A Comparative Study of ESG Disclosure based on Industry and Food of A-Shares

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Abstract. In recent years, environmental, social, and corporate governance (ESG) investment concepts have been rapidly gaining popularity globally. Corporate sustainability and ESG disclosure have received attention from scholars and industry in China, especially in the context of achieving carbon peaking and carbon neutrality. In the process of disclosing ESG information and corporate ESG construction, the economic environment and development of Chinese enterprises are unique, and domestic ratings have not achieved uniform standards and have not formed a unified standard while causing overseas rating standards may also face "unconventional" problems. This paper compares the successful models of ESG construction in different industries with other companies in the same industry and examines how the data in ESG disclosure can be specified and how disclosure in the same industry can be more competitive.

Keywords: ESG Disclosure, Grading Criteria Improving, ESG reporting.

1. Introduction

With the popularity and development of the concept of sustainable development worldwide, the environmental, social, and corporate governance (ESG) performance of enterprises, as an important focal point in promoting sustainable development at present, has gradually become an important factor in measuring the comprehensive strength of enterprises. The basis of corporate ESG evaluation is mostly reports disclosed by enterprises on their initiative or data made public by the competent authorities. The scale and types of data are large, the format of disclosure is diverse, the form of disclosure is not uniform, different industries and professional fields are involved, and it is difficult to collect and maintain data, which requires strong data governance capabilities as support [1]. Overall, the percentage of Chinese companies making ESG disclosures is currently low, which is related to the fact that Chinese ESG practices are still at an early stage of development and there is more room for improvement in the construction of ESG disclosure standards for Chinese companies. On the one hand, the ESG disclosure standard in China has not yet been formed, and enterprises lack institutional reference in the process of making the disclosure, which makes disclosure more difficult; on the other hand, the mandatory requirements for ESG information disclosure are low, and enterprises are not willing to disclose on their initiative. To better improve the level of ESG information disclosure by Chinese enterprises and optimize the current situation of ESG governance in China.

Many of the core concepts of ESG, such as energy saving and emission reduction to improve energy efficiency, innovation, coordination, green development, open development, and shared development, are conducive to the long-term sustainable development of the economy [2]. Secondly, improving the disclosure and comparability of non-financial information of enterprises is conducive to the superiority of enterprises and the stability of the market, which will also promote the development of enterprises. Thirdly, as ESG is a reflection of the integration of commodity value and social value, it is conducive to the sustainable growth of enterprises' financial indicators toward good development.

2. Literature References

2.1. ESG Disclosure Related Literature

The overall quality of listed companies is an important criterion to measure the maturity and quality of a country's capital market. And the most fundamental one to improve the quality of listed companies is to be better and stronger, and the second one is ESG," said Song Zhiping, Co-Chairman of the ESG Special Committee and Chairman of the China Listed Companies Association, at the ESG China Forum 2021 Autumn Summit, "If you just have an excellent financial statement and poor ESG, it is not a high-quality listed company [3]." ESG (environmental, social, and government) disclosure is also valued globally as an important form of reflection within the three dimensions of CSR. These three factors are linked to corporate performance and are a guiding reference for business operations and investors' investment choices (e.g., Kartika Arie analyzed data from a sample of listed Indonesian manufacturing companies from 2014-2016 to conclude that good corporate governance would benefit corporate value). In contrast, there are currently several problems in the country. Firstly, there is no clear legal requirement for ESG disclosure, and the chapter on "Information Disclosure" in the Securities Law does not explicitly require companies to disclose ESG information. Secondly, ESG disclosure is more of a principal requirement, and there is a lack of specific requirements and regulatory guidance on the content of ESG disclosure, with more emphasis on corporate governance matters than environmental and social matters [4]. Mandatory and voluntary ESG disclosure co-exist, and voluntary disclosure is generally the main focus. These have led to the uneven quality of ESG reports among companies, with significant differences in the level of disclosure and the details of ESG construction.

2.2. ESG evaluation-related literature

2.2.1. Environmental responsibility evaluation

In academic in academia, environmental responsibility evaluation has become a craze. Heyes showed that environmental management elements such as research and development, employee engagement, total quality management, and supplier certification can improve a company's environmental innovation and environmental performance outcomes. martin and Moser found that when evaluating a company's environmental performance, investors make appropriate investment decisions based on the green investment disclosure they provide and give appropriate consideration to some of the factors in ESG evaluation. Saunila found that the level of green investment can be used as a major indicator to measure the evaluation of corporate environmental responsibility to achieve sustainable development [5].

