

Development and Optimization Strategies of ESG Auditing at Home and Abroad

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Introduction:

With the deepening of the global sustainable development concept, ESG (Environmental, Social, and Governance) has become a crucial indicator for high-quality corporate development and a focal point for both companies and investors. ESG audit, as a new type of audit, aims to assess a company's compliance and performance in environmental, social, and economic aspects. It holds significant importance for guiding capital flows, promoting sustainable development, and providing investors with more comprehensive and objective decision-making basis. Currently, the national ESG audit market is experiencing rapid growth, with many international firms and consulting companies launching related services. As a key tool for evaluating corporate ESG performance, the importance of ESG audit is increasingly prominent. However, ESG audit, both domestically and internationally, is still in its developmental stage, facing challenges such as lack of unified audit standards and norms, insufficient data quality, and a shortage of professionals, which may lead to certain variations in audit results. Therefore, this project aims to comprehensively review the development status of ESG audit domestically and internationally, propose corresponding optimization strategies, promote the standardized development of ESG audit, support corporate sustainable development, and ultimately provide companies and investors with more scientific and effective ESG audit services.

Project Background (Entrepreneurial Basis) / Within 1000 words:

Auditing refers to the independent economic supervision activity conducted by specialized institutions according to the law, involving the pre and post review of major projects and financial revenues/expenditures of government agencies at all levels, financial institutions, and enterprises. ESG (Environmental, Social, and Governance) audit refers to the activity where specialized institutions provide assurance on information related to a company's environmental protection, social contribution, and corporate governance. In recent years, ESG audit has developed rapidly worldwide. Domestically, China has introduced a series of policies to promote ESG development, and the domestic ESG standard system is under construction, though the depth and quality of ESG audit still need improvement. Internationally, the "ESG Implementation Principles Framework" issued by the International Organization for Standardization (ISO) provides a unified reference for global enterprises, yet ESG audit is also in an exploratory stage with relatively scarce theoretical and practical research. Given this context, it is imperative for China to strengthen research on ESG audit, further improve ESG standard setting, standardize audit practices, enhance audit quality, and promote the optimization of China's ESG audit.

Significance of the Project Research (Feasibility Analysis of the Entrepreneurial Project)

Researching the domestic and international development status of ESG audit helps understand global trends and regional differences. Internationally, ESG audit development has entered a fast lane. Many countries and regions, such as the EU and the US, have introduced mandatory ESG information disclosure requirements, driving the popularization of ESG audit. International organizations like the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) have also released numerous ESG reporting standards, providing frameworks and guidelines for ESG audit. In contrast, although the development of domestic ESG audit started later, it is gradually moving towards standardization under the combined effect of policy promotion and market demand. In recent years, guided by the "Dual Carbon" goals, the Chinese government has issued a series of policy documents encouraging enterprises to disclose ESG information. However, domestic ESG audit still faces challenges such as inconsistent standards and uneven disclosure quality. Comparing the development status domestically and internationally allows for better leveraging of international experience to promote the improvement of the domestic ESG audit system.

Secondly, researching optimization strategies for ESG audit is highly significant for enhancing corporate sustainable development capabilities. ESG audit is not only a supervision tool but also an important means for enterprises to improve management practices and enhance competitiveness. Through ESG audit, companies can identify risks and opportunities in the environmental, social, and governance domains, thereby formulating more targeted improvement measures. For example, environmentally, companies can identify potential for energy saving and emission reduction through ESG audit; socially, they can improve employee welfare and supply chain management; governance-wise, they can optimize board structure and decision-making processes. Researching how to optimize ESG audit can help companies carry out ESG practices more efficiently, thus enhancing their long-term sustainable development capabilities.

In summary, researching the "Domestic and International Development of ESG Audit and Optimization Strategies" holds significant theoretical value and practical importance. Understanding the development status domestically and internationally allows for better leveraging of international experience to promote the improvement of China's ESG audit system; researching optimization strategies can enhance corporate sustainable development capabilities, promote the standardization and transparency of ESG information disclosure, and contribute to the achievement of global sustainable development goals. Simultaneously, optimizing ESG audit can boost investor confidence, promote capital market stability, and provide important references for policymakers. In the context of global sustainable development, research and practice in ESG audit will become an important force driving the coordinated development of the economy, society, and environment.

