

# Corporate Green Transformation and High-Quality Development Based on a Chinese ESG System

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**Abstract:** Currently, China’s economy is upgrading from a phase of high-speed growth to high-quality development. Driven by concepts such as “green, coordinated, and shared,” green transformation has become a critical factor in promoting high-quality development for enterprises. This paper, from a Chinese perspective, elaborates on the overall framework of the ESG system and explores the pathways for corporate green transformation and high-quality development under the Chinese ESG system. It proposes construction ideas for China’s ESG system and, through practical case studies, forecasts the prospects of corporate green transformation and high-quality development under the Chinese ESG system.

**Keywords:** Chinese characteristics; ESG system; Green transformation; High-quality development

## 1. Overview of the ESG System Framework

The concept of ESG first appeared in 2004, representing Environmental, Social Responsibility, and Governance. It primarily includes three aspects: information disclosure, evaluation and rating, and investment guidance. The specific indicators are shown as follows:

**Table 1. ESG System Framework and Rating Indicators**

Scope	Consideration Content	Specific Indicators
Environmental Protection	Environmental Impact	Carbon emissions, green financing environment, etc.
	Pollution Impact	Pollutant treatment and emissions, land use, etc.
	Environmental Opportunities	Application of energy-saving technologies, renewable resources, investment in green building projects, etc.
Social Responsibility	Employee Care	Employee benefits, health, human resource management, ethics, etc.
	Responsibility Fulfillment	Product safety management, product quality control, etc.
Corporate Governance	Governance Level	Scientific and rational governance, internal audit, management level, strategic planning, etc.
	Stakeholders	Handling of stakeholder relationships, etc.
	Social Opportunities	Social communication and financing channels, etc.

The ESG system represents an important shift in societal and economic development concepts, forms a crucial part of the current green financial system, and reflects sustainable development for society, the economy, and enterprises in the financial market. From the corporate level, the ESG system, through the three dimensions of environment, social responsibility, and corporate governance, focuses on the long-term development potential of enterprises. It ensures that companies prioritize environmental protection, energy-saving, green building investments, and social value creation while maximizing shareholder rights. Essentially, the ESG system aligns with the goals of corporate green transformation and high-quality development and has become a key reference in investment decisions, project selection, and investment evaluation.

## 2. Potential Impacts of the ESG System on Corporate Green Transformation and High-quality Development

As China’s economy transitions into a stage of high-quality development, sustainability is increasingly becoming a core objective for enterprises. The ESG system, as a key framework for measuring corporate sustainability, has significant potential impacts on promoting corporate green transformation and high-quality development.

(1) Enhancing Economic Efficiency through Governance. The ESG system focuses on corporate governance capabilities, which are closely linked to maximizing economic and social benefits. The system not only emphasizes the scientific and

rational nature of corporate governance structures but also considers the overall strategic layout and internal management level as effective indicators of governance capability. Additionally, the ESG system regulates and guides corporate board supervision, internal auditing, internal control, and information disclosure. This helps form a scientific management loop within companies, improving management quality and control over latent and explicit risks, thereby creating new space for enhancing economic efficiency.

(2) Promoting Social Responsibility. The ESG system emphasizes the importance of social responsibility. Although fulfilling social responsibilities might conflict with short-term commercial interests, the social dimension of the ESG system aligns with the long-term strategic goals of enterprises. The ESG system not only provides a theoretical basis for handling social responsibilities but also offers direction for balancing economic returns with social responsibility, thereby helping companies gain social recognition while achieving economic benefits. Moreover, the ESG system's focus on social responsibility enables investors and stakeholders to understand the social responsibilities undertaken by companies, encouraging the creation of a green business ecosystem that generates additional social value.

(3) Achieving Green Business Goals. The environmental dimension of the ESG system includes aspects such as pollution control through technological updates and investment in green projects. On one hand, it involves reducing environmental pollution through technological advancements to achieve energy conservation and environmental protection goals. On the other hand, it involves investing in green projects using scientific technology and renewable resources to drive green transformation and high-quality development.

### **3. Paths for Corporate Green Transformation and High-Quality Development Based on the Chinese ESG System**

The Chinese ESG system is a product of integrating global ESG concepts with China's actual conditions. It helps Chinese enterprises enhance operational efficiency and achieve high-quality development, thus realizing sustainable development goals. Essentially, the Chinese ESG system pays more attention to comprehensive performance in sustainable development, serving not only as an investment concept and evaluation standard but also as a commitment to the future. Therefore, in the process of corporate green transformation and high-quality development based on the Chinese ESG system, the following aspects should be addressed:

#### **3.1 Achieving Corporate Green Transformation through the ESG System**

To realize green transformation and high-quality development, enterprises should improve environmental information disclosure regulations within the Chinese ESG system framework. Strengthening control over environmental projects and enhancing external supervision of pollution control and energy reduction efforts can facilitate the achievement of green transformation goals.

First, government departments should develop detailed environmental information disclosure standards based on the ESG system content and the environmental protection needs of different enterprises. Standardizing environmental information disclosure will regulate corporate disclosure behaviors and ensure the comprehensiveness, completeness, and reliability of environmental information.

Second, based on the environmental information reports disclosed by enterprises, focus on aspects such as pollutant discharge intensity, energy-saving standards, and environmental technology innovation. Analyze the internal logical relationships in the data, observe environmental issues in business operations, and develop strategies to address these issues. For example, the China Salt Industry Group has actively implemented ESG environmental protection measures and adopted a green and low-carbon development philosophy. Since 2010, it has upgraded production equipment and innovated production technologies, saving over 30,000 tons of coal in 2022, with significant environmental benefits.

