

# *Research on the Chinese Enterprise Environmental Information Disclosure System*

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**Abstract.** Green development is the trend of current international economic development, and achieving green development is an inevitable requirement for a country to integrate into the international economic society. The enterprise environmental information disclosure system is an important means to urge enterprises to assume environmental responsibility and promote the green development of China's economy. In recent years, Chinese government has issued a series of regulations on environmental information disclosure to alleviate environmental problems, but these regulations have not achieved the expected regulatory effect. Research has found that the reasons for this problem include shortcomings in government environmental audits, limitations of environmental policies, and poor media oversight. Further research has found that China can currently improve the regulatory effect of corporate environmental information disclosure through some measures. Measures including improving the relevant laws and regulations of enterprise environmental audit, making up for the deficiencies of green credit policies, and establishing corporate environmental information sharing mechanism should be taken.

**Keywords:** corporate environmental information disclosure system, green economy, business accountability

## 1. Introduction

With the rapid development of the world economy, environmental problems become more and more severe. Enterprises are the main body of economic activities in the world. If they do not exercise the corresponding obligations of environmental protection, environmental problems will become worse. Corporate environmental information disclosure system is an important means for a country to restrict the environmental problems of its own enterprises. Due to the early implementation of the development concept of "developing before managing", the government is lack of enthusiasm for the environmental problem, which makes the enterprise environmental information disclosure system develop slowly in our country. In recent years, although the relevant laws and regulations of the enterprise environmental information disclosure system are increasingly perfect, the quality of the environmental information disclosed by enterprises still needs to be improved. The disclosure of information by enterprises with low quality is mainly reflected in three aspects, which means that the

disclosure willingness of enterprises is not high enough, the disclosure mode is not standardized enough, and the regulations and policies promulgated are not perfect enough. Therefore, it is necessary to study the environmental information disclosure system of enterprises and make clear legal regulations on the environmental behavior of enterprises. At present, the mainstream view of scholars at home and abroad is to regard the environmental responsibility of enterprises as a part of Corporate social responsibility (CSR). [1] Corporate social responsibility (CSR) originated from the idea of Andrew Carnegie, an American steel entrepreneur, that shareholders should not only pursue their own interests and obligations, but also assume their obligations to society. [2] Environmental responsibility is the practice that enterprises voluntarily reduce the impact of business activities on the ecological environment to a minimum. [3] This paper adopts the literature research method. Based on the existing problems in Chinese enterprises' environmental information disclosure system at the present stage, this paper systematically analyzes the causes of the problems, and finally gives countermeasures to improve Chinese enterprises' environmental information disclosure system based on the reasons.

## **2. The Current Situation and Deficiency of Chinese Enterprise Environmental Information Disclosure System**

Corporate environmental information disclosure refers to the process in which enterprises disclose environmental problems and environment-related information caused by their operations to the public and accept their supervision. Enterprises are the backbone of national economic development and play an important role in protecting the ecological environment. Most enterprises in our country adopt the extensive development mode to maximize the enterprise benefit as the goal, so most enterprises do not consider the impact of enterprise development on environmental resources problems [4]. In order to solve the intractable environmental problems, the Chinese government has introduced a series of policies to regulate the environmental problems, and the enterprise environmental information disclosure system is one of them. Chinese enterprise environmental information disclosure system has already gone through a tortuous road. From 2003 to 2021, a series of regulations and policies were promulgated, and the specific management measures for the Disclosure of corporate environmental information in accordance with the law were formally implemented on February 8, 2022, systematically stipulating the disclosure system of corporate environmental information [5]. Chinese enterprises' environmental information disclosure system is improving gradually. According to the Ministry of Ecology and Environment, the regulation is an important measure to deepen the reform of the system of information disclosure by law. It is a concrete action to modernize the system and capacity for ecological and environmental governance [6].

