

# **Analysis of the Influence of ESG Performance on the High-quality Development of Automobile Enterprises**

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**Abstract:** Environmental, Social, and Governance (ESG) evaluates a company's business indicators from three non-financial dimensions and assesses its contribution to promoting sustainable economic development and fulfilling social responsibilities. In order to implement the spirit of "accelerating the construction of a new development pattern, focusing on promoting high-quality development", and complete the goal of "carbon peak" in 2030 and "carbon neutrality" in 2060, the disclosure and performance of ESG information will help achieve the "double carbon" goal. Based on China's domestic ESG information disclosure standards and taking Geely Shares as an example, this paper analyzes the impact of ESG information disclosure and performance on the high-quality development of the automotive industry, thereby inspiring thinking on the impact of ESG information disclosure and performance on the high-quality development of Chinese enterprises, and providing experience reference to promote the development of ESG in China.

**Keywords:** Information Disclosure; High-Quality Development; Automotive Industry

## **1. Introduction**

Environmental, Social, and Governance (ESG) evaluates a company's business indicators from three non-financial dimensions and assesses its contribution to promoting sustainable economic development and fulfilling social responsibilities. In order to implement the spirit of "accelerating the construction of a new development pattern and focusing on promoting high-quality development", promote sustainable economic, social and environmental development, and standardize the requirements for high-quality and sustainable development information

disclosure of enterprises, the process of ESG information disclosure of Chinese enterprises has accelerated. In April 2024, the Beijing, Shanghai and Shenzhen Stock Exchanges simultaneously issued the Guidelines on Sustainable Development Reports of Listed Companies (Trial), which clearly requires sample index companies such as SSE 180 and Shenzhen 100 and listed companies both at home and abroad to start disclosing sustainable development reports or ESG reports in 2026, marking China's official entry into the era of mandatory ESG disclosure. On May 27, China's Ministry of Finance issued the "Corporate Sustainable Disclosure Guidelines - Basic Guidelines (Draft for Comment)", which is officially open to the public for comments from today. According to the draft, by 2027, the basic standards of corporate sustainable disclosure and climate-related disclosure standards will be successively issued; By 2030, a unified national system of sustainable disclosure standards will be basically completed.

## **2. Comparison of the ESG Information Disclosure and Implementation Domestically and Internationally**

ESG (environmental, social and governance) information disclosure evaluates the business indicators of enterprises from three non-financial dimensions, evaluates the contributions of enterprises in promoting sustainable economic development and fulfilling social responsibilities, and regularly discloses communication methods to stakeholders, focusing on high-quality sustainable development of enterprises<sup>[1]</sup>. The ESG theory and evaluation system were first proposed by the United Nations Global Compact organization in 2004, and it has been 20 years since then. At present, there is no unified report disclosure standard in the world. The number of ESG rating agencies worldwide

have exceeded 600 (only about 20 in China). Among them is internationally renowned rating agencies including KLD Research & Analytics, Morgan Stanley Capital International, Sustainalytics, Thomson Reuters, FTSE Russell, S&P Dow Jones and Vigeo Eiris with China's renowned rating agencies including SynTao Green Finance, Harvest Fund, Runling Global, etc <sup>[2]</sup>.

## **2.1 International ESG Disclosure Standards and Current Status**

Organizations around the world set different standards based on the development situation of their own countries. According to incomplete statistics, the main standards commonly used internationally at present include: Carbon Disclosure Project environmental information disclosure; Global Reporting Initiative standards; Climate Disclosure Standards Board disclosure framework; Sustainability Accounting Standards Board sustainable accounting standards; Organization for Economic Cooperation and Development guidelines for multinational enterprises; International Organization for Standardization's ISO 26000 Guidelines on Social Responsibility, etc.

