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Study on the Construction of ESG Information Disclosure System for Listed Companies

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Abstract

With the deepening reform of China's capital market and the advancement of the "dual carbon" goals, the construction of an ESG (Environmental, Social, and Governance) information disclosure system for listed companies has become a core issue in the legal construction of the capital market. The Guidelines for the Sustainable Development Reports of Listed Companies issued by the Shanghai, Shenzhen, and Beijing stock exchanges in 2024 provide preliminary specifications for ESG information disclosure. However, problems such as inconsistent disclosure standards, lack of quantitative indicators, imperfect third-party assurance mechanisms, and an ambiguous legal liability system still exist. Using methods such as normative analysis and comparative research, this paper reviews the current status and dilemmas of China's ESG information disclosure legal system. It comparatively analyzes the experience and practical controversies of the EU's CSRD and the US's ESG information disclosure system. Combined with the actual situation of China's capital market, this paper proposes a legal system for ESG information disclosure that is aligned with accounting standards. This includes unifying industry-specific disclosure standards, improving the application rules for carbon accounting, establishing a statutory third-party assurance system, and strengthening a multi-level legal liability system. The aim is to provide institutional support for the implementation of mandatory ESG disclosure in China by 2026, promoting the high-quality development of the capital market and the green, low-carbon transformation of the economy and society.

Keywords

Listed Companies; ESG Information Disclosure; Legal System; Carbon Accounting; Third-Party Assurance.

1. Introduction

In April 2024, the Shanghai, Shenzhen, and Beijing stock exchanges officially released the *Guidelines for the Sustainable Development Reports of Listed Companies* [1], marking China's entry into a "semi-mandatory era" for ESG information disclosure, with full mandatory disclosure expected by 2026. As of June 2025, over 60% of A-share listed companies had published ESG-related reports, with the disclosure rate for CSI 300 constituents reaching 95%. However, the quality of disclosure is inconsistent, and "greenwashing" is a common phenomenon. In 2024, the China Securities Regulatory Commission (CSRC) investigated 17 cases of ESG information disclosure violations, a 41.7% increase from 2023, exposing numerous shortcomings in China's ESG information disclosure system.

Globally, ESG information disclosure has become a major trend in capital markets. The EU's Corporate Sustainability Reporting Directive (CSRD) was officially implemented in 2024, and the US Securities and Exchange Commission (SEC) issued climate risk disclosure rules in 2023, indicating a clear trend towards mandatory disclosure. Domestic academic research on ESG

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information disclosure has gradually deepened. However, most studies have not achieved a deep integration of law and accounting, with weak research on the connection between ESG information and the financial reporting system, and a lack of a systematic legal framework construction in the context of mandatory disclosure. This paper aims to fill this research gap by constructing a scientific and feasible legal system for ESG information disclosure for listed companies, providing theoretical support and practical guidance for the implementation of mandatory ESG disclosure in China in 2026.

2. Legal Basis and Value Interpretation of ESG Information Disclosure for Listed Companies

2.1. Core Concept Definition of ESG Information Disclosure

ESG is an acronym for Environmental, Social, and Governance, representing a new investment philosophy and corporate evaluation standard that focuses on a company's non-financial performance. ESG information disclosure refers to the act of listed companies publicly disclosing information related to their environmental management, social responsibility performance, and corporate governance to investors, the public, and regulatory agencies in accordance with certain standards and requirements. Among these, environmental information mainly includes quantitative indicators such as carbon emissions, resource consumption, pollution prevention, and ecological protection. Social information covers aspects like employee rights protection, supply chain responsibility, community contributions, and product quality and safety. Corporate governance information includes matters such as equity structure, board operations, internal control, risk management, and compliance.