As an important system for a country to regulate its own environmental problems, enterprise environmental information disclosure system has been widely used in developed countries. However, due to the late introduction of the law in our country, this system develops behind. Chinese corporate environmental information disclosure system mainly has the following three deficiencies. This includes the low willingness of enterprises to disclose information, non-standard disclosure mode and imperfect disclosure system in the "Management Measures" issued by the Ministry of Ecology and Environment.

First of all, enterprises have low willingness to disclose the environmental information they should disclose. Although the system that enterprises should disclose the environmental information has been introduced, many enterprise shareholders still oppose the system and are not willing to disclose the relevant environmental information of enterprises. The traditional thinking of Chinese business management is shareholder wealth maximization. [7] The shareholder wealth maximization thinking emphasizes the role of enterprises for shareholders, which lies in the value created by enterprises for shareholders, but neglects corporate social responsibility. Environmental responsibility is part of

corporate social responsibility. Enterprises should assume corresponding responsibilities in operation, but many enterprises neglect their environmental responsibilities to the public. The low willingness of the enterprise to disclose leads to its disclosure content is not comprehensive. For example, the disclosure content of some listed companies is very one-sided, only disclosing the part that is beneficial to the company, and rarely disclosing specific data on environmental issues. Incomplete information disclosure is very one-sided. The biased disclosure content of enterprises makes the environmental information displayed to the outside world and the actual environmental information seriously asymmetrical. The development of Chinese enterprise environmental information disclosure system is very unfavorable.

Secondly, the way the enterprise discloses information is not standardized enough. There are problems of "multiple" management and lack of standardized disclosure format in our environmental information disclosure system. In the latest Administrative Measures, it is mentioned that the disclosure of enterprise environment according to law shall be supervised by the National Development and Reform Commission, the People's Bank of China, the China Securities Regulatory Commission and other departments in addition to the ecological environment department. The "multi-head" supervision and management makes this system more chaotic in practice. In addition, since there are no specific provisions on the specific format of disclosure, enterprises can freely choose the way to make disclosure. For example, Chinese listed companies prefer to choose the non-independent way of disclosure, through which the disclosure of information is very limited. Non-standard enterprise disclosure system can give some enterprises who want to take advantage of the loopholes, which is not conducive to the real implementation of the enterprise environmental information disclosure system.

Finally, the "Management Measures" issued by the Ministry of Ecology and Environment added new provisions for the disclosure of enterprise information, that is, the combination of mandatory disclosure and free disclosure of information. [8] Mandatory environmental disclosure is required only by key polluters, mandatory cleaner production audit enterprises, listed companies in compliance with the pre-scribed circumstances, bond issuing enterprises in compliance with the prescribed circumstances and other five categories of subjects stipulated by laws and regulations, while other enterprises have the freedom to disclose information. The combination of compulsory and voluntary disclosure system will inevitably lead to incomplete disclosure system of corporate environmental information and destroy the integrity of environmental responsibility. Some enterprises enjoying voluntary disclosure of environmental information often choose not to disclose environmental information to the public, trying to avoid undertaking corporate environmental responsibility. Corporate environmental responsibility is not only the responsibility of the five types of enterprises that are required to disclose information in the Measures of Management, it is the responsibility of all enterprises. Incomplete disclosure of corporate environmental information is the destruction of corporate environmental responsibility.

### **3. Reasons for Insufficient Disclosure of Enterprise Environmental Information**

#### **3.1. Defects in Government Environmental Audit**

As a means of national supervision, the aim of the government environmental audit is to protect the environment. Existing research results indicate that government environmental auditing can greatly improve the degree of environmental information disclosure by enterprises, thereby urging them to fulfill their environmental responsibilities.[9] However, the existing government audit information disclosure system has many shortcomings in design and practice, resulting in its limited role and insufficient to achieve its goal of protecting the environment.

