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A Comparative Study on ESG Information Disclosure by Multinational Corporations and Analysis of Influencing Factors

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Abstract: As globalization and the concept of sustainable development continue to deepen, environmental, social, and governance (ESG) issues are increasingly becoming the focus of global attention. Multinational corporations, as key players in the global economy, have significant roles in promoting sustainable development and enhancing corporate transparency through ESG information disclosure. By collecting and analyzing ESG reports from multiple multinational corporations, this study finds that there are significant differences in ESG information disclosure among these corporations, and many factors have substantial impacts on such disclosures. Consequently, domestic and international institutions and organizations need to further strengthen cooperation and exchange to establish information disclosure standards that align with practical development needs, thereby constructing an ESG information disclosure framework that meets social development requirements.

Keywords: Sustainable development, Multinational corporations, ESG information disclosure, Social development

1. Introduction

ESG is an acronym composed of the first letters of the English words "environmental," "social," and "governance." Compared to traditional financial indicators, ESG includes non-financial factors such as environmental, social, and governance aspects in the management and operation of enterprises. It evaluates the sustainability of enterprise operations and their impact on society from these non-financial perspectives. The concept of ESG was officially introduced by the United Nations Global Compact in 2004, marking the beginning of the rapid development period of the ESG concept.

ESG information disclosure not only reflects the social responsibility and social value of multinational corporations but also helps investors understand the profitability and risks of companies. It serves as a crucial means for multinational corporations to showcase their performance in environmental, social, and governance aspects. ESG information disclosure originated abroad and has developed rapidly with strong international support, later being gradually introduced into China. Currently, China has yet to establish a systematic and mature information disclosure system compared

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to foreign countries. For instance, China has not yet formulated a unified standard for ESG information disclosure, leading to practical operational issues. Therefore, by comparing the differences and shortcomings of domestic and foreign ESG systems and comprehensively analyzing the factors influencing information disclosure, we can provide empirical references and insights for the comprehensive construction of China's ESG system.

2. Differences in ESG Information Disclosure Principles and Guidelines

To date, numerous institutions both domestically and internationally, including the United Nations Principles for Responsible Investment (UN PRI), the Organization for Economic Co-operation and Development (OECD), and the China Securities Regulatory Commission (CSRC), have issued various ESG-related principles, guidelines, and documents, each with its distinctive representativeness.

Table 1: ESG-Related Principles and Guidelines Issued by Domestic and International Institutions

Organization/Institution	Reports/Guidelines/Documents
UN Principles for Responsible Investment (UN PRI) UN Environment Programme Finance Initiative (UNEP FI) UN Global Compact (UN GC)	UN Principles for Responsible Investment
Global Reporting Initiative (GRI)	Sustainability Reporting Guidelines
Organization for Economic Co-operation and Development (OECD)	Corporate Governance Guidelines
China Securities Regulatory Commission (CSRC)	Code of Corporate Governance for Listed Companies (Revised)

Internationally, most ESG information disclosure standards and principles have gradually formed under the backdrop of globalization and sustainable development. The formulation of these standards and principles is typically driven by international organizations, stock exchanges, and government regulatory bodies, aiming to provide a broad framework for global enterprises, including principles like the United Nations Principles for Responsible Investment and the Sustainability Reporting Guidelines. Some United Nations organizations and institutions have proposed six principles for responsible investment [1], which include incorporating ESG issues into investment analysis and decision-making processes, and reporting on the implementation and progress of these principles. These principles also emphasize communication with beneficiaries about ESG issues and responsible investment principles, disclosing methods of integrating ESG issues into investment practices, and establishing a platform for mutual learning and participation among countries. These actions, which include reporting on the implementation and progress of responsible investment principles, promote the deepening of the ESG sustainable investment concept and have strong representativeness [2]. In contrast, China has relatively limited management in ESG aspects. Besides the Hong Kong Stock Exchange's issuance of the "Environmental, Social and Governance Reporting Guide" in 2012 [3], market institutions have not published specific guidelines. Some regulatory bodies have issued related documents focusing on specific areas, such as social order or corporate governance, or only addressing certain stages of disclosure. For example, the China Securities Regulatory Commission issued the "Code of Corporate Governance for Listed Companies (Revised)" in 2018, which targets the characteristics of investor structure in China’s capital market, further strengthening constraints on controlling shareholders, actual controllers, and their related parties, and placing more emphasis on the protection of small and medium-sized investors and the role of investor protection institutions.

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In 2009, the United Nations launched the Sustainable Stock Exchanges Initiative (SSEI), calling on securities regulators and stock exchanges to support and implement ESG information disclosure guidelines. SSEI published the Model Guidance on Reporting ESG Information to Investors in 2015. The purpose of this guidance is to provide listed companies with ESG information disclosure guidelines while formulating ESG disclosure guidelines for member exchanges. It categorizes the relevant ESG information disclosure regulations issued by major foreign stock exchanges into voluntary, non-compliance, and mandatory enforcement types. Recently, China proposed a draft that, based on its national conditions and capital market realities, draws on domestic and international ESG disclosure standards, experiences, and best practices, primarily adopting a combined approach of mandatory and voluntary disclosure [4].

