

# *Study on the Correlation between Environmental Information Disclosure and Corporate Value of Listed Companies*

**Yitian Liu**

*South West Petroleum University, Chengdu, 61000, China  
t1an\_0505@qq.com*

**Keywords:** Listed companies; environmental information disclosure; corporate value

**Abstract:** Environmental information disclosure, as a pivotal component of corporate social responsibility, has increasingly become a crucial aspect of the operational strategies of publicly listed companies. With the rising global emphasis on sustainable development, a growing number of enterprises recognize that environmental information disclosure transcends mere legal and ethical obligations; it is also a significant determinant of corporate value. The act of disclosing environmental information not only enhances corporate transparency and bolsters investor trust but also contributes to the improvement of a company's social reputation, mitigates operational and management risks, and ultimately exerts a positive influence on long-term corporate value. However, the escalating costs of disclosure and the regulatory risks associated with excessive transparency present challenges for businesses. Moreover, disparities in industry and company size lead to significant variations in the effectiveness of environmental information disclosure. To navigate these challenges, governments and corporations must collaborate, optimizing policies, enhancing corporate management capabilities, integrating third-party audits, and strengthening communication with stakeholders to comprehensively elevate the quality and transparency of environmental information disclosure, thereby fostering sustainable growth in corporate value.

## **1. Introduction**

Environmental issues are increasingly garnering global attention, and enterprises, as pivotal participants in socio-economic activities, are facing mounting external pressures to disclose their environmental actions and impacts to higher standards. Particularly for publicly listed companies, their market position and public influence render the quality of environmental information disclosure increasingly intertwined with the enhancement of their long-term corporate value. Society and investors expect to gauge a company's commitment to environmental concerns through disclosure, thus assessing its competitiveness and sustainable development potential in future markets. In truth, environmental information disclosure serves not only as a response to external demands but also as a vital strategic management tool that can aid enterprises in enhancing both internal and external operational efficiency, while fostering long-term trust in the market. However,

the standardization and transparency of current environmental information disclosure still face numerous challenges. Companies often find themselves in a passive position during the disclosure process, with varying content and depth, sometimes even resorting to "greenwashing." This not only undermines the actual efficacy of information disclosure but also raises societal doubts regarding the fulfillment of corporate environmental responsibilities. Consequently, optimizing disclosure mechanisms and improving disclosure quality to effectively enhance corporate value has emerged as a central issue in both theory and practice.

## **2. Connotation and Development Trend of Environmental Information Disclosure**

Environmental information disclosure has emerged as a pivotal aspect of corporate social responsibility, progressively evolving on a global scale in recent years. Its significance extends beyond mere accounts of pollutant emissions or resource utilization; it encompasses a comprehensive presentation of a company's environmental strategies, sustainable development objectives, and investments in green technologies. The essence of environmental information disclosure lies in reflecting a company's attentiveness to environmental issues and its capacity to address them, thereby conveying its sustainable competitiveness in future markets. This not only fosters greater trust among stakeholders but increasingly serves as a crucial basis for investor decision-making, particularly in the context of the rising prevalence of ESG (Environmental, Social, and Governance) standards. From a global developmental perspective, policies are gradually transitioning from voluntary to mandatory disclosures, especially regarding carbon emissions and energy consumption, with an increasing number of nations enacting clearer laws and disclosure requirements. Concurrently, the modalities of environmental information disclosure are becoming increasingly diversified; companies are moving beyond the brief descriptions found in traditional financial reports, opting instead for independent sustainability reports and real-time online tools to convey their environmental performance. This trend reflects society's heightened expectations regarding corporate environmental accountability and a reevaluation of long-term corporate value by the market. Effective environmental information disclosure not only ensures compliance but also serves as a vital mechanism for companies to garner market trust and build brand reputation. By aligning with this trend and adapting proactively to evolving disclosure standards, companies can secure a more advantageous position in future competition [1].