The European Union's ESG regulation, the Corporate Sustainability Reporting Directive, came into force on January 5, 2023. The Corporate Sustainability Reporting Directive is intended to provide investors and other stakeholders with sufficient sustainability information to assess a company's impact on people and the environment, as well as to allow investors to assess the financial risks and opportunities arising from climate change and other sustainability issues. On July 31, the European Commission formally adopted the European Sustainability Reporting Guidelines, which are supplementary provisions to the European Union's Corporate Sustainability Reporting Directive and stipulate the guidelines that must be followed by corporate sustainability reporting within its scope. Marking a key step in the EU's transition to a sustainable economy, listed companies are required to disclose ESG reports in accordance with strict guidelines.

It is noteworthy that most countries see continued growth in ESG investment. According to China's ESG Development White Paper (2021), in 2020, US ESG investment

reached US\$17.08 trillion, or 48% of all global ESG investment, surpassing Europe to become the largest region in major global markets. With ESG investments reaching US\$12.02 trillion in 2020, or 34% of the market, the European market came in second. ESG investment has expanded quickly in Japan, surpassing that of Oceania and Canada in 2018 and reaching US\$2.87 trillion in 2020, or 8% of total investment. Europe and the United States account for more than 80% of the world's sustainable investment scale, making them dominant <sup>[3]</sup>.

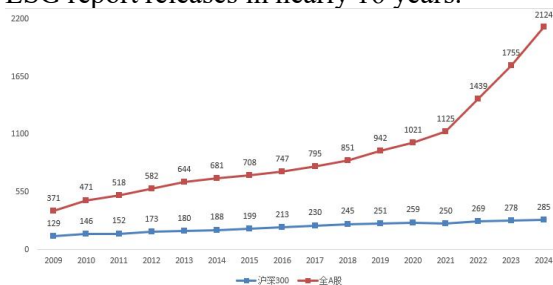
## **2.2 Domestic ESG Disclosure Standards and Current Status**

With the development of international economic growth and the guidance of the "dual-carbon" goals, although China's ESG information disclosure regulatory system started relatively late, it has developed rapidly. It has mainly gone through three stages of development: the formation and advocacy of the ESG concept and the voluntary disclosure of responsibility; the combination of voluntary and mandatory disclosure of social responsibility reports and ESG reports. The improvement of social responsibility report and ESG report information disclosure is mainly based on a series of policy guidelines issued by the government, regulatory authorities, stock exchanges, and industry associations.

In September 2018, the China Securities Regulatory Commission issued the new "Corporate Governance Code for Listed Companies," establishing the basic framework for the disclosure of environmental, social responsibility, and corporate governance (ESG) information. In April 2024, the stock exchanges in Beijing, Shanghai, and Shenzhen simultaneously issued the "Guidelines for Sustainable Development Reporting by Listed Companies (Trial)," which clearly requires companies in the Shanghai Stock Exchange 180, Shenzhen Stock Exchange 100, and other index samples, as well as companies listed both domestically and abroad, to start disclosing sustainable development reports or ESG reports from 2026, marking the official entry of our country into the era of mandatory ESG disclosure. The three exchanges will promote more listed companies to disclose high-quality sustainable development

information based on the implementation of the "Guidelines." China's ESG disclosure standards are basically synchronized with the latest international standards, while also promoting the high-quality development of Chinese enterprises.

According to relevant data statistics, the quality of information disclosure by listed companies on the A-share market and the number of ESG reports show a clear upward trend. From 2009 to 2024 (as of June 3, 2024), the release of A-share ESG reports (as shown in the Figure 1), the rapid increase in ESG report releases since 2021, with 39.88% of listed companies having published ESG reports. The number of listed companies publishing ESG reports has grown from 371 in 2009 to 2,124 in 2024, reaching the highest number of ESG report releases in nearly 16 years.



**Figure 1. Statistical Report on the Release of ESG Reports by A-Share Listed Companies on the Shanghai and Shenzhen 300 Index**

Data source: Prepared by Shangdao Ronglv based on public data.

