**Comparative Analysis on ESG Information Disclosure Regulatory System for Listed Companies in China**

**Abstract**

With the deepening of the concept of green finance, ESG (Environmental, Social, and Governance) has become a key topic in capital markets and a focal point in corporate and securities law globally. ESG represents a comprehensive framework for evaluating a company’s performance in environmental sustainability, social responsibility, and corporate governance effectiveness. It reflects how businesses balance profit generation with their duties to the environment, society, and internal governance systems. China’s commercial legislation and practice are also paying increasing attention to this issue at various levels. From a comparative law perspective, the legislative and regulatory approaches of the EU and the US differ, but both show a trend toward unification. Although the US has yet to establish a unified and comprehensive mandatory ESG disclosure framework at the federal level, regulators and some states are actively advancing relevant legislation. In contrast, Europe has a more mature and comprehensive ESG disclosure regulatory regime, demonstrating strong legislative momentum and increasingly detailed requirements in both legislation and judicial practice. This also reflects the “strong regulation” characteristic of commercial law under the civil law system. Despite global advancements, there is still a lack of clear, comparative analysis on how China’s evolving ESG regulatory framework aligns with international trends. China’s evolving commercial law has responded positively to ESG information disclosure regulation. However, current regulations governing ESG disclosure by listed companies in China face several issues: lack of uniform disclosure standards, inconsistent disclosure quality, insufficient coordination among regulatory bodies, and a lack of effective oversight and incentive mechanisms. To improve the regulatory system, this paper proposes building a comprehensive institutional framework, promoting the interaction between hard and soft laws, and designing collaborative mechanisms. Specifically, a multi-department joint regulatory mechanism should be established, third-party verification institutions should be cultivated, and industry associations’ self-regulatory roles should be fully utilized. These measures aim to enhance the quality and transparency of ESG disclosures by listed companies, which is of great significance for promoting sustainable development and ensuring the healthy and stable growth of the capital market. Only in this way can evolving commercial law better meet the demands of social development. This paper adopts a comparative law approach and draws from judicial practice to explore possible solutions.

**Keywords:** listed companies; ESG information disclosure; regulatory system; optimization paths; green finance

**1. Introduction**

With the concept of green finance gaining widespread acceptance, ESG—Environmental, Social, and Governance—has become a key topic in capital markets (Li et al., 2024). As a comprehensive evaluation framework, ESG assesses a company's performance in the environmental (E), social (S), and governance (G) dimensions. Each of these components plays a distinct role, covering a company’s commitment to environmental and social responsibilities, as well as the transparency and effectiveness of its governance structure (Ye, 2024). Listed companies, as key players in economic activities, not only affect shareholders' interests but also exert broad impacts on the environment and society (Darnall et al., 2022; Yu, 2024). Improving the ESG information disclosure regulatory system for listed companies can encourage them to pursue economic benefits while fulfilling environmental and social responsibilities, thereby enhancing governance standards and achieving sustainable development.

**2. ESG Information Disclosure Regulatory Regimes for Listed Companies Abroad**

**2.1 European Law**

Europe leads globally in ESG information disclosure regulation due to its foresight, comprehensiveness, and mandatory requirements. From the NFRD (Non-Financial Reporting Directive) to CSRD (Corporate Sustainability Reporting Directive), SFDR (Sustainable Finance Disclosure Regulation), the EU Taxonomy, and CSDDD (Corporate Sustainability Due Diligence Directive), the EU has established an interlinked regulatory framework aimed at enhancing transparency among corporations and financial institutions while promoting sustainable development. As legislation progresses, judicial practices in Europe have also become more active—particularly in combating greenwashing and promoting climate accountability—demonstrating strong legal constraints and social oversight. This robust regulatory orientation is profoundly shaping ESG practices and investment decisions in Europe and beyond.

**2.2 U.S. Law**

The ESG disclosure regulatory system in the United States is undergoing a critical transformation. Although there is no unified, comprehensive mandatory framework at the federal level—and new federal rules face judicial scrutiny—some states, particularly California, have pioneered ESG-related legislation. The increasing number of greenwashing lawsuits has also pushed companies to take greater care in ensuring the accuracy and completeness of their ESG disclosures. The future trajectory will depend on legislative progress, outcomes of judicial challenges, and the continued recognition of ESG's importance by regulators and market participants.

