

Original Research Article

Sustainable Development Audit: Assessing Corporate ESG Performance

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Abstract: This study systematically explores the background and significance, basic requirements, methods, processes, and practical case analysis of corporate ESG (Environmental, Social Responsibility, and Corporate Governance) audit evaluation. By analyzing the importance of global ESG system construction and the current situation of Chinese enterprises, the requirements and qualifications for audit evaluation organizations and the professional requirements for audit evaluation personnel are clarified. The study provides a detailed introduction to the construction of the audit evaluation indicator system and specific processes, analyzes successful cases of ESG audits, such as Ping An of China and Huawei, and discusses the challenges faced by companies during the audit process and corresponding solutions. This paper aims to provide reference and guidance for companies to effectively carry out ESG audit evaluations.

Keywords: ESG Audit, Environmental Management, Social Responsibility, Corporate Governance, Sustainable Development

1. Introduction

As an important tool for corporate sustainable development and market competitiveness, ESG (Environmental, Social Responsibility, and Corporate Governance) audit evaluation has gained significant attention globally. With increasing international focus on corporate sustainable development, the construction of the ESG system has become a priority for regulatory agencies and industry groups worldwide. China is also actively promoting ESG information disclosure and audit evaluation work to enhance corporate transparency and social responsibility. This study aims to analyze the basic requirements and professional capabilities needed by enterprises in conducting ESG audit evaluations, explore scientific audit evaluation methods and processes, and analyze successful experiences and challenges through specific case studies. Through this research, we provide a systematic ESG audit evaluation reference framework to help enterprises achieve sustainable development goals.

1.1 Background and Significance of Corporate ESG Audit Evaluation

1.1.1 Importance of Global ESG System Construction

The construction of the ESG (Environmental, Social Responsibility, and Corporate Governance) system globally has played a crucial role in promoting corporate sustainable development. By 2021, government agencies, industry groups, or international organizations in 86 markets worldwide had issued ESG regulations and guidelines. These initiatives have improved corporate performance in environmental protection, social responsibility, and corporate governance. The European Union's Sustainable Finance Disclosure Regulation (SFDR) requires financial market participants to disclose specific measures and results in sustainable investments, promoting the transparency of ESG information. In the United States, the Securities and Exchange Commission (SEC) has also strengthened the regulation of ESG information disclosure, requiring companies to provide

more detailed and standardized ESG reports. These global policies and standards provide companies with clear action guidelines, promoting progress in sustainable development across industries.

1.1.2. Current Status of ESG Audit Evaluation for Chinese Enterprises

In China, corporate ESG audit evaluation is gaining importance and has made certain progress. In December 2021, the Ministry of Ecology and Environment issued the “Measures for the Lawful Disclosure of Corporate Environmental Information,” clarifying the subjects, content, form, and time limits for environmental information disclosure. This regulation stipulates that key pollutant discharge units, enterprises subject to mandatory clean production audits, listed companies, and bond-issuing enterprises meeting specified conditions must legally disclose environmental information^[1]. For example, Sinopec actively responded to national policies and released a detailed ESG report covering environmental management systems, carbon emission control measures, and social responsibility projects. Ping An Bank has established a comprehensive ESG audit mechanism and published high-quality ESG reports for several consecutive years, detailing its practices and achievements in green finance, social responsibility, and corporate governance. Chinese enterprises usually establish specialized ESG committees to implement ESG audit evaluations, developing detailed audit plans and systematically evaluating their ESG performance through information collection, on-site investigations, and data analysis.