Innovation Points of the Project Research (Market Prospect Analysis of the Entrepreneurial Project) :

(一) Standardizing China's ESG Audit Path and Methods: Through research, propose methods and paths to standardize the audit objectives, audit content, audit procedures, and audit report standards for Chinese enterprises' ESG audits, consolidating the quality of audit supervision and enhancing its independence and authority.

(二) Standardizing ESG Audit Report Disclosure: Based on investigating the disclosure status of ESG reports by listed companies, propose methods and paths to standardize ESG report disclosure, further promoting the substantive development of ESG audit report disclosure by Chinese enterprises.

(三) Promoting the Construction of an ESG Audit Standard System: Based on the construction status of domestic and international ESG audit standard systems and the research findings, propose relevant content for further standardizing the construction of China's ESG audit standard system.

Research Methods Used (Implementation Plan for the Entrepreneurial Project) / Within 1000 words:

This research adopts a normative research method. Building upon existing domestic and international achievements in ESG audit, and considering China's national conditions and the current state of government auditing, social auditing, and internal auditing, the study proposes methods and paths to optimize ESG audit. Through practical application, it aims to transform audit supervision results into governance effectiveness, test their role in promoting corporate governance capability enhancement, and discuss future development directions. Specific methods are as follows:

Firstly, the Case Study Method. Taking the audit of ESG reports of Company A (a listed company) as the research object, conduct (status analysis) and propose improvement measures in the form of a case study.

Secondly, the Data Analysis Method. Strengthen the construction of digital auditing, use digital reform to facilitate the implementation of ESG audit, and provide objective evaluation and assurance regarding the work and effectiveness of enterprises in environmental protection, social contribution, and corporate governance.

Thirdly, the Literature Review Method. Primarily through the accumulation of audit practice and consulting a large number of journals and academic works on ESG audit management, ultimately obtaining documentary materials that support the arguments of this paper.

Project Research Conditions (Implementation Conditions for the Entrepreneurial Project) :

(一) Policy Support Conditions

1. International Policy Environment: International organizations and major economies have established a series of ESG information disclosure and reporting principles and guidelines, such as the EU's Sustainable Finance Disclosure Regulation (SFDR) and the US's ESG Disclosure Simplification Act. These policies provide a basic framework for ESG audit. Various international ESG rating systems, like MSCI and FTSE Russell, provide methods and tools for assessing corporate ESG performance.

2. Domestic Policy Environment: The Chinese government has introduced multiple policies to promote the ESG system construction, such as phasing in the development of ESG information disclosure standards. Simultaneously, ministries like the State Administration for Market Regulation are suggested to lead the development of a China-led supply chain ESG audit standard system. China also encourages listed companies to actively disclose ESG information and promotes ESG investment through policy guidance, further improving the top-level design of ESG policies.

(二) Industry Standards and Practical Foundation

1. International Standards: Relatively mature international ESG audit standards and frameworks have been formed, such as the SLCP (Social & Labor Convergence Program) audit standard, covering facility profiles, recruitment and hiring, working hours, wages and benefits, among other dimensions. The indicator systems of international rating agencies also provide references for corporate ESG audit, such as MSCI's 10 themes and 37 key issues.

2. Domestic Standards: China has made certain progress in ESG information disclosure, though it remains primarily voluntary; a transition to mandatory disclosure is expected gradually. Some domestic industries have begun exploring ESG information disclosure standards and indicator systems with industry characteristics, such as green finance practices in the financial industry and green transportation issues in the transport sector.

(三) Technology and Data Support

1. Data Sharing Mechanisms: Relatively sound data sharing mechanisms have been established internationally, providing reference data for enterprises and investors. China is also strengthening data sharing among government departments, enterprises, and third-party institutions to improve information transparency.