Firstly, under the framework of administrative auditing, the upward and vertical distribution characteristics of power concentration in the allocation of power are very obvious, and the scope of power gradually shrinks from top to bottom.[10] allocating power in this way not only leads to the accumulation of audit tasks, which reduces audit efficiency, but also is not conducive to grassroots audit units to carry out audit work in accordance with local conditions.

Secondly, China has not yet introduced legal norms for government environmental audit behavior, so the audit work is technically without foundation, which has resulted in an insignificant accountability effect. Accordingly, some governments avoid handling sensitive environmental information because they are afraid of taking responsibility or because they are concerned about political performance. At the same time, auditors are among civil servants, their identity characteristics make them too methodical and cautious when carrying out their work as well as publishing data. Their working methods lack innovation as well, which is insufficient to cope with the increasingly complex and ever-changing reality.

Moreover, the targets of government environmental audits fail to cover all the important environmental fields, especially the lack of audits of new natural re-sources. Urban underground space is a case in point. As a typical new type of natural resources, urban underground space plays an important role in alleviating the in-creasing shortage of land resources. However, due to the lack of data and inconsistent statistical standards, many local governments in China lack a grasp of the early development of urban underground space, so it is impossible for them to carry out audit work. In addition, China lacks high-quality audit personnel, because there is a problem of unreasonable knowledge structure among auditors.

Finally, when conducting audits, the government often adopts a sampling inspection method in order to save costs. However, spot checks cannot reflect all environ-mental issues of a company in detail and comprehensively, which leads to a lack of due integrity in the audit results.

### **3.2. Limitations of Environmental Assessment Policies**

In the field of environmental governance, environmental credit evaluation policies are only "soft law" mechanisms, so the evaluation results of them at this stage will not directly and significantly aggravate the mandatory legal liability of enterprises participating in the evaluation. [11] For example, the "green credit" policy which jointly proposed by the State Environmental Protection Administration, the People's Bank of China, and the CBRC, requires banks to control credit for enterprises that do not comply with industrial policies and environmental laws. Previous research has shown that, over the course of 15 years of practice, green credit policies have greatly increased the willingness of enterprises to release environmental information, especially those positive ones, while reducing the disclosure of negative information. [12] Because in order to obtain an ideal loan, enterprises tend to rely on their information superiority to choose the content they disclose. At the same time, banks, as market entities, do not have the well to invest a large amount of costs to review the authenticity and completeness of enterprise environmental information disclosure due to their profit-seeking nature.

Under the influence of this policy, companies often increase their funds in preservation of environment due to external pressure, as well as to obtain preferential policies. In addition, through the price mechanism, the increased burden of environmental investment will ultimately be reflected in product price increases, which reduces the market competitiveness of the enterprise's products.

### **3.3. Inefficiency of Media Attention**

As an important channel which connects the public, media supervision can not only promote enterprises to make more responsible environmental behavior in order to create a good social image,

but also play a vital role in enhancing the government's external environmental supervision function. The role of media in promoting corporate environmental information disclosure is undeniable, but due to its own limitations, various types of media are not very effective in improving public information acceptance.

Traditional media, as a transmitter of information, transmits the one-way information to its audience. [13] Therefore, it needs to be subject to stricter control. Traditional media such as newspapers and television often soften the facts before reporting in its consideration of passing censorship. This makes the information received by the audience lack authenticity. At the same time, screened and processed positive reports are difficult to arouse the attention and emotions of the audience.

Although compared to traditional media, we media has a strong interactivity, and the information it transmits is also timelier. However, due to the pursuit of traffic, we-media bloggers often omit a large amount of "unimportant" information during editing in order to compress the space, making it difficult for readers to know the full picture of events when reading. Therefore, its function of publishing the environmental information is also limited.