**3. Current Situation of ESG Information Disclosure Regulation for Listed Companies in China**

**3.1 Lack of Consistent Disclosure Standards: Pronounced Fragmentation**

ESG development in China is still at an early stage, with government agencies and stock exchanges primarily leading companies to voluntarily disclose ESG-related information. For example, the revised Environmental Protection Law has clarified disclosure obligations for “key pollutant-discharging units.” However, hard laws such as the Company Law and the Securities Law have not yet established mandatory ESG disclosure rules. Since the ESG concept was introduced, regulatory bodies like the State-owned Assets Supervision and Administration Commission and the China Securities Regulatory Commission (CSRC), as well as self-regulatory organizations, have issued various ESG-related guidelines. Yet, a unified disclosure standard for listed companies has not been formed. [2]（Hou，2023）The lack of systematization and coordination among various regulations, and inconsistencies or even conflicts between different departments' rules, create operational confusion and raise compliance costs for companies.

**First**, the disclosure model remains inconsistent. Listed companies are inherently profit-oriented, whereas ESG disclosure serves public welfare objectives. This divergence makes externally driven, mandatory ESG disclosure mechanisms a necessity. [3]（Wu，2023）Currently, ESG disclosure in China is evolving from a voluntary to a mandatory model. In the absence of mandatory standards, listed companies have no legal obligation to disclose ESG information, and disclosure decisions are largely left to internal discretion. Existing laws only mandate disclosure of environmental information by key polluters, leaving other companies free to choose. This fragmented and incomplete model leads to inefficient voluntary disclosures, with inconsistencies in content, format, and metric calculations across companies, making meaningful investor comparisons difficult.

**Second**, the disclosure content is often incomplete. Many companies only report limited pollutant emission indicators while omitting data on energy consumption or resource efficiency. Disclosures on social responsibilities such as employee welfare and community development are often insufficient. Governance disclosures related to board structure and risk management are also inadequate. Furthermore, disclosure is often narrative-based with little data support or case analysis, undermining credibility and readability. Timeliness and accuracy are also problematic; some companies fail to meet report deadlines or exaggerate their achievements, compromising the utility of ESG reports for decision-making.

**Third**, coordination among regulatory bodies is lacking. ESG regulation involves multiple agencies, but inter-agency communication and coordination are insufficient. This leads to inefficient information sharing, duplicated efforts, and oversight gaps. Overlapping responsibilities or ambiguous divisions of labor among regulators contribute to enforcement blind spots and delayed detection of violations.

**3.2 Inconsistent Disclosure Quality: Credibility of Information in Doubt**

In the green finance era, some listed companies overly embellish the environmental sections of their annual or CSR reports, engaging in “greenwashing.” Due to the lack of effective oversight against such practices, ESG disclosures often appear passive, and mandatory ESG evaluation mechanisms may ironically intensify greenwashing. Inadequate third-party verification is another key reason for poor disclosure credibility. Verification enhances the reliability of ESG data and curbs greenwashing, but independent verification agencies in China are limited in number and capacity. Moreover, agencies differ in metrics, weighting, and methodology, leading to inconsistent evaluations. Their independence and objectivity are sometimes questionable, especially if influenced by commercial interests. The underdeveloped verification ecosystem seriously undermines disclosure credibility. Additionally, there is no clear legal penalty system for flawed ESG report verification. Given high verification costs and the absence of regulatory enforcement, disclosure often depends on corporate self-discipline—which is unrealistic under market economy conditions—thereby weakening policy effectiveness.

**3.3 Lack of Effective Supervision and Incentives: Insufficient Enforcement**

China's ESG disclosure framework for listed companies is primarily based on general requirements in the Securities Law and the Environmental Protection Law. However, these rules are more focused on economic outcomes of disclosure rather than ESG’s inherent value goals. The traditional investor-protection emphasis in securities law overlooks ESG’s broader environmental and social goals. [6]（Tao，2023） For instance, criteria for determining “materiality” in environmental incident disclosure primarily consider financial impact, not ESG-related risks. Moreover, binding force is lacking. Other than the Ministry of Ecology and Environment’s mandatory environmental disclosure rules for polluters (as per Article 55 and 62 of the Environmental Protection Law), most ESG-related measures are in the form of non-binding soft laws. There is still no high-level legislation dedicated to ESG disclosure, nor sufficient legal enforcement or incentive mechanisms. Consequently, companies often show low levels of initiative and compliance with ESG disclosure requirements.