### 3. The Current State of ESG Information Disclosure in China's Automotive Industry

The automotive industry is one of the pillar industries of our country's national economy. The state provides strong policy support for battery, motor, and electric control technologies. New energy vehicles have made significant progress in production, sales, and market share, playing a crucial role in promoting the development of the ESG field. ESG information disclosure and practice also play an important role in promoting the high-quality development of automotive companies. According to data from the China Association of Automobile Manufacturers, in 2023, the production and sales of new energy vehicles in our country reached 9.587 million and 9.49 million units, respectively, with year-on-year growth of 35.8% and 37.9%. From January to June 2024, the production and sales of new

energy vehicles reached 4.929 million and 4.94 million units, respectively, with year-on-year growth of 30.1% and 32%, and the market share reached 35.2%, showing a strong upward momentum.

At the same time, many automotive companies are comprehensively enhancing their sustainable development capabilities, focusing on the high-quality development of the enterprise, and increasingly focusing their business development strategies on the fields of environment, society, and corporate governance, actively promoting the construction of the ESG management system. Among listed companies, automotive companies generally have good ESG ratings. And they have achieved good ratings and recognition. In 2023, according to data from Sina Finance: a total of 12 listed companies in China participated in the MSCI ESG rating, among which, there are 7 automotive companies rated A (the industry median) and above, accounting for 58.33%; 2 companies have obtained the AAA rating, accounting for 16.67%, which are Li Auto and XPeng Motors. As a concept of business management and investment, investors can assess their investment actions and the contributions of enterprises in promoting economic sustainable development and fulfilling social responsibilities by observing the ESG performance of companies. This helps them identify investment targets that not only create economic benefits but also social value and have the ability to grow sustainably. Society's demands on enterprises in terms of green development, energy saving and emission reduction, social responsibility, integrity in business operations, and compliance management are becoming increasingly stringent. Therefore, promoting ESG disclosure by listed automobile companies and encouraging their high-quality development has become an inevitable trend.

Higher ESG rated businesses typically have more sustainable development capabilities and less financial leverage, which allows them to increase profitability by drawing in more funding to support growth in reproduction [4]. It is critical that investors consider environmental, social, and governance factors while making investing decisions. ESG performance in China is often better for high-ESG portfolios than low-ESG portfolios, as demonstrated by

David et al. (2021) [5].

#### **4. Analysis of the Impact of ESG Disclosure and Performance on the High-Quality Development of Automobile Enterprises**

In the global business field, ESG disclosure has become a core consideration for evaluating the high-quality development of corporate production and operations. As the world's largest manufacturing country, China is increasingly emphasizing the impact of ESG disclosure and practices on the high-quality development of corporate operations [6]. Taking Geely Automobile as an example, Geely Holding Group focuses on automobile manufacturing and continuous innovation. At the beginning of the new energy transformation in 2021, it set decarbonization goals and released its first independent ESG report, implementing multi-faceted carbon emission reduction measures from the "production end," "operation end," and "product end." On the production end, it further strengthens the implementation of green low-carbon concepts, continues to develop methanol vehicles, and collaborates with upstream and downstream partners to complete carbon management. On the operation end, it vigorously promotes the use of new energy low-carbon vehicles in Geely's logistics system, optimizes transportation modes, and reduces carbon emissions in the logistics and transportation segment. On the product end, it integrates the concept of sustainable development into the life cycle value chain of vehicles, with low carbon and recycling becoming important directions for vehicle development, focusing on new materials, new technologies, and new concepts. According to Geely Automobile's 2023 ESG report, the impact of ESG information disclosure and performance on Geely Holding's high-quality development is mainly reflected in the following aspects:

##### **4.1 The Financial and Operational Performance of the Company Is Remarkable**

With the advancement of technology and the promotion of global social transformation, investors are increasingly valuing companies' practices in environmental protection, social responsibility, and good governance. Good ESG disclosure often conveys a positive signal

of future sustainable development to investors. Geely Holding first used the ESG system in 2015 to disclose ESG information. Both the cost of debt and the cost of equity financing decreased somewhat once ESG disclosure was first made public in 2016. According to Shroff et al. (2013), information disclosure can lower investors' forecast risks and increase stock liquidity in mature capital markets, which lowers an organization's equity capital costs [7]. To obtain positive excess market returns. According to the disclosed data from Geely Holding's 2023 annual report and ESG report, Geely Automobile achieved a revenue of 179.2 billion yuan in 2023, a year-on-year increase of 21%; the net cash level increased by 46% year-on-year to 28.4 billion yuan, with ample reserves; the total gross profit increased by 31.2% year-on-year to 27.4 billion yuan, and the gross margin increased by 1.2% compared to the previous year. The main reasons for the increase in gross margin are product structure optimization, cost reduction, and economies of scale. In terms of sales, Geely Automobile's cumulative sales volume was 1.6865 million vehicles, a year-on-year increase of about 18%; the sales volume of new energy vehicles increased by 48% year-on-year, with a penetration rate of 29%. This indicates that after practicing ESG, Geely Holding has achieved high-quality development in its business operations.

##### **4.2 Implement the Concept of "People, Industry, and Society" Prospering Together**

The 2023 ESG Report focuses on six major areas: governance and ethics, climate neutrality, resource conservation, transportation, value chain responsibility, and employees and community, disclosing the latest progress and results of the first year of systematic implementation of the six ESG strategic directions. Geely Automobile Holdings achieved a 12% reduction in carbon emissions per vehicle lifecycle compared to the 2020 baseline, completed the construction of three zero-carbon factories ahead of schedule, and optimized communication mechanisms with employees and suppliers. It has formulated future plans for supply chain ESG management, focusing on improving management in areas such as traceability, due diligence, conflict minerals, and carbon footprints. Adhering to the talent strategy

concept of "respecting people, achieving people, and making people happy," Geely Automobile provides a learning platform to promote the diverse development of employees, practicing the integration and symbiosis of business development and talent progress, and expanding career growth opportunities for global employees. In terms of corporate governance compliance and business ethics, Geely Automobile Holdings has carried out conflict of interest declaration work and launched a series of compliance management training courses, significantly reducing corruption and bribery.

#### **4.3 Establish a Brand Image and Build a Good Corporate Reputation**

Good ESG disclosure and implementation can demonstrate that a company has a good level of environmental governance, actively assumes social responsibility, and has a high level of internal management, thereby creating a word-of-mouth effect, establishing brand image, building a good corporate reputation, and promoting high-quality development of the enterprise. Geely Automobile has firmly taken its place in the first echelon of new energy vehicle (NEV) independent brands, and its domestic sales of fuel vehicles rank first among independent brands. This highlights Geely's strong brand strength and market competitiveness, which is the result of Geely Automobile's many years of efforts in scale effects, product structure, technology research and development, and market development. Geely Automobile continuously improves its brand matrix and global market layout. Geely Automobile's NEV series mainly includes three brands: Geely, Lynk & Co, and Zeekr. According to the ESG report, the Geely brand (including the Galaxy series and the high-end China Star series) achieved sales of nearly 1.31 million vehicles in 2023, a year-on-year increase of 16%; the Lynk & Co brand achieved sales of about 220,000 vehicles in 2023, a year-on-year increase of 22.3%; the Zeekr brand achieved sales of about 119,000 vehicles in 2023, a significant year-on-year increase of 65%.

After years of technological R&D accumulation and brand building, Geely's mid-to-high-end series have begun to gain widespread market recognition. The company's attitude towards ESG directly affects the trust

of consumers, partners, and investors. Brands such as Lynk & Co and Zeekr are showing strong upward momentum, with sales and market share steadily increasing, marking Geely's transition from a follower to a leader. Behind this transformation is Geely's ultimate pursuit of product quality and consumer experience.