2.2.2. Social responsibility evaluation

Foreign research on CSR has been growing year by year, and Denis found that many enterprises use CSR reports as a strategic tool to develop their markets. Lina showed that enterprises with good social responsibility evaluation are more willing to fulfill their social responsibility and improve the quality of information disclosure so that the company achieves an increase in corporate value [6]. Groysberg found that a good social responsibility evaluation of a company can led to an increase in the operating income and profitability of the company [7].

2.2.3. Corporate governance evaluation

With the popularity of the corporate governance concept, corporate governance evaluation has gradually changed to applicable corporate governance evaluation systems and indicators; corporate governance evaluation has shifted from commercial applicability to non-commercial theoretical research. Internationally, the main corporate governance evaluation systems are SP Deminor, Lyon Securities Evaluation System, etc. In the past ten years, the achievements of corporate governance evaluation systems in China include the "Corporate Governance Evaluation System of Nankai

University (CCGINK)" and the "Report on Governance Classification Index of Chinese Listed Companies ". The report was published by the Chinese government.

3. Method

This study combines the current literature on ESG disclosure to understand the current situation of the ESG scoring mechanism and the problems in the ESG construction of companies.

Firstly, this paper selects two case companies with high scores and conducts a comparative study of their ESG disclosures in recent years to outline the characteristics of excellent ESG disclosures, and also comb through the literature on sustainability theory, stakeholder theory, and green technology innovation theory to analyze the supporting role of ESG data and the content of this study. Secondly, we compare the ESG disclosure of companies with different scores in the same industry type to analyze their shortcomings and possible directions for improvement.

In selecting the best cases for comparison with other companies, not only are the strengths and weaknesses of the ESG reports scored subjectively by themselves but there are also data indicators from the same rating agencies for quantitative comparison. Although many evaluation systems have different indicators, a single rating agency as a source of data is credible. The data used in this paper are listed in the table below. The relevant data is sourced from the China Securities Index. (Where the industry classification introduces the specific classification to which the industry belongs, to facilitate comparison and screening of similar industries. The overall rating is an approximate estimate based on the industry's ranking in the sector, reflecting the ESG performance of the evaluated target relative to other companies in the industry. It is ranked in descending order of AAA, AA, A, BBB, BB, B, CCC, CC, C, and D. Dimensional scores refer to the evaluation scores of E, S, and G respectively, on a scale of 1). In this paper, the ESG report disclosure information also refers to many of the elements examined in the ESG score by the China Securities Index Information.

Table 1. Overall ESG ratings and scores for each dimension for the selected companies

Company	Type	Total points	Branch fraction (E)	Branch fraction(S)	Branch fraction(G)
CHINA RAILWAY GROUP LIMITED	Industry	AAA	0.99	0.97	0.98
XCMG Construction Machinery	Industry	BB	0.29	0.93	0.78
HENGLI GROUP	Industry	BB	0.26	0.99	0.86
TBEA Co., Ltd	Industry	A	0.76	0.98	0.94
Beijing New Building Materials Public Limited Company	Industry	A	0.75	0.96	0.94
Inner Mongolia Yili Industrial Group Limited by Share Ltd	Food	AA	0.75	0.98	0.94
Newhopedairy	Food	A	0.92	0.76	0.83

4. Analysis of the characteristics of ESG high-performing companies

4.1. Selected outstanding cases - China Railway as an example

In this paper, through a large collection of comparative data, China Railway is finally chosen as a template for an excellent ESG report for the industry. As many domestic companies have only started to focus more on ESG reporting in recent years, China Railway has a complete ESG report for the four years from 2017 to 2020. This paper, therefore, aims to introduce the process of improving China Railway's ESG report and to use China Railway's ESG as an excellent template for comparison with other companies.

A look at the changes in China Railway's ESG reporting over the past four years. The environmental aspects are common from FY2017-2020, with three levels of KPIs for emissions, resource use, and environmental and natural resources. In today's carbon-neutral environment, the

2020 ESG report provides a detailed disclosure of CO2 and related pollutant data visualization, as well as adds several related management practices, such as energy management, water management, and promotion of green office. On this basis, green development concepts are integrated into the business process, with emphasis on green planning and construction, participation in clean energy development, and active involvement in climate change and green public welfare, with specific examples given factually. The social aspects are divided into creating a social and economic performance to promote employment, employee labor, safety issues, and intellectual property. In particular, the company has implemented a strategy to strengthen its employees by introducing policies, organizing staff training, vocational skills competitions, and safety education and training. Emphasis has also been placed on privacy and data protection, supplier management, community service, and education and culture, all of which have received less attention than previously disclosed. In addition to the three sections on corporate governance, internal oversight, and integrity management, the level of disclosure has increased significantly over the years, with many matters being made transparent and the selection process and the evaluation of the effectiveness of Juze being disclosed. The audit supervision system has also been established, and the auditing and information system has been improved. In terms of outline and overall presentation, the company used to focus more on the logic of matters, and much of the information was fragmented and not integrated, while nowadays it is the ESG that is given more importance, and the non-financial information is more clearly divided into three areas for presentation.