2.2. Legal Basis of ESG Information Disclosure

2.2.1. Legal Interpretation of Stakeholder Theory

Stakeholder theory, proposed by Freeman in 1984 [2], posits that a company's survival and development depend not only on shareholder investment but also on the support and participation of numerous stakeholders such as employees, creditors, suppliers, the community, and the government. Article 5 of China's Company Law stipulates that companies must "undertake social responsibility," providing a legal basis for listed companies' obligation to disclose ESG information. Peng Yuchen (2023) pointed out that mandatory ESG information disclosure is an important legal path to protect the rights and interests of stakeholders [3]. By disclosing ESG information, stakeholders can more comprehensively understand the impact of corporate business activities on their interests.

2.2.2. Regulatory Requirements of Sustainable Development Theory

Sustainable development theory emphasizes the coordinated unity of economic development, social progress, and environmental protection [4], pursuing the satisfaction of present needs without compromising the ability of future generations to meet their own needs. Article 55 of China's Environmental Protection Law requires key pollutant-discharging units to truthfully disclose their main pollutant emissions to the public, providing a legal basis for the environmental information disclosure of listed companies.

2.2.3. Statutory Extension of Capital Market Information Disclosure

As important non-financial information [5], the disclosure of ESG information is a statutory extension of the capital market information disclosure system. Article 85 of China's Securities Law stipulates that information disclosure must be "truthful, accurate, and complete." ESG information can reflect a company's long-term development potential and risks and should be included in the scope of statutory information disclosure. The core of the registration-based IPO system reform is the improvement of the information disclosure system. ESG information

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disclosure can enhance the transparency of the capital market, reduce information asymmetry, and promote the healthy development of the capital market.

2.3. The Multiple Values of ESG Information Disclosure

ESG information disclosure has multiple values. First, it enhances a company's sustainable development capabilities. Good ESG performance can improve a company's social image and brand value. In 2024, the average financing cost for listed companies with an A-level ESG rating was 4.2%, while it was 5.8% for C-level companies, a significant difference [6]. Second, it prevents systemic financial risks in the capital market. ESG information can reflect a company's potential risks [7]. Mandatory disclosure guides financial institutions to invest in companies with good ESG performance, avoiding capital flows to high-risk enterprises. Third, it promotes the green and low-carbon transformation of the economy and society. According to the requirements of the Reform Plan for the Legal Environmental Information Disclosure System by the Ministry of Ecology and Environment [8], the ESG information disclosure system can encourage companies to reduce carbon emissions and help achieve the "dual carbon" goals.

3. Current Situation and Problems of the Legal System for ESG Information Disclosure of Listed Companies in China

3.1. A Review of the Normative System of China's ESG Information Disclosure Legal Framework

At the legal level, Article 85 of China's *Securities Law* [9] stipulates the requirements for truthfulness, accuracy, and completeness of information disclosure. Article 5 of the *Company Law* requires companies to assume social responsibility. Article 55 of the *Environmental Protection Law* requires key pollutant-discharging units to disclose environmental information. Article 9 of the *Civil Code* [10] establishes the green principle. At the departmental regulation level, the CSRC's *Administrative Measures for the Information Disclosure of Listed Companies* (2021 Revision) [11] regulates information disclosure behavior. The *Guiding Opinions on Building a Green Financial System*, jointly issued by seven departments in 2016, guides listed companies to disclose ESG information. At the stock exchange rule level, the *Guidelines for the Sustainable Development Reports of Listed Companies* (2024) issued by the Shanghai, Shenzhen, and Beijing stock exchanges provide specific regulations on the content, format, and timing of ESG information disclosure.

3.2. Practical Challenges for China's ESG Information Disclosure Legal System

3.2.1. Inconsistent Disclosure Standards and Lack of Industry Differentiation

Currently, China's ESG information disclosure standards are relatively fragmented. Guidelines issued by different regulatory bodies and stock exchanges have discrepancies in disclosure content and format, leading to a lack of uniform standards for listed companies and increasing their disclosure costs. Research by Bai Murong and Zhang Jiaxin (2022) points out [12] that different industries have significant differences in environmental impact and social responsibility performance, necessitating the development of differentiated disclosure standards.