1.2 Basic Requirements for Corporate ESG Audit Evaluation

1.2.1. Requirements and Qualifications for Audit Evaluation Organizations

Organizations conducting corporate ESG audit evaluations should have independent legal entity status and a good market reputation. According to the “Measures for the Lawful Disclosure of Corporate Environmental Information,” audit evaluation organizations must not have been subject to major administrative penalties, especially in the past three years. The audit evaluation organization should establish full-time personnel, clarify their responsibilities and authorities, and set up an internal review committee. For example, the Shandong Province Equipment Manufacturing Association has established a Green Enterprise Standardization Committee, specifically responsible for ESG audit evaluation authorization. Organizations applying for audit evaluation need to submit materials including copies of business licenses, descriptions of ownership structures, credit reports of major shareholders and senior management, etc. The approval process includes application, investigation, review, and issuance of authorization certificates by the Green Enterprise Standardization Committee. Audit evaluation organizations should undergo annual reviews to ensure the continuous validity of their audit qualifications and capabilities. The establishment and changes of branches must also be reported to the Green Enterprise Standardization Committee within the specified time, along with the submission of corresponding applications and change materials.

1.2.2. Professional Requirements for Audit Evaluation Personnel

For example, Ping An of China’s ESG audit evaluation team includes experts with backgrounds in environmental science, sociology, and business management. Audit evaluation personnel should be able to identify key issues in a company’s ESG performance and assume corresponding risk responsibilities^[2]. The team leader of the audit evaluation group should have at least two years of experience in ESG audit evaluation, be familiar with the audit evaluation indicator system and methods, and possess organizational coordination and problem-solving skills. In practice, audit evaluation personnel systematically assess a company’s ESG performance through information collection, on-site investigations, and data analysis, ensuring the objectivity and accuracy of the audit results. Audit evaluation personnel must adhere to laws and regulations, be honest and upright, up-

hold professional ethics, and be independent of the audited company to ensure fairness in the audit process and results.

1.3 Methods and Processes of Corporate ESG Audit Evaluation

1.3.1. Construction of the Audit Evaluation Indicator System

The construction of the corporate ESG audit evaluation indicator system is the foundation for effective evaluation. This system usually includes three main dimensions: environment, social responsibility, and corporate governance, each with multiple primary and secondary indicators. The environmental dimension mainly evaluates the company’s performance in resource utilization, pollution control, and environmental protection measures. The social responsibility dimension focuses on employee management, supply chain management, product quality, and customer rights. The corporate governance dimension evaluates the company’s ownership structure, board operation, risk management, and information disclosure. The specific construction process first requires determining the weight of each indicator to ensure the reasonable importance of each dimension and indicator in the overall evaluation. For example, Sinopec details its environmental management system and carbon emission control measures in its ESG report, assessing indicators such as carbon emissions, wastewater treatment, and solid waste management to ensure its environmental performance meets national standards. In terms of social responsibility, companies need to assess indicators such as employee health and safety, employee training and development, using both quantitative and qualitative analysis to comprehensively reflect their performance in social responsibility. In corporate governance, companies ensure transparency and fairness in governance by assessing shareholder rights protection, board independence, and governance structure.

1.3.2. Specific Steps in the Audit Evaluation Process

The corporate ESG audit evaluation process includes six steps: information collection, on-site investigation, data processing and analysis, preliminary report writing, review committee review, and final report release. The information collection stage requires obtaining relevant data from publicly disclosed ESG reports, annual reports, social responsibility reports, and other public channels. For example, Ping An Bank publicly discloses detailed ESG information on its official website and annual reports, including green finance projects, employee training plans, and community welfare activities. The on-site investigation stage includes on-site visits and interviews with companies to verify the authenticity and accuracy of publicly disclosed information^[3]. In the data processing and analysis stage, auditors classify and summarize the collected data, using quantitative and qualitative analysis methods to calculate the scores of each indicator. In the preliminary report writing stage, the audit evaluation team writes a preliminary analysis report based on the analysis results, proposing a recommended ESG performance rating for the company. In the review committee review stage, the review committee reviews the preliminary report, confirms or adjusts the recommended rating. In the final report release stage, the audit evaluation organization sends the final ESG audit evaluation report to the company and publishes the evaluation results on its official website.