2. Technology Application: Internationally, digital tools are used to enhance the efficiency of ESG data collection, analysis, and audit. China is also accelerating the application of information technology to optimize information sharing mechanisms among audit entities, ensuring coordination throughout the ESG audit process.

(四) Talent and Institutional Support

1. Professional Talent: A cohort of professional ESG audit talent has been cultivated internationally, capable of providing independent assurance services to enterprises. China is also raising the professional entry standards for ESG audit to cultivate more talents with professional knowledge and skills.

2. Audit Institutions: Mature international audit institutions have incorporated ESG audit into their business scope. Domestic accounting firms in China are also actively exploring ESG audit business, such as Deloitte.

(五) Corporate Practice and Demand

1. Corporate Practice: International corporate practice in ESG audit is relatively mature, with some companies integrating ESG concepts into their management. Chinese enterprises are also continuously exploring ESG practices, with some beginning to actively fulfill social responsibilities and disclose ESG information.

2. Corporate Demand: International corporate demand for ESG audit mainly focuses on enhancing transparency and reducing

risks. Chinese enterprises, while meeting domestic policy requirements, also hope to enhance international competitiveness through ESG audit.

Project Schedule:

(一) Project Initiation Phase (Week 1)

- **Project Preparation:** Form the project team, clarify roles and responsibilities of members, including project leader, researchers, data analysts, policy experts, etc.
- **Project Goal and Scope Definition:** Determine research objectives, including reviewing the development status of domestic and international ESG audit, analyzing shortcomings of existing policies, and proposing optimization suggestions. Define the research scope and focus, such as key industries and regions.
- **Data Collection and Organization:** Collect relevant domestic and international literature, policy documents, research reports on ESG audit, and establish a database.

(二) Domestic and International ESG Audit Development Status Research Phase (Weeks 2-6)

1. International ESG Audit Development Research (Weeks 2-3)

- **Literature Review:** Systematically review the origin, development history, and main models of international ESG audit, focusing on the experience of developed countries and regions like Europe and the US.
- **Case Analysis:** Select representative international companies or industries for in-depth analysis of their ESG audit practices, summarizing successful experiences and existing problems.

2. Domestic ESG Audit Development Research (Weeks 4-5)

- **Policy Review:** Comprehensively review policy regulations related to ESG audit issued in China in recent years, analyzing policy direction and support level.
- **Status Assessment:** Use questionnaires, interviews, etc., to understand the actual implementation of ESG audit by Chinese enterprises, including the setup of audit institutions, audit content and methods, information disclosure, etc.

3. Comparative Analysis (Week 6)

- **Gap Analysis:** Compare differences in concepts, methods, and practices between domestic and international ESG audit, identifying main challenges faced by China in its ESG audit development.
- **Experience Learning:** Summarize advanced international ESG audit experience to provide reference for optimizing China's ESG audit.

(三) ESG Audit Optimization Policy Research Phase (Weeks 7-10)

1. Policy Demand Analysis (Week 7)

- **Enterprise Demand Research:** Deeply understand specific enterprise needs for policy support during the ESG audit process, such as tax incentives, funding support, technical guidance.
- **Regulatory Agency Interviews:** Communicate with relevant regulatory departments to understand their policy ideas and regulatory requirements for promoting ESG audit.

2. Policy Recommendation Formulation (Weeks 8-9)

- **Framework Construction:** Build a framework for China's ESG audit optimization policy based on domestic and international experience and development status, clarifying policy objectives, principles, and main content.

- **Specific Measures Drafting:** Propose specific policy recommendations, such as improving the ESG information disclosure system, establishing unified ESG audit standards, strengthening talent cultivation and introduction, etc.

3. Policy Simulation and Evaluation (Week 10)

- **Simulation Analysis:** Use models or cases to simulate the proposed policies, assessing their potential effects and impacts.
- **Expert Review:** Organize experts in relevant fields to review the policy recommendations, solicit opinions and suggestions, and further refine the policy content.