## **3. The Path of Environmental Information Disclosure's Influence on Corporate Value**

### **3.1. Positive impact of environmental information disclosure on enterprise value**

#### **3.1.1. Enhancement of corporate transparency**

The disclosure of environmental information significantly enhances corporate transparency. By publicly sharing their environmental performance and sustainability initiatives, companies project an image of transparent management and strong accountability to investors, consumers, and the broader society. This transparency allows external stakeholders to gain deeper insights into the company's investments and commitments in environmental protection and sustainable development, thereby reducing information asymmetry and fostering greater market trust. For investors, heightened transparency translates into more predictable assessments of operational risks, which not only bolsters a company's appeal for capital but also diminishes financing costs, ultimately propelling long-term value growth. Increasing transparency is not merely a compliance necessity; it is a strategic imperative. Through precise and comprehensive environmental disclosures, companies showcase their proactive planning in addressing environmental challenges. In a global context that

increasingly prioritizes environmental responsibility, such openness enables firms to garner enduring trust and a loyal investor base amidst fierce market competition. Furthermore, the elevation of environmental transparency imposes both pressure and motivation for internal management, prompting continual optimization in areas such as environmental technology innovation and resource management efficiency, thus enhancing overall operational effectiveness. Additionally, the transparency stemming from environmental disclosures mitigates external uncertainty and speculation, helping to avert negative public sentiment or stringent penalties from regulatory bodies due to information scarcity. By engaging in timely, open, and accurate reporting, companies can not only proactively influence public discourse but also effectively mitigate reputational risks in the event of unforeseen environmental incidents.

### **3.1.2. Improve the social reputation of enterprises**

The disclosure of environmental information can significantly enhance a company's social reputation, serving as a crucial avenue for modern enterprises to garner public trust and establish a distinguished brand image amidst fierce market competition. As awareness of environmental protection proliferates, consumers, investors, and even governments harbor heightened expectations regarding corporate environmental responsibilities. Should a company proactively, promptly, and authentically disclose its initiatives in the realm of environmental stewardship, demonstrating a steadfast commitment to sustainable development, it will substantially bolster its public image. This positive social reputation not only aids the company in amplifying its market influence but also fortifies its leadership position within the industry. Through proactive environmental disclosures, a company signifies its dedication to social responsibility, thereby crafting an image imbued with a profound sense of ethical obligation that gradually earns greater favor and trust from consumers. In the marketplace, consumers increasingly lean towards supporting enterprises that exhibit sensitivity to environmental issues and take tangible actions; this inclination directly translates into brand loyalty and purchasing behaviors. Moreover, a robust social reputation can provide companies with greater understanding and support during adverse events, mitigating potential crises. From an investor's perspective, an enhanced social reputation carries positive implications as well. A company with a commendable social standing is often perceived as possessing superior risk management capabilities, which can diminish long-term uncertainties. Consequently, investors are more inclined to allocate their resources to such companies, which demonstrate long-term stability and growth potential. This symbiotic relationship between a strong social reputation and corporate value fosters a positive feedback mechanism, further propelling the sustainable development of the enterprise within the market [2].

### **3.1.3. Reducing operational risks**

The disclosure of environmental information plays a pivotal role in mitigating operational risks for enterprises. As contemporary businesses face increasingly stringent environmental laws and regulations, proactive and transparent reporting of their environmental performance can effectively diminish legal and regulatory risks stemming from information opacity. The public availability of environmental data underscores a company's commitment to environmental responsibility and compliance, aiding in the avoidance of potential legal disputes and substantial fines, thereby reducing uncertainty in operations. Moreover, if a company excels in environmental risk management, it can enhance market perceptions of its managerial capabilities, bolstering investor confidence. Environmental information disclosure not only mitigates legal risks but also significantly reduces reputational threats. The enhancement of information transparency enables companies to communicate promptly and accurately with the public and stakeholders during

environmental emergencies, preventing negative public opinion arising from information asymmetry. Timely environmental disclosures assist companies in navigating unexpected environmental challenges, securing public understanding and support during crises, and thereby minimizing potential reputational damage. Furthermore, over the long term, the disclosure of environmental information fosters the refinement of internal risk prevention mechanisms. As companies continually enhance their transparency, they tend to focus more on their environmental performance and risk management practices; this dual approach contributes to improved operational efficiency, reduced resource waste, and lowered risks associated with production disruptions or resource shortages due to environmental issues.