3. Analysis of Factors Influencing ESG Information Disclosure

Compared to China, foreign research on ESG information disclosure is much richer, encompassing both internal factors (such as company size, corporate governance structure, and company performance) and external factors (such as economic culture, legal system, and regulatory environment). China is gradually improving its research on corporate information disclosure, with most domestic scholars focusing on internal factors, particularly in-depth studies of corporate governance structures. This reflects the unreasonable corporate governance structures in China, where even with relevant laws and regulations, there is a lack of stringent implementation standards. This section analyzes the factors influencing ESG information disclosure from three perspectives: social culture, legal regulations, and media supervision.

(a) Social Culture

Social culture is closely related to the disclosure of social responsibility information, intertwining both behavioral aspects and social culture. Scholars have differing views on the specific paths and extent of these influences. Baldini et al. [5] explored the impact of social culture on corporate ESG information disclosure, finding that certain cultural institutions, including social cohesion and the level of opportunity equity, are significantly negatively correlated with corporate ESG information disclosure. Li Nanhai [6] divided social culture into social structure culture, which reflects daily social behavior norms and customs, and social value culture, which reflects social members' views on certain universal social issues. His study found that in terms of social value culture, power distance significantly reduces the level of corporate environmental information disclosure, while masculinity and uncertainty avoidance significantly increase it. In terms of social structure culture, family orientation is significantly positively correlated with corporate environmental information disclosure, while guanxi orientation and authoritarian orientation are significantly negatively correlated. Therefore, social culture significantly impacts corporate ESG information disclosure and should be considered an influencing factor.

(b) Legal Regulations

Since the China Securities Regulatory Commission (CSRC) issued the "Code of Corporate Governance for Listed Companies" [7] in 2002, relevant departments have successively issued a series of policy documents, such as the "Measures for the Disclosure of Environmental Information by Enterprises" [8] and the "Standards for the Format of Environmental Information Disclosure by Enterprises." [9] These documents have initially constructed an ESG information disclosure system that aligns with the characteristics of China's economic development. However, these regulations are relatively fragmented and dispersed, lacking a comprehensive ESG information disclosure system compared to foreign countries. The current ESG information disclosure system for listed companies in China still has certain shortcomings in the choice of disclosure modes and the determination of disclosure scope [10]. In 2017, the CSRC revised the "Standards for the Content and Format of Information Disclosure by Companies Offering Securities to the Public No. 2—Content and Format

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of Annual Reports," [11] which has different disclosure mode requirements for social responsibility information and environmental information. For social responsibility information disclosure, the document adopts a stance of encouraging disclosure, promoting companies to voluntarily and actively disclose information related to corporate social responsibility. For environmental information disclosure, while encouraging companies to voluntarily disclose relevant information, it mandates that companies or their major subsidiaries with significant pollution incidents must disclose major environmental information by law. For other companies, it adopts a "comply or explain" disclosure requirement. This differentiated disclosure approach for different types of disclosure obligors can influence the overall quality and effectiveness of ESG information disclosure by listed companies, often resulting in disclosures that are superficial or overly optimistic.

(c) Media Supervision

The regulatory requirements for ESG disclosure by listed companies in China's A-shares market are relatively lax, with no mandatory disclosure requirements for all enterprises. Currently, China's information disclosure system is not well-developed, and government supervision of information disclosure is highly unstable, leading to regulatory failures. At this time, media supervision effectively compensates for the deficiencies in government supervision of corporate ESG information disclosure. Aerts Walter et al. found that the stronger the extent of news coverage, the higher the corporate environmental legitimacy [12]. Through news reports, the public can recognize the company's reputation based on this information, helping the company eliminate external perception barriers in the industry [13]. Since cognitive legitimacy holds an important position in corporate management decisions [14], and environmental information disclosure is a crucial means for companies to gain legitimacy [15], publicly disclosing corporate social responsibility reports and other information can effectively enhance legitimacy [16] [17] [18] [19] [20], especially for companies in environmentally sensitive industries. Conversely, negative news reports can not only affect stock market prices but also damage corporate reputation [21], leading managers to make cautious decisions [22]. However, Brammer Stephen et al. argued that news coverage does not stimulate companies to voluntarily disclose more information [23]. Overall, the literature suggests that media supervision has a significant impact on corporate ESG information disclosure.

4. Research Conclusions and Discussion

The ESG concept aligns with the mainstream consensus on the sustainable development of the global economy and resonates with the new development philosophy that is being fully implemented in China. However, as the trend of global sustainable development strengthens and the content of ESG information disclosure varies among different companies, the differences in the principles and guidelines for ESG information disclosure issued by domestic and international organizations and institutions in terms of standard-setting backgrounds and processes, content and requirements, and implementation and supervision will become increasingly significant. To address this issue, domestic and international organizations and institutions need to further strengthen cooperation and exchange to jointly promote the standardization, normalization, and internationalization of ESG information disclosure. At present, China's predominantly voluntary ESG information disclosure system faces many institutional problems and is insufficient to support companies in maintaining long-term competitiveness. From a legal perspective, a mandatory ESG information disclosure system can balance the interests of shareholders and society, guide companies to fulfill their social responsibilities, satisfy citizens' right to know environmental information, and better align with the core positioning of modern companies. This promotes the sustainable development of the economy and society. In terms of establishing ESG information disclosure standards, improving regulatory systems, and standardizing legal responsibilities, there is a need to build a dual ESG information disclosure system that is both coercive and inclusive. This addresses the institutional shortcomings

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and practical deficiencies in the introduction and application of ESG information disclosure in China. Such efforts should continuously inject momentum into achieving common prosperity for all and harmonious coexistence between humans and nature, thereby contributing to the rapid and high-quality development of China's market economy.

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