is authenticated by a third party	0	0%	0	0%
Time effectiveness	Timely release of reports	3	60%	3	60%
	The report was released at the same time as the annual report	5	100%	5	100%
Character of balance	Disclose the company's deficiencies and negative information	0	0%	0	0%
Substance	Disclosure of substantive issues	5	100%	5	100%
Ability to understand	The degree to which information is digitized and diagrammed	5	100%	5	100%
	Explanation of Professional Vocabulary	3	60%	5	100%
Comparability	With the company's past data	0	0%	5	100%
	Whether the data disclosure caliber is consistent with the past	0	0%	5	100%

4.4. Lusin Venture Capital and Public Utility ESG information disclosure quality evaluation

Compared with the domestic companies in the same industry, Jiuding Investment, and Zhangjiang Gaoke, both of them only released a social responsibility report in 2021, without a special ESG report.

Luxin Venture Capital and Public Utility Utility actively strengthen the practice of the ESG concept and respond to the national concept of sustainable development, which is the advantage of these two companies compared with the same industry. It can be seen from the figure that Luxin Venture Capital and Public Utility have excellent performance in integrity, timeliness, substantive, and comprehensibility. Public Utility and Shenzhen Innovation Investment Group (with a registered capital of 1.6 billion yuan), which holds 13.93% of shares, are the local venture capital institutions with the largest capital scale and the strongest investment ability in China. As the industry leader, they are more perfect than LuxinVenture Capital in terms of completeness and comparability. Luxin Venture Capital and Public Utility still have room for improvement in reliability and balance. It can be found that the ESG reports of these two companies seldom consider the deficiencies and negative information of third-party certification and disclosure of the company.

Luxin Venture Capital released its 2021 ESG Report on April 30, 2022. The paper selected the stock price data of Luxin Venture Capital for a month from April 20 to May 20 and found that its stock price continued to decline in the ten days before the release of the ESG report. In the 20 days since the ESG report was published, its share price has risen steadily. On May 20, it was up 6.9% from the day of the ESG report. Public Utility released its 2021 Environmental, Social, and Governance (ESG) report on March 31, 2022. The paper also selected the share price data of Public Utility from March 19 to April 19 and found that its share price tended to decline before the release of the ESG report. But its share price has continued to rise since the ESG report was released, rising 1.7% on April 19th compared with the same day. Similarly, on April 1, 2020, Public Utility also released an ESG report, and its share price rose continuously within 20 days after the release. This indicates that ESG reports have an impact on stock prices, and listed companies with high ESG performance quality have a positive impact on their stock price returns.

5. Conclusion

With the national concept of sustainable development gaining popularity and the continuous promotion of the "two-carbon" strategy, the domestic capital market is paying increasing attention to ESG (environment, society, and governance). Listed companies actively strengthen the practice of the ESG concept, and investment around ESG has become a development trend. At present, China's ESG information disclosure is not mature, there is no set of systematic and unified ESG information disclosure standards, and each enterprise's disclosure focus and expression are different, so The paper cannot judge its merits and disadvantages. Therefore, this paper determines the quality of information disclosure as integrity, reliability, timeliness, and reliability, based on the GRI 2 criteria favored by many companies. On this basis, taking Luxin Venture Capital and Public Utility as examples, based on the 2021 ESG report of the two companies, the quality of information disclosure of the two ESGs is evaluated. It is found that Luxin Venture Capital and Public Utility have excellent performance in integrity, timeliness, substantive, and intelligibility. It can also be found that the ESG reports of these two companies pay little attention to third-party certification, namely reliability. Disclosure of the company's deficiencies and negative information is the balance aspect, is also less considered, so the release of the ESG report has to take more consideration of this common problem. The evaluation results of this paper only take the 2021 ESG report of Luxin Venture Capital and Public Utility as evaluation samples and do not consider the information disclosure of other years and other channels. The evaluation results may have certain errors with the actual quality of ESG information disclosure of enterprises, this does not affect the application of the ESG information disclosure quality evaluation index in this paper.

First, enterprises need to pay attention to the balance when disclosing their ESG reports, and they need to disclose the deficiencies and negative information of the company without reservation. Second, it is hoped that enterprises attach importance to the reliability of their ESG reports. The reliability of the information will be greatly improved after the third-party certification. It is also hoped that more and more enterprises will voluntarily disclose their ESG reports in the future.

By evaluating the quality of enterprise ESG information disclosure, the paper hopes to improve the level of ESG information disclosure, and then improve the level of enterprise ESG management and promote the sustainable development of enterprises.

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