**4. Improving the ESG Information Disclosure Regulatory System for Listed Companies in China**

**4.1 Institutional Framework Construction**

**4.1.1 Elevating Legislative Authority**

To address the low quality of ESG disclosures among Chinese listed companies, it is imperative to strengthen regulatory enforcement and raise the legislative level. High-level legislation serves as the foundation for implementing specific disclosure requirements. For instance, in Hong Kong, the ESG Reporting Guide issued by the Hong Kong Stock Exchange has undergone two revisions, each supported by official documents from the Hong Kong government and its Financial Development Council. Currently, ESG disclosure requirements in mainland China mainly derive from departmental regulations issued by the CSRC and guidelines from stock exchanges. To raise the regulatory status, ESG provisions could be incorporated into formal legislation such as the Securities Law, Company Law, and Environmental Protection Law. This would reduce the difficulty of enacting standalone laws while elevating their authority. The CSRC, as the primary regulatory body, could revise existing rules or introduce new ones. Additionally, proven industry practices could be formalized into departmental rules or normative documents to raise the legislative level. [8]（Li，2024）

**4.1.2 Standardizing Disclosure Requirements**

A dedicated ESG disclosure law should be introduced to define uniform disclosure standards for listed companies. These standards must clearly articulate the legal obligations of all listed firms and accelerate the shift from voluntary to mandatory disclosure, addressing the current inconsistencies and incomplete implementation. Disclosure requirements should include detailed metrics across environmental, social, and governance dimensions. For example: **Environmental**: precise figures on energy consumption, emissions of various pollutants, and progress on emission-reduction measures; **Social**: information on employee training hours, welfare investment ratios, and details of community engagement projects; **Governance**: disclosures on board independence and detailed risk management procedures.

A mechanism for regularly updating these standards should be established to ensure their relevance amid social and market developments, reduce regulatory conflicts, cut compliance costs, and improve the comparability and usefulness of disclosed information.

**4.1.3 Improving the Legal Liability System**

Alongside elevating legislative authority, a comprehensive legal liability system is crucial for strengthening ESG regulatory enforcement. Since ESG disclosures may involve civil, administrative, and criminal liabilities, a tailored liability framework is necessary. At present, violations of ESG disclosure obligations fall under general disclosure penalties, but the fines under the Securities Law remain low and lack deterrent effect. It is essential to increase penalties—such as imposing higher fines or banning market access—and to enhance both self-regulation and external enforcement mechanisms. Moreover, establishing a civil liability system for investors is critical. In cases where false or misleading ESG disclosures harm investor interests, existing legal tools—such as prior compensation and class action systems under the Securities Law—should be expanded to cover ESG violations. [9]（Li，2024）These systems still require complementary judicial interpretations and implementation guidelines to function effectively and sustainably.

**4.1.4 Establishing Incentive Mechanisms**

As China builds a unified national market, corporate credit has become a "golden asset." incentive rules can encourage companies to voluntarily disclose ESG information and compensate for the limitations of punitive measures. For example: （1）Recognition and Publicity: Companies with strong ESG performance could be publicly recognized on stock exchange websites, enhancing their reputations and encouraging others to follow suit. （2）Policy Incentives: Offer tax breaks, fiscal subsidies, and green finance support to companies with exemplary ESG records. Measures such as tax deductions or lower environmental tax rates can create a positive, compliant, and proactive disclosure environment. This would accelerate the formation of a sustainable green financial framework aligned with financial stability.

**4.2 Interaction Between Soft and Hard Law in Governance**

Hard law, by virtue of its authority and enforceability, provides the fundamental framework for ESG information disclosure. Soft law, with its flexibility and adaptability, complements and refines hard law. For the ESG regulatory system to be effectively implemented, a dynamic balance must be achieved between soft and hard regulations, creating an organic and mutually reinforcing governance system.