(四) Project Summary and Report Writing Phase (Weeks 11-12)

- **Project Summary:** Conduct a comprehensive summary of the entire research process and outcomes, 梳理 (sorting out) the main findings and innovation points.
- **Report Writing:** Write the project research report, detailing the development status, existing problems, and optimized policy recommendations for domestic and international ESG audit, ensuring logical clarity and sufficient evidence.
- **Results Reporting and Release:** Report the research findings to the project client or relevant stakeholders, and revise based on feedback. Simultaneously, release the findings through academic conferences, seminars, etc., to promote academic exchange and policy promotion.

Expected Outcomes:

(一) Promoting the Enhancement of Corporate Sustainable Development Capabilities

Through in-depth research on ESG audit, enterprises can more clearly understand their performance in environmental protection, social responsibility, and corporate governance, enabling targeted improvements in weak areas. For example, based on ESG audit results, companies can optimize energy management, reduce carbon emissions, enhance employee welfare and community relations, and improve corporate governance structures. This not only helps reduce operational risks but also enhances long-term competitiveness and promotes the achievement of sustainable development goals. ESG audit can encourage enterprises to pay more attention to the disclosure and management of non-financial information, enhance information transparency, and reduce information asymmetry. This will help companies communicate better with investors, consumers, and other stakeholders, build market trust, and lay a solid foundation for long-term development.

(二) Promoting the Healthy Development of the Capital Market

ESG audit results provide investors with a more comprehensive and accurate basis for enterprise evaluation, helping them identify potential non-financial risks and optimize investment portfolios. Research shows that companies with excellent ESG performance often have better long-term financial returns and more stable stock and bond performance. Therefore, ESG audit can guide capital towards more sustainable enterprises, promoting the green transition of the capital market. The promotion of ESG audit will encourage the capital market to focus more on the long-term value of enterprises rather than

short-term profits, reduce short-term speculative behavior, and enhance market stability and resilience. Optimizing ESG audit policies can further standardize market order and improve the overall efficiency of the capital market.

(三) Assisting Policy Formulation and Regulatory Improvement

Researching the domestic and international development and optimization policies of ESG audit can provide governments and regulatory agencies with rich empirical data and theoretical support, helping them formulate more scientific and targeted policies. For example, by analyzing ESG audit practices in different countries, lessons can be learned to provide references for building an ESG audit system suited to China's national conditions. Optimizing ESG audit policies will help improve the regulatory framework and strengthen supervision over corporate ESG information disclosure and practices. This will encourage enterprises to more actively fulfill social responsibilities, promote the rational allocation of social resources, and provide strong support for achieving the national "Dual Carbon" goals and rural revitalization strategy.

(四) Enhancing International Cooperation and Competitiveness

Globally, the ESG concept has become an important topic in international economic cooperation. Through in-depth research on ESG audit, China can better align with international standards and enhance its influence in the global sustainable development field. Simultaneously, optimized ESG audit policies will provide strong support for Chinese enterprises "going global," helping them better demonstrate their sustainable development capabilities in the international market and enhance international competitiveness. Researching the domestic and international development of ESG audit will also promote the exchange and sharing of international experience, driving the continuous improvement of the global ESG audit system. This will contribute wisdom and strength to the achievement of global sustainable development goals.

(五) Promoting the Popularization of the Concept of Social Sustainable Development

The promotion of ESG audit will make more enterprises recognize the importance of sustainable development, thereby promoting the popularization of the concept throughout society. By integrating ESG concepts into daily operations and strategic decision-making, enterprises can create more environmental and social value for society while developing themselves. The openness and transparency of ESG audit results will enhance public supervision over enterprises, prompting them to more actively fulfill social responsibilities. This will create a favorable atmosphere for whole-of-society participation in sustainable development, laying a solid mass foundation for achieving sustainable economic and social development.

Budget:

Cost Estimate:

Conducting thematic research on ESG audit, basic domestic research can be completed using the China National Knowledge Infrastructure (CNKI) database. If field research and expert consultations are involved, costs may rise to above 10,000 CNY.