## **4. Countermeasures and Suggestions for Improving the Environmental**

### **4.1. Improving Relevant Laws and Regulations on Corporate Environmental Auditing**

In order to improve the legal system of environmental information disclosure of Chinese enterprises, the key point is to improve the corresponding corporate environmental audit system, so as to standardize the way of corporate environmental information disclosure. First and foremost, it is recommended that a comprehensive and unified corporate environmental audit legal framework be developed from the central government to the local government while simultaneously improving the current auditing standard system. It standardizes the truthful and mandatory disclosure of corporate environmental information and establishes harsh supervision and punishment measures to oversee and audit corporate environmental information exposure in China. Secondly, based on formulating standardized environmental auditing standards, it is suggested that the National Audit Office and the Ministry of Ecology and Environment jointly provide operational management methods and principle guidance for the audit practice of corporate environmental information disclosure. Finally, in addition to focusing on the rules and regulations at the national level of government, provincial legislatures should also be considered. Along with taking the current state of the business environment in the province into account, it is also required to develop corporate environmental audit methodologies with regional characteristics. The state should promote the improvement of legal regulations on China's corporate environmental information disclosure system, and better guide the development of corporate environmental audits in their respective regions [14].

### **4.2. Make up for the Inadequacies in the Green Credit Policy**

The disclosure of corporate environmental information will involve the public interests of multiple parties and the personal interests of the company itself. In this regard, the green credit policy can help to restrain or encourage corporate information disclosure, but it still needs to be improved. For different types of enterprises, particular policies and regulations with targeted characteristics should be formulated to make up for the shortcomings of existing green credit policies. Firstly, for the environmental information disclosure of enterprises, it is recommended to formulate a set of mandatory government directives and policies to regulate and restrict them. Secondly, for the types of enterprises with large-scale commercial credit financing, on the basis of standardizing the existing financial environmental policies, it is necessary to formulate other non-financial environmental policies to combine and apply. In short, green credit policies need to be combined with other

environmental regulatory policies. In the process of formulating other types of environmental policies, it is necessary to fully consider the characteristics of different types of enterprises and use a variety of specialized and diverse policies to coordinate the governance of environmental information disclosure by Chinese enterprises [15].

### 4.3. Establish a Digital Information Sharing System

In the Internet age, to effectively improve the corporate environmental information disclosure system, it is recommended to establish a unified and authoritative corporate environmental information sharing mechanism. At first, it is possible to establish standardized electronic files for various information such as environmental events and environmental governance status related to enterprises and integrate multiparty information disclosure of enterprise environment to facilitate the use and management of enterprise environmental information. Secondly, fully utilizing big data and cloud computing technology requires establishing an information-sharing platform. Combined with the relevant provisions of the information disclosure policy, enterprises are encouraged to actively publish environmental information actively, providing an important information platform for enterprises to fulfill their environmental responsibilities. Through the establishment of a comprehensive corporate environmental information sharing platform, standardize the specific content and methods of corporate environmental information disclosure, and urge companies to share environmental information promptly for public inquiries. In addition, enterprises, experts, scholars, and the public can give feedback and discuss corporate environmental information, open online question-and-answer forums and collect opinions from multiple parties. Meanwhile, they can use modern Internet technology to establish an information sharing mechanism to impress environmental information disclosure system [16].

## 5. Conclusion

In recent years, with the rapid development of the green economy, the task of re-forming the environmental information disclosure system of Chinese enterprises has become more and more arduous. In practice, the standardization of management and supervision of corporate environmental information disclosure is not high enough. The Administrative Measures for the Disclosure of Environmental Information by Enterprises also has a brief implementation time, which raises environmental disclosure standards for Chinese enterprises. Improving the level of corporate environmental governance will help China build a green economic city with long-term development. However, at present, the system still needs further research and improvement. Therefore, this paper sorts out the current situation and shortcomings of China's corporate environmental information disclosure system and puts forward corresponding countermeasures and perfect suggestions. To improve China's corporate environmental information system, suggestions include improving corporate environmental auditing laws and regulations, fixing green credit policies, and creating a corporate environmental information sharing mechanism.

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