**First**, content alignment between soft and hard laws must be ensured. The Company Law should retain the authority to establish general rules, while detailed provisions—such as disclosure standards and content requirements—can be delegated to soft law instruments.

**Second**, adopt a “soft law first” approach, allowing soft regulations to fill legal gaps and serve as testing grounds for future codification. For example, a unified “Corporate ESG Disclosure Guideline” could be piloted and later formalized into provisions under the Company Law or Securities Law once it matures.

**Third**, improve soft law rules for ESG disclosures by fully introducing the “comply or explain” principle. Under this principle, if a company chooses not to comply with a specific disclosure tandard, it must clearly explain its reasons and underlying considerations. This approach grants companies a degree of flexibility to handle special circumstances while still holding them accountable, ensuring transparency and clarity for the market and investors.

**4.3 Designing a Coordinated Mechanism**

Achieving coordinated governance among government regulation, industry self-regulation, and public oversight is essential for improving the efficiency and effectiveness of ESG disclosure regulation.

**4.3.1 Establishing a Multi-Agency Joint Regulatory Mechanism**

Stronger collaboration and information sharing among the CSRC, Ministry of Ecology and Environment, and the State-owned Assets Supervision and Administration Commission (SASAC) should be promoted. A unified information-sharing platform can be established, where each agency uploads ESG data collected during regulatory activities, allowing others to access and reference it. A specialized ESG regulatory office or coordinating agency could be created to lead and coordinate inter-agency efforts. Regular joint meetings should be held to formulate strategies and solve regulatory issues collaboratively.

Additionally, regulators should provide guidance and training to listed companies on ESG disclosure. This could include online and offline courses by experts and professional institutions to help companies understand ESG standards, improve their data collection and analysis capabilities, and encourage diverse disclosure formats. Beyond traditional text and data, companies should be encouraged to use visuals, case studies, and videos to enhance readability and visualization.

**4.3.2 Fostering Standardized Third-Party Verification Bodies**

Strict entry thresholds and professional standards must be defined to enhance the competence and ethics of ESG verification institutions. Industry associations should be tasked with establishing uniform certification systems to standardize the selection of rating indicators, weight assignment, and evaluation methods. This would ensure consistency and comparability across agencies.

Stronger oversight of these agencies should also be instituted, including routine and random inspections, with severe penalties for violations. This will safeguard their independence and objectivity, ultimately improving the credibility of ESG disclosures.

**4.3.3 Strengthening the Self-Regulatory Role of Industry Associations**

Industry associations should formulate ESG disclosure guidelines and codes of conduct tailored to their respective sectors, guiding listed companies toward more standardized disclosure practices. They should also organize training and peer exchange programs to enhance corporate understanding of ESG principles and their disclosure capabilities.

For enforcement, associations should monitor and penalize members that breach self-regulatory norms, thereby maintaining industry integrity. In terms of social oversight, the public—including media and investors—should be encouraged to participate actively. The media can play a watchdog role by reporting on ESG disclosures and exposing misconduct. Investors, through shareholder rights, can demand greater ESG transparency and hold companies accountable. A public whistleblower mechanism should also be established, with rewards for verified reports, to foster a culture of collective societal oversight.

**5. Conclusion**

At present, the newly revised Company Law in China has only established a preliminary framework for ESG information disclosure by listed companies. While this marks a response to the global surge in ESG awareness, significant gaps and ambiguities remain regarding specific implementation details, disclosure standards, and enforcement mechanisms. Additional normative documents are needed to refine the system further.

Efforts to optimize the ESG disclosure regulatory system should be grounded in the realities of China’s capital markets. Under a foundational institutional framework, coordinated efforts should be made to integrate soft regulatory tools with binding legal enforcement in a complementary manner. Such integration will be crucial to ensuring the effectiveness of ESG information disclosure and promoting the sustainable development of the capital market.

Looking forward, China must continue to build and improve its regulatory system to encourage listed companies to actively fulfill their ESG disclosure obligations. This will enhance the sustainable development capacity of capital markets and foster coordinated growth across economic, social, and environmental dimensions. Only by doing so can commercial law, in its evolving form, better adapt to the needs of a transforming society.

Disclaimer (Artificial intelligence)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

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