To strengthen sustainable low-carbon competitiveness and seize opportunities in the new market track, automobile industry enterprises should actively establish long-term cooperative relations with government agencies, new energy enterprises, research institutes, and other parties, and increase their investment in green new business forms related to ESG<sup>[8]</sup>.

#### **4.4 Globalization Corporate Strategic Planning Layout**

Geely Holding proposes to "build ESG leadership in the smart electric vehicle mobility and energy service technology industry" as its strategic goal. It has become the first Chinese automotive company to join "Drive Sustainability" as a global partner. By establishing an industry technology cooperation and exchange platform, it collaboratively undertakes significant project research and development, leads and participates in the formulation and revision of domestic and international standards, and engages in industry initiatives and associations. This approach gathers the strength and wisdom of multiple parties to promote industry development and technological progress, leveraging the power of Chinese enterprises in setting sustainable supply chain industry standards and principles for the automotive industry. In its business operations, Geely comprehensively plans for high-quality green and low-carbon development across the entire industry chain, value chain, and ecological chain, bringing a sustainable future for consumers, communities, and society at large, thereby promoting the company's comprehensive high quality development.

Businesses will unavoidably need to react favorably to changes in national development goals and models under the high-quality development aim. Businesses must abandon their initial strategy of concentrating primarily on financial gains, give greater consideration to the fulfillment of social obligations, and

quicken the steady, secure, and peaceful growth of social wealth by adopting more mission-driven and responsible behavioral practices [9].

### **5. Insights into the Impact of ESG Performance on the High Quality Development of Automobile Companies.**

Geely Automobile, as a representative of China's domestic automotive industry, has actively responded to environmental and business changes by embracing technological innovation, ecological integration, co-construction and sharing, as well as upgrading corporate governance with a global perspective. This has continuously strengthened the company's core competitiveness. As early as 2015, Geely began to lay out the implementation framework for ESG (Environmental, Social, and Governance), and its efforts in ESG information disclosure and achievement have been widely recognized by rating agencies, financial institutions, and consumer markets. It has become a benchmark for the automotive industry in achieving sustainable development values in ESG, providing the following insights for the high-quality development of automotive enterprises:

#### **5.1 Comply with National Strategies and Policies, and Make Good Global Strategic Layout.**

For China's economy to achieve sustainable development, more robust policies and measures must be adopted. Efforts will be made to peak carbon dioxide emissions before 2030 and strive to achieve carbon neutrality before 2060, demonstrating China's responsibility and commitment as a major country. As the main force in the sustainable development of China's economy, new energy vehicle enterprises, especially multinational corporations, must adhere to national strategies and policies. They should establish ESG disclosure standards and evaluation systems based on China's national conditions and the stage of social development. By disseminating our value propositions and implementing global strategic layouts, they can take the initiative in shaping future international standards [10].

#### **5.2 Reshaping the Business Value System of Automotive Enterprises**

As the awareness of ESG among consumers and investors continues to grow, the ESG system, which encompasses environmental, social, and governance practices, will influence the choices of consumers and investors based on a company's attitude towards ESG performance. This can effectively attract investments from consumers and investors who share the same values regarding social responsibility and sustainable development, establishing the company's brand and creating a certain brand effect. Concerned about the interests of multiple parties to achieve sustainable development of enterprises [10], During the operation process, it can help enterprises reduce energy waste, improve operational efficiency, reduce costs, promote the growth of operating income, create more business value, and enhance the competitiveness of the enterprise.

In summary, the disclosure and practice of ESG information have become an inevitable choice for the development of Chinese automotive enterprises. Therefore, promoting the integration of ESG theory and practice, providing momentum for the green and low-carbon transformation of enterprises, empowering the high-quality development of the Chinese economy, and promoting the benign and high-quality development of enterprises, together with industrial chain partners, to create a sustainable future.

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