3.2.2. Lack of Key Quantitative Indicators and Non-standardized Carbon Emission Information Disclosure

In ESG information disclosure, key quantitative indicators are missing, especially the non-standardized disclosure of carbon emission information. According to a 2025 report by SynTao Green Finance [13], only 32% of listed companies disclosed Scope 1 and Scope 2 carbon emission data, and only 11% disclosed Scope 3 data. Moreover, most did not disclose the

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calculation methods and data sources, making it difficult for investors to conduct comparative analysis.

3.2.3. Absence of a Third-Party Assurance Mechanism, Making Disclosure Quality Difficult to Guarantee

China has not yet established a mandatory third-party assurance mechanism for ESG information disclosure, making it difficult to guarantee the authenticity and accuracy of the ESG information disclosed by listed companies. As of 2025, only 17% of listed companies' ESG reports were subject to third-party assurance, far below the 100% assurance ratio required by the EU's CSRD. Some listed companies engage in "greenwashing," disclosing false ESG information to mislead investors.

3.2.4. Insufficient Regulation of "Greenwashing" and Ambiguous Legal Liability System

There is currently a lack of clear standards for identifying and penalizing "greenwashing" by listed companies. According to Article 197 of the *Securities Law* [14], the penalties for information disclosure violations are relatively low compared to the benefits companies gain from "greenwashing," resulting in low costs for illegal activities. At the same time, the legal liability system for ESG information disclosure is vague. The standards for identifying false statements regarding forward-looking information [15], such as emission reduction targets and transition plans, are unclear, and the liability of third-party assurance agencies is not explicitly defined.

4. Comparative Analysis and Lessons from Overseas Systems for ESG Information Disclosure of Listed Companies

4.1. Institutional Design of the EU's CSRD

The EU's Corporate Sustainability Reporting Directive (CSRD) was adopted in 2022 and officially implemented in 2024 [16]. It expands the scope of disclosure to companies with more than 250 employees, a turnover of over 40 million euros, or total assets of over 20 million euros. The EU has developed uniform ESG disclosure standards-the European Sustainability Reporting Standards (ESRS) [17]-which are divided into general and industry-specific standards. It requires companies to disclose Scope 1, 2, and 3 carbon emission data using a unified accounting method. The CSRD mandates that ESG information must undergo independent third-party assurance, with failure to exercise due diligence resulting in fines of up to 5% of global turnover. In terms of legal liability, the EU has established a multi-level system, increasing fines for intentional false disclosure to 10% of global turnover. Responsible individuals in serious violation cases face up to 5 years in prison, and an investor class action system has been established.

4.2. Development and Characteristics of the US ESG Information Disclosure System

The US SEC issued climate risk disclosure rules in 2023 [18], requiring listed companies to disclose Scope 1 and Scope 2 carbon emission data, with Scope 3 disclosure being voluntary. However, the US is experiencing an "anti-ESG" wave, with 27 states having enacted legislation prohibiting public funds from investing in ESG-related products as of June 2025 [19]. This creates a degree of uncertainty in the system. When drawing lessons, China needs to consider its national conditions, particularly the market characteristic of being dominated by retail investors, which requires clearer and more unified disclosure standards, as well as strengthened supervision.

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4.3. Lessons for China from Overseas Systems

Lessons from overseas systems for China mainly include four aspects: first, building a unified disclosure standard system with industry-specific characteristics; second, establishing a statutory third-party assurance system that clarifies the qualifications and legal responsibilities of assurance agencies; third, improving a layered legal liability mechanism that includes civil, administrative, and criminal responsibilities; fourth, achieving the integration of ESG information and financial reporting, by recognizing carbon emission rights as assets or liabilities and presenting them on the balance sheet.

5. Construction of an ESG Information Disclosure Legal System Aligned with Accounting Standards

5.1. Basic Principles for System Construction

The construction of the ESG information disclosure legal system should follow four basic principles: the principle of legality, meaning it must not conflict with laws such as the *Securities Law* and the *Company Law* [20] and must protect the legitimate rights and interests of investors; the principle of alignment with accounting standards, which involves integrating ESG information into the financial reporting system [21], with the accounting recognition, measurement, and reporting of carbon emission rights following the relevant provisions of the *Enterprise Accounting Standards*; the principle of industry differentiation, which means formulating differentiated disclosure standards for different industries [22], with heavily polluting industries required to disclose more detailed carbon emission data and pollution prevention information; and the principle of risk prevention, which involves identifying and preventing potential corporate risks through the disclosure of ESG information to ensure the stable operation of the capital market.