Third, leverage advanced information platforms to build a central control for environmental supervision. As the "green, low-carbon" development concept becomes mainstream, modern enterprises must not harm the ecological environment or sacrifice public interests. The ESG system's environmental dimension includes indicators such as carbon emissions, green financing environment, pollutant treatment and discharge, and land use. Therefore, enterprises should actively establish a "low-carbon, environmentally friendly" development concept during the green transformation process. Use advanced information platforms to monitor all environmental indicators comprehensively, create an environmental anomaly alert mechanism, set alert thresholds, and promptly warn of environmental anomalies to encourage enterprises to advance green and low-carbon strategic upgrades.

Finally, actively promote the implementation of green financial projects. Green finance is a crucial indicator in the ESG system's environmental dimension. Green financial projects are a series of activities aimed at changing the environment,

addressing climate change, and conserving resources. Enterprises can utilize national policies, such as green loans or issuing green bonds and funds, to support their environmental projects. For instance, the Guangzhou Metro Group issued green bonds, the first of their kind in the domestic market, to address a funding gap. This not only alleviated the group's funding needs but also reduced financing costs and broadened financing channels for clean transportation.

### **3.2 Actively Fulfilling Social Responsibility to Support High-quality Development**

The social responsibility dimension of the ESG system includes many indicators related to product safety, quality, and employee care. These indicators reflect the importance of employees to corporate development and illustrate that green transformation and high-quality development require social support. Therefore, in the green transformation and high-quality development process based on the Chinese ESG system, enterprises should actively fulfill social responsibilities to accelerate high-quality development.

First, ensuring product quality and safety is the foundation of fulfilling social responsibility. Enterprises should establish comprehensive quality and safety supervision systems, strictly test each product, and implement scientific processing systems for substandard products. Additionally, they should use information platforms to create customer feedback mechanisms, categorize and summarize feedback, and generate reports to address quality and safety issues.

Second, providing employee care is a critical social responsibility indicator. Enterprises should establish effective communication mechanisms, address both material and spiritual needs, and develop comprehensive human resource management systems to enhance job satisfaction and retention. Additionally, enterprises should implement talent development plans, provide regular professional training and psychological support, and focus on employee growth to enhance overall competence.

Third, contribute to social development through targeted assistance and public welfare activities. Enterprises should embrace the concept of giving back to society and actively engage in various public welfare activities. For example, Shuanghui Group has donated over 30 million yuan to impoverished areas since 2006, supporting education and contributing to social stability and development. These efforts not only improve educational levels in poor regions but also enhance the company's brand reputation and marketing performance, significantly benefiting quality and efficiency.

### **3.3 Building a Robust Governance Framework to Provide New Momentum for Corporate Development**

A sound governance framework is not only the core of corporate governance but also a crucial measure to solidify the foundation for enterprise development and enhance operational capabilities. Considering the current issues in corporate governance frameworks, it is essential for companies to improve and optimize their governance from the following four aspects:

(1) Establishing a Modern Management System. A modern management system is the cornerstone of enterprise development and a vital path for improving management efficiency and ensuring management quality. In the process of enhancing the governance structure, enterprises should adhere to principles of "efficiency, comprehensiveness, and precision." This includes developing a modern management system manual covering financial management, internal controls, risk identification, and information technology construction. Such a system should standardize and constrain economic activities, clarify management responsibilities and obligations, and ensure that all aspects of enterprise operations are governed by clear rules and laws.

(2) Improving Top-Level Design to Enhance Governance Structure. Enterprises should establish a board of directors as required, which is responsible for strategic planning and comprehensive supervision. Additionally, the supervisory board should play an active role in overseeing and reviewing major decisions, financial decisions, and financial reports, thereby enhancing the governance effectiveness of various departments within the company.

(3) Strengthening Technological Innovation. In the process of green transformation and high-quality development based on the Chinese ESG system, enterprises should recognize the critical role of technological innovation. This involves focusing on innovation talent recruitment, R&D of new technologies, investment in innovation, and optimization of innovation management models. By integrating research resources and enhancing innovation capabilities, enterprises can achieve significant breakthroughs. For instance, in 2023, China Railway Construction Heavy Industry Group broke through multiple technological barriers set by foreign companies and made significant progress in the development of shield machine main bearings, surpassing the technological levels of other countries.

(4) Implementing Contractual Management Models. Contractual management is a common control model in current enterprise management processes. Enterprises should define detailed job responsibilities, performance goals, and compensation based on long-term strategic objectives and job requirements. This approach clarifies the rights and

obligations of both parties, implements competitive job placement, position adjustment for underperformance, and dismissal for incompetence. This enhances position management capabilities, motivates employees, and creates a healthy environment for high-quality development.

## 4. Conclusion

The ESG system, as an advanced management tool, aligns well with the needs of Chinese enterprises for high-quality development. To keep pace with the evolving trends, implementing the Chinese ESG system for corporate green transformation and high-quality development is a necessary trend and a concrete manifestation of the new development philosophy in practice. Therefore, enterprises should focus on the present while looking to the future, strengthening environmental protection, actively fulfilling social responsibilities, and building a robust governance framework based on the environmental, social responsibility, and governance dimensions of the ESG system. This will continuously provide inexhaustible momentum for corporate green transformation and high-quality development and contribute to building a modern socialist country.

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