#### **3.1.4. Excessive disclosure costs may lead to short-term financial pressure**

While the disclosure of environmental information undoubtedly yields numerous long-term benefits, the substantial costs associated with such disclosures may impose short-term financial strains on enterprises, particularly for small and medium-sized businesses with limited resources. To ensure the accuracy, completeness, and compliance of the information, companies must allocate considerable human, material, and financial resources. This encompasses data collection and analysis, external auditing, report preparation, and the engagement of specialized legal and environmental consultants to guarantee the legality and compliance of the disclosures. These costs, particularly in the short term, can significantly impact a company's profit margins, leading to financial strain and potentially disrupting the cash flow required for daily operations. For some enterprises in their growth phase, the burden of high disclosure costs may compel them to curtail investments in other critical areas, such as technological research and development, market expansion, or talent acquisition. Such a reallocation of resources could, to some extent, diminish the company's market competitiveness and innovative capacity, thereby undermining its standing within the industry. Excessive disclosure costs may also introduce the issue of opportunity costs; substantial investments in environmental information disclosure could preclude the pursuit of projects or market opportunities that might yield higher short-term returns. This immediate financial pressure not only threatens the company's stock performance and diminishes investor expectations regarding future profitability but may also incite short-term operational pressures and strategic adjustments within the internal management, further eroding its developmental vitality. In navigating the delicate balance between the long-term benefits of environmental information disclosure and the short-term financial burdens, companies must exercise prudent decision-making. Should the substantial disclosure costs fail to yield immediate benefits, some enterprises may adopt a wait-and-see approach towards information disclosure, potentially diminishing their enthusiasm for environmental accountability [3].

#### **3.1.5. Excessive disclosure may lead to regulatory risks and public opinion pressure**

Excessive disclosure of environmental information, while reflective of a company's transparency and sense of social responsibility, may, in certain circumstances, provoke regulatory risks and public scrutiny that could negatively impact corporate value. When a company divulges an abundance of information—particularly regarding potential environmental issues or unresolved compliance risks—it may inadvertently attract heightened attention from regulatory bodies. Some disclosures may unintentionally reveal weaknesses in the company's environmental management, even triggering unnecessary investigations that escalate compliance costs and legal risks. In-depth inquiries by regulatory agencies, accompanied by potential fines, could directly affect a company's operational performance. Moreover, excessive disclosure may elicit adverse reactions in the court of public opinion. If environmental information is overly detailed, it may render the public and

environmental organizations more attuned to unresolved environmental issues, thereby fostering skepticism regarding the company's environmental commitments. Especially in today's media-saturated and socially networked landscape, any misinterpretation or exaggeration of information could subject the company to uncontrollable public pressure. Negative public sentiment not only tarnishes the company's reputation but may also engender a crisis of trust among consumers and investors, consequently impacting market performance and stock prices. Thus, companies must carefully balance transparency with risk exposure in their environmental disclosures. While excessive disclosure can demonstrate corporate responsibility, it may also render companies vulnerable to greater uncertainties, jeopardizing their long-term stable development.