5.2. Application Rules for Carbon Accounting in ESG Information Disclosure

As a special type of asset, carbon emission rights should be recognized as intangible assets according to China's *Enterprise Accounting Standard No. 6 - Intangible Assets*. When an enterprise obtains carbon emission rights through free government allocation, they should be initially measured at fair value. When acquired through market purchase, they should be initially measured at cost. The subsequent measurement of carbon emission rights should adopt the fair value model, with changes recorded in the current profit or loss. In terms of reporting, enterprises should list the book value of carbon emission rights on the balance sheet, show the profit or loss from fair value changes on the income statement, and disclose the acquisition method, fair value determination method, carbon emission accounting method, and the progress of emission reduction targets in the notes to the financial statements to enhance the transparency of carbon emission information.

5.3. Construction of Unified ESG Information Disclosure Standards

China should formulate a unified basic ESG disclosure indicator system [23] covering core indicators in the three areas of environment, social, and corporate governance. For listed companies in heavily polluting industries, stricter disclosure requirements should be established, mandating the disclosure of Scope 1, 2, and 3 carbon emission data and pollutant emission concentrations, and requiring mandatory third-party assurance. At the same time, the disclosure norms for quantitative information should be clarified, a unified accounting method should be developed, and the disclosure of changes in quantitative indicators should be required so that investors can understand the changes in ESG performance.

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5.4. Third-Party Independent Assurance System for ESG Information Disclosure

China should establish a qualification and certification system for ESG information disclosure assurance agencies, clarifying the entry conditions for these agencies. It should require assurance agencies to possess professional knowledge and experience related to ESG assurance and to be certified by the Chinese Institute of Certified Public Accountants or relevant industry associations. The scope of assurance should cover all ESG information disclosed by listed companies, including its authenticity, accuracy, and completeness. Assurance agencies should perform their due diligence obligations. If they fail to do so, leading to false records, misleading statements, or major omissions in the assurance report, they shall bear administrative, civil, and criminal liability.

6. Improvement of the Legal Liability System for ESG Information Disclosure of Listed Companies

6.1. Principle of Attribution for Legal Liability in ESG Information Disclosure

The principle of attribution for legal liability in ESG information disclosure should adopt a combination of the principle of fault liability and the principle of presumed fault liability [24]. For directors, supervisors, and senior management of listed companies, the principle of presumed fault liability should be applied. That is, as long as the ESG information disclosed by the listed company contains false records, misleading statements, or major omissions, they are presumed to be at fault unless they can prove that they have fulfilled their due diligence obligations. For intermediary agencies such as assurance firms, the principle of fault liability should be applied. The principle of presumed fault liability can reduce the burden of proof for investors and protect their legitimate rights and interests.

6.2. Civil Liability: Tort Compensation for False Statements and Major Omissions

The subjects of liability for false statements in ESG information disclosure include the listed company, its directors, supervisors, senior management, and intermediary agencies like assurance firms [25]. Controlling shareholders and actual controllers who instruct false disclosure should also bear responsibility. The constituent elements of tort compensation include the act of making a false statement, the impact on investor decisions, the investor's losses, and a causal relationship between the act and the loss [26]. The investor's losses should be calculated based on actual losses [27], including investment differential losses, commissions, and stamp duties, using the "actual selling price method" or the "benchmark price method" to determine the amount of loss.