Table 1. Corporate ESG Audit Evaluation Indicators and Weight Distribution

Dimension	Primary Indicators	Secondary Indicators	Weight (%)	Scoring Criteria
Environment	Resource Management	Energy Management, Water Resource Management	10	Energy Utilization Efficiency, Water Resource Utilization Rate
	Pollution Control	Air Pollutant Emissions, Water Pollutant Emissions	15	Compliance with Emission Standards, Total Emission Control

Dimension	Primary Indicators	Secondary Indicators	Weight (%)	Scoring Criteria
Social Responsibility	Environmental Measures	Environmental Facility Investment, Environmental Training	5	Facility Operation Rate, Training Coverage Rate
	Employee Management	Health and Safety Management, Employee Training and Development	10	Occupational Injury Rate, Training Frequency
	Supply Chain Management	Supplier Audit, Supply Chain Sustainability	10	Supplier Compliance Rate, Sustainable Procurement Ratio
Corporate Governance	Product Quality and Customer Rights	Product Quality Control, Customer Satisfaction	10	Product Pass Rate, Customer Complaint Resolution Rate
	Ownership Structure	Shareholder Rights Protection, Ownership Dispersion	10	Shareholder Meeting Participation Rate, Ownership Concentration
	Board Operation	Board Independence, Meeting Attendance Rate	10	Proportion of Independent Directors, Meeting Attendance Rate
	Risk Management	Risk Control Measures, Compliance Management	10	Occurrence Rate of Risk Events, Completeness of Compliance Management System
	Information Disclosure	Timeliness of Information Disclosure, Disclosure Quality	10	Timeliness Rate, Information Completeness

Table 1: details the various indicators involved in corporate ESG audit evaluation and their weight distribution, providing a scientific reference basis for the audit process.

1.4. Case Analysis of Corporate ESG Audit Evaluation Practice

1.4.1. Successful Cases of ESG Audit

Ping An Insurance (Group) Company of China, Ltd. is widely recognized for its practice in ESG auditing. In 2021, Ping An’s ESG report showcased comprehensive achievements in environmental, social responsibility, and corporate governance. The company invested over 30 billion RMB in green finance projects, supporting sectors like clean energy, green buildings, and energy conservation and emission reduction. In environmental management, Ping An implemented strict carbon emission control measures, optimizing energy use and promoting low-carbon technologies, resulting in a 15% year-over-year reduction in carbon emission intensity. In terms of social responsibility, Ping An initiated several employee care programs covering health and safety, career development, and diversity and inclusion. For example, the company established an employee health protection fund, providing health checks and psychological counseling services. In corporate governance, Ping An ensured the effective protection of shareholder rights through a robust governance structure and transparent information disclosure. Its board of directors includes over one-third independent directors, ensuring fairness and transparency in the decision-making process.

1.4.2. Challenges and Solutions in the ESG Audit Process

Companies often face multiple challenges in implementing ESG audits, including difficulties in data collection, inconsistent standards, and insufficient information disclosure. For example, Huawei Technologies Co., Ltd. encountered significant challenges in data collection during its ESG audit due to its large and widespread supply chain. To address this issue, Huawei implemented a supply chain management system, using technological means to monitor and record data across the supply chain in real-time. Huawei also faced issues with inconsistent industry standards. To tackle this, Huawei actively participated in the formulation of industry standards, collaborating with other companies and organizations to promote unified ESG standards. Insufficient infor-

mation disclosure is another common problem. To improve the completeness and transparency of information disclosure, Huawei developed detailed disclosure policies to ensure comprehensive and accurate ESG-related information is included in its annual reports. These measures helped Huawei overcome challenges in the ESG audit process and significantly improve its ESG performance and industry influence. These solutions provide valuable experiences and references for other companies facing similar issues.

2. Conclusion

The construction and implementation of a corporate ESG audit evaluation system play a crucial role in promoting corporate sustainable development. Through a detailed audit evaluation indicator system and scientific evaluation process, companies can comprehensively assess their overall performance in environmental, social responsibility, and corporate governance. The practices of successful companies show that systematic ESG audits can enhance corporate transparency, brand image, and market competitiveness. However, companies also face challenges such as data collection and inconsistent standards during the audit process, which require solutions through technological means and policy formulation. In the future, as ESG standards continue to improve and be widely applied, companies will place greater emphasis on the management and practice of sustainable development, achieving coordinated economic and social development.

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