4.2. Selected good examples - Mengniu as an example

Recently, Morgan Stanley Capital International (MSCI), an authoritative international indexing organization, announced its latest annual Environmental, Social, and Governance (ESG) ratings. The MSCI ESG rating is one of the most recognized ESG rating systems by global investment institutions [8]. This time, Mengniu's MSCI ESG rating was upgraded again, reflecting the capital market's high recognition of Mengniu's fulfillment of social responsibility and practice of sustainable development. Therefore, this paper selects Mengniu as an excellent template case in food. Based on the analysis of this year's ESG report, it is found that in addition to green operations and recycling, the year 2021 also responds to the general context of carbon emissions, describing in detail the enterprise's double carbon action, which introduces the burden of responsibility regarding global climate change and responding to the decarbonization of the dairy industry, comparing the total carbon and carbon intensity of Scope 1 and Scope 2 from 2018 to 2021. It also provides a comparison of the total carbon emissions and carbon intensity between Scope 1 and Scope 2 from 2018-2021, and details many aspects, such as the management of carbon emissions from raw milk suppliers, the management of carbon emissions from raw milk, and manure recycling in China, and the management of carbon emissions and energy saving in factories. Climate risk identification is also described in detail. Some of the new analyses, such as climate change entity risk maps, are worth studying for similar industries. There are also detailed disclosures on the recovery and recycling management of various resources and possible green sustainability pathways at each stage of the production process. In terms of S, it starts with the introduction of products and follows a logical sequence of consumer rights to the subsequent employee rights and public welfare matters. In the latest ESG report, there is a very detailed disclosure from the perspective of employees, with a large amount of data and charts, such as the age structure of employees, geographical distribution, and turnover rate. The training of employees, occupational health and safety, and the development of a safety culture are also supported by a large number of hours of training, welfare policy training hours, etc. The type of public welfare, which previously occupied only a short space, is also divided into two topics of rural revitalization and a public charity with several sub-headings of disclosure. In terms of corporate governance, ESG governance, risk governance, and business ethics are discussed in three areas: sustainability. Compared to the previous one, the risk governance section has increased in length, and the business ethics section provides a code of ethical conduct, which is detailed in the integrity compliance manual, business partner compliance, anti-commercial bribery, anti-unfair competition, etc. There are also

provisions related to daily supervision and management, management of reporting complaints, and building a culture of integrity and honesty. In the end, Mengniu also provides an index of the ESG reporting guidelines of the Stock Exchange, with standardized calculations for each key performance category, leading to comparisons for the most recent years to facilitate uniform comparison. Data source: Mengniu website

4.3. Features in a nutshell

In the process of ESG disclosure, the disclosure of data on specific pollutants is becoming more and more specific and transparent, firstly in terms of environmental governance. Although there is not yet a fully unified standard of measurement, there are already companies that are actively responding to some of the more internationally recognized emission standards for data disclosure. Because different companies value different aspects, the existence of novel disclosure perspectives by some companies should also be recognized by the industry and whether it is feasible to learn from them. Secondly, in terms of social disclosure, it focuses on three aspects: quality assurance of products, training, and protection of employees' rights and interests and their public welfare [9]. From a text-based approach, many of the best ESG disclosure reports now use data and graphs to reflect this aspect. Finally, corporate governance focuses on the extent to which integrity governance and internal decision-making audits are well disclosed.

5. Case comparison

5.1. Comparison of different enterprises under the same industry - the example of industry

On the industrial side, China Railway is used as a template and combined with the CSI to give an ESG evaluation index to analyze the difference between lower and higher scores and ways to improve.

XCMG's disclosure on E is minimal, focusing on the environmental aspects of the product's working process (e.g., noise, vibration comfort NVH development), lacking the whole part of the green assembly line and many pollutant emissions and resource recycling disclosures, hence the low score. In terms of S, XCMG provides detailed solutions to product problems and has a separate social responsibility module to showcase public service projects such as education, earthquake relief, and contributions to research and innovation in the industry.