## **4. Current situation and challenges of environmental information disclosure**

### **4.1. Limitations of existing environmental information disclosure**

The existing environmental information disclosure system, while having made some progress in promoting corporate transparency and enhancing social responsibility, is not without its limitations. The current disclosure models often lack uniform standards, resulting in inconsistencies that hinder comparability among different enterprises. This absence of coherence renders it difficult for investors, regulatory bodies, and the public to derive meaningful judgments. Some companies merely fulfill the minimum disclosure requirements, obscuring their true environmental performance through vague or ambiguous language, which diminishes the quality of the information provided and fails to accurately reflect their environmental efforts. Furthermore, the prevailing disclosures tend to emphasize quantitative metrics while neglecting qualitative analyses of long-term environmental impacts. For instance, companies may disclose only short-term emissions or resource usage without adequately addressing their long-term effects on ecosystems or their strategies for combating climate change. Such one-dimensional disclosures are insufficient for stakeholders seeking a comprehensive assessment and fail to truly convey the sustainability potential of the enterprises. Additionally, limitations in technology and data processing capabilities pose significant challenges. Many companies lack the necessary technical means and expertise for effective data collection and management, undermining the accuracy and reliability of environmental data. Even when some enterprises strive to enhance the quality of their disclosures, the absence of standardized data frameworks within the industry often leads to a lack of widespread recognition for their efforts. The limitations of the current environmental information disclosure system necessitate that regulatory authorities and industry organizations refine relevant norms and advocate for the unification and transparency of disclosure standards, thereby enabling these systems to fulfill their role in promoting sustainable development. Companies should also place greater emphasis on environmental management within their strategies, going beyond mere superficial data presentation to delve into and disclose their long-term environmental impacts and mitigation measures [4].

### **4.2. Differences in industry and enterprise scale**

In the realm of environmental information disclosure, the disparities between industries and the scale of enterprises present distinct challenges and opportunities for different businesses. Large corporations typically possess greater resources and well-established management systems, enabling them to engage in a more systematic approach to environmental reporting. These entities often have dedicated sustainability departments that effectively integrate environmental data and promptly respond to external disclosure requirements. For large enterprises, environmental information disclosure is not merely a duty but also a strategic tool for enhancing brand image and



attracting green investments. Conversely, small and medium-sized enterprises face greater pressures, particularly regarding the costs of disclosure and their data processing capabilities. Such businesses frequently lack sufficient technological means and professional expertise, rendering them unable to comprehensively and accurately meet increasingly complex reporting demands. The differences between industries are equally significant. Environmentally sensitive sectors, such as energy, chemicals, and manufacturing, often encounter heightened regulatory scrutiny and public interest, necessitating more detailed and stringent environmental disclosures. For companies within these industries, disclosure is not only a regulatory obligation but also an essential means of maintaining compliance and market trust. In contrast, certain low-carbon or service-oriented industries, characterized by lower environmental risks, face fewer disclosure requirements, allowing for greater flexibility in their reporting practices. This results in notable disparities in the depth and breadth of environmental information disclosed across various sectors. The differences in industry characteristics and enterprise scale render environmental information disclosure not only a compliance issue but also a strategic choice. For resource-constrained small and medium-sized enterprises and low-carbon industries, the challenge lies in balancing costs with responsibilities and achieving effective disclosure within limited resources.

## **5. Strategies to Enhance the Effectiveness of Environmental Information Disclosure**

### **5.1. Policy and regulatory optimization**

The prevailing policy framework is often marred by fragmentation and the absence of uniform standards, which in turn results in a lack of consistent benchmarks for corporate disclosure, thereby impairing transparency and comparability. To address this conundrum, the initial step lies in establishing more universally applicable and practically feasible disclosure criteria, ensuring that enterprises of varying scopes and sectors can operate within a relatively unified framework. Regulatory bodies should tailor disclosure requirements to the characteristics of industries and the scale of enterprises, providing rigor while maintaining flexibility, ensuring the integrity of information without overburdening businesses. Furthermore, the policy focus should be on enhancing the mandatory nature and transparency of environmental disclosure. Despite many nations requiring environmental disclosure, much of it remains voluntary, leading to disparate quality in disclosed information. Implementing legislative measures to mandate environmental disclosure and introducing punitive measures for non-compliance or fraudulent disclosure can significantly augment the efficacy of disclosure. Concurrently, the transparency of regulation itself and the introduction of technological solutions are paramount. Advances in technology enable regulatory bodies to leverage big data, artificial intelligence, and other technological tools to enhance their monitoring and analytical capabilities regarding corporate environmental information, thereby more effectively identifying potential environmental risks. The policy domain should also encourage regulatory bodies to engage in more effective interactions with the market and the public, driving the establishment of information-sharing and feedback mechanisms, thereby transforming environmental disclosure from a static compliance exercise into a dynamic market behavior that promotes genuine corporate environmental stewardship.