6.3. Administrative Liability: Refinement and Improvement of Regulatory Penalties

Types of administrative penalties include warnings, fines, and orders for correction [28]. The range of fines should be increased to raise the cost of violations: a fine of 1 million to 20 million RMB for listed companies that fail to disclose ESG information as required; a fine of 20 million to 100 million RMB for intentional false disclosure; and a fine of 500,000 to 10 million RMB for directly responsible supervisors. At the same time, a collaborative mechanism should be established among regulatory agencies such as the CSRC, stock exchanges, and environmental protection departments [29] to form a regulatory synergy and improve regulatory efficiency.

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6.4. Criminal Liability: Regulation of Seriously Unlawful Disclosure Acts

The constituent elements of the crime for seriously unlawful ESG information disclosure include the act of false disclosure, serious circumstances, and subjective intent [30]. Directors, supervisors, and senior management of listed companies may be sentenced to fixed-term imprisonment of not more than three years or criminal detention; in particularly serious cases, the sentence is three to ten years of fixed-term imprisonment. Personnel of intermediary agencies such as assurance firms may be sentenced to fixed-term imprisonment of not more than five years or criminal detention; in particularly serious cases, the sentence is five to ten years of fixed-term imprisonment. At the same time, a dual-penalty system should be implemented for unit crimes, penalizing both the unit and the directly responsible supervisors and other directly liable personnel.

7. Legislative and Regulatory Recommendations for the ESG Information Disclosure System of Listed Companies in China

7.1. Legislative Level: Improving the Legal Normative System for ESG Information Disclosure

The *Securities Law* should clarify the legal status of ESG information disclosure [31]. A clause could be added to Article 85: "Listed companies shall disclose information related to environment, social, and corporate governance, and the disclosure standards shall be stipulated by the securities regulatory authority under the State Council." The CSRC should formulate a unified *Administrative Measures for ESG Information Disclosure of Listed Companies*, providing detailed regulations on disclosure content, format, timing, and assurance requirements. In addition, the Ministry of Finance should refine the rules related to carbon accounting in the accounting standards [32], formulating *Enterprise Accounting Standard No. X - Carbon Emission Rights* to clarify the accounting treatment for the initial recognition, subsequent measurement, and disposal of carbon emission rights.

7.2. Regulatory Level: Enhancing the Effectiveness of ESG Information Disclosure Supervision

The CSRC and stock exchanges should establish a regulatory coordination mechanism [33]. Stock exchanges should establish a special inspection mechanism for ESG information disclosure, regularly inspect the ESG reports of listed companies, and establish a rating mechanism. Regulatory authorities should strengthen the enforcement of regulations against "greenwashing" [34], establishing identification and certification mechanisms. A big data monitoring system for ESG information disclosure could be established, along with a whistleblowing mechanism. Furthermore, the information disclosure system for ESG information should be improved [35] by establishing a unified ESG information disclosure platform that integrates data from the Shanghai, Shenzhen, and Beijing stock exchanges to provide query, comparison, and analysis functions.

7.3. Corporate Level: Promoting the Construction of ESG Governance Systems in Listed Companies

Listed companies should improve their internal ESG management systems [36], establishing an ESG management committee composed of board members, senior management, and employee representatives to formulate the company's ESG strategy and goals and supervise their implementation. They should also formulate internal procedures for ESG information disclosure, clarifying the responsibilities of each department to ensure the timely and accurate disclosure of ESG information. Listed companies should also be equipped with professional ESG

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management personnel and strengthen ESG training for employees to enhance the professionalism of ESG information disclosure.

8. Summary

The construction of the ESG information disclosure system for listed companies in China is a systematic project that requires improvement at multiple levels, including legislation, regulation, and the corporate level. With the development of China's capital market and the advancement of the "dual carbon" goals, the construction of the ESG information disclosure system is of great practical significance. By building a legal system for ESG information disclosure that is aligned with accounting standards and improving the legal liability system, the quality of ESG information disclosure by listed companies can be effectively improved, protecting the legitimate rights and interests of investors, preventing systemic financial risks, and promoting the green and low-carbon transformation of the economy and society. In the future, China should continue to improve its ESG information disclosure system by drawing on advanced foreign experience and combining it with its national conditions, providing strong support for the healthy development of China's capital market and the sustainable development of its economy and society.

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