On 29 October, the Ministry of Industry and Information Technology announced the fifth batch of green manufacturing list, and Hengli Petrochemical (Dalian) Refining Co. So far, including Hengli Petrochemical (Dalian) Co., Ltd, Hengli Group has three "Green Factories". Green manufacturing project is one of the five major projects of "Made in China 2025". Since 2016, the Ministry of Industry and Information Technology has launched the creation and selection of green manufacturing demonstration units. The "Green Factory" is a high recognition given by the state to enterprises that meet the green development initiative, aiming to implement the "Industrial Green Development Plan" and the "Green Manufacturing Project Implementation Guide", and further accelerate the construction of a green manufacturing system, to achieve comprehensive industrial upgrading and optimization. This time, Hengli Refining and Chemical and Hengke New Materials were both selected as national "Green Factories", marking that their green manufacturing system was affirmed and they became one of the exemplary benchmark enterprises for green transformation in the refining and chemical fiber industries. (The text is transferred from the official website of Hengli Group) Its environmental disclosure is mostly in this kind of text category, and its convincingness and specificity are poor, so the environmental score is low. In terms of social welfare and human resource development, the level of disclosure is very high, with a lot of space devoted to them. Overall, there is a lack of visual data.

Table 2. Comparison of different companies' disclosures for E under industrial sectors

Company	Level of environmental disclosure
XCMG Construction	No separate modules and environmental improvement measures, lack of concrete data to prove
CHINA RAILWAY	Very detailed with separate modules, detailed data comparisons, and various development measures
HENGLI GROUP	Insufficient detail, no separate module, lack of detailed emissions data disclosure
TBEA Co., Ltd	Presence in the social responsibility module, more detailed and supported by data
Beijing New Building	Not very detailed, with graphics but lacking detailed data

5.2. Comparison of different companies in the same industry - the example of food

Concerning the food industry comparison given by the CSI Index for scoring, Yili and New Hope were selected for a comparison of information disclosure. After comparing several dairy industry reports, it was found that the dairy industry is more detailed in its environmental disclosures. However, there are differences in social responsibility, for example, Yili has a separate module on precise poverty alleviation at its industrial base and disclosure on the resumption of work and sustainability of the industry in an epidemic environment, and actively participates in international aid projects.

Table 3. Comparing the level of detail of environmental and social disclosure in dairy companies

Company	Environmental Disclosure	Social Disclosure
Newhopedairy	Very detailed, with a focus on sustainable development	Very detailed, with the most detailed information on research and innovation, including a number of modules on pasture, plant construction, and research and development.
Inner Mongolia Yili Industrial Group Limited by Share Ltd	More detailed, focusing on sustainable development	Detailed, staff system and internal management are the most detailed, also in the charity project
Mengniu	Very detailed, emission data, recycling, the most detailed	It is very detailed and covers a wide range of perspectives, including happy employees, rural revitalization, public charity, quality assurance, and quality service.

6. Conclusion

Comparing the ESG reporting process of the same case company in different years shows that the transparency of the data disclosed in good ESG reports is gradually increasing, and the transparency is rising. For example, in the context of carbon neutrality, the industrial and food industries are paying more attention to carbon emissions, and there are detailed disclosures on the recycling of various resources and the emission of pollutants, for example, in the context of the epidemic, the impact of the epidemic on the company and its response measures are disclosed. Feedback on ESG in the context of immediate issues can certainly improve the level and quality of ESG disclosure.

In the process of comparing ESG disclosure information between different industries, it can be found that the perspective and focus of ESG disclosure vary greatly between industries. For example, in the industrial sector, apart from the leading industries, many industries focus more on social responsibility disclosure and have a separate module for disclosure, while for the environmental category, the degree of disclosure is very low and many companies have environmental disclosure in the social responsibility module. The reason for this is probably related to the current economic environment and system in China and the specificity of the industry. The food industry, on the other hand, has a higher level of disclosure on environmental responsibility. For example, Mengniu, Yili, and New Hope have several unique disclosure perspectives, for example, Mengniu's disclosure of its environmental responsibility by displaying a global climate change entity risk map is a novel way of disclosure that is worthy of comparison between industries.

While it is difficult to establish the same quantitative standard for ESG, it is possible to move closer to some of the quantitative standards that are found in the more positive response to internationally recognized scores, for example, China Railway has this international data disclosure on its pollutant emissions and Mengniu has information on the iconic data calculated by international standards. Companies can improve their competitiveness in the industry by making disclosures in areas where comparisons can be made in a uniform manner [10]. After extensive analysis of ESG reports, it was found that companies are more concerned with building ESG for sustainable development and the gradual optimization of their structures and that non-financial information is a key and important measurement factor for companies. For example, in the case of food companies, the E factor can influence the quality of the product and its long-term development, and the S factor, such as the overall development of employees, welfare, and training systems, is also adding to the resilience of the company and increasing its long-term development momentum. With increased ESG disclosure, companies will be more competitive for investors' investments.

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