### **5.2. Enhancement of Corporate Disclosure Management Capability**

Currently, many organizations' disclosure efforts remain confined to mere compliance with regulatory demands, failing to elevate this practice to a core component of corporate governance. This status quo reveals a systemic deficiency in the management of environmental information within these enterprises. To amend this situation, companies must fundamentally reshape their

internal governance structure regarding information disclosure. Robust institutional development serves as the cornerstone for enhancing disclosure management capabilities. Enterprises should integrate environmental information disclosure into their long-term strategic planning and daily operational processes, ensuring that the disclosed environmental data maintains both continuity and consistency. This necessitates the establishment of clear internal standards and procedures that encompass the collection, analysis, auditing, and public dissemination of environmental data, thereby mitigating issues of data fragmentation or lack of timeliness. Particularly for complex, diversified corporate groups, a collaborative mechanism across departments is crucial to ensure the smooth flow of information and to render the disclosure content more accurate and comprehensive. Simultaneously, the application of technology provides fresh impetus for the enhancement of enterprises' disclosure management capabilities. The introduction of innovative technologies such as big data, the Internet of Things, and blockchain can significantly bolster efficiency and accuracy in the collection and analysis of environmental data. For instance, real-time monitoring of emission data via IoT sensors enables companies to dynamically assess compliance with environmental standards, thus rendering the disclosed information more timely and persuasive. Blockchain technology, in turn, enhances data transparency and immutability, fostering greater external trust in the enterprise's environmental information. Finally, the recruitment and cultivation of specialized talent constitutes the core driving force behind the enhancement of disclosure management capabilities. Experts with interdisciplinary backgrounds—particularly those well-versed in environmental management, legal regulations, and data science—can provide comprehensive guidance to enterprises, ensuring that disclosures not only meet regulatory requirements but also anticipate future policy trends.

### **5.3. Introducing Third-Party Assessment and Audit**

In the realm of corporate environmental information disclosure, the asymmetry of endogenous information frequently results in distorted or incomplete data, undermining public and investor trust in a company's environmental commitments. To bolster transparency and credibility, the involvement of independent third parties is paramount. Third-party evaluation agencies typically possess specialized expertise in environmental auditing and data analysis, enabling them to conduct independent reviews of the information disclosed by companies, ensuring compliance with international or national standards. By engaging external entities for independent audits, the risk of companies embellishing or concealing environmental data for profit-driven motives can be significantly mitigated. This external oversight not only enhances the objectivity of information disclosure but also provides investors and the public with a more reliable basis for decision-making. Furthermore, third-party assessments can drive companies toward more systematic and transparent environmental management practices. External auditing agencies analyze corporate environmental data from multiple dimensions, including emission metrics, resource utilization efficiency, and investments in environmental governance. Through such independent evaluations, companies can gain a comprehensive understanding of their shortcomings in environmental management, thereby fostering improvements and optimizations within their internal environmental frameworks. This external pressure can incentivize companies to transition from short-term compliance to long-term sustainable development, transforming environmental information disclosure into a potent tool for enhancing corporate value. Additionally, the findings of third-party audits serve as a bridge for communication between companies and external stakeholders, establishing a foundation of trust for dialogue among corporations, governments, investors, and the broader public. Thus, environmental information disclosure transcends mere data presentation, evolving into a significant avenue for companies to fulfill their social responsibilities and demonstrate long-term value.

## 6. Conclusion

The correlation between environmental information disclosure by publicly listed companies and corporate value has garnered substantial empirical support. While such disclosures confer numerous positive effects on enterprises, including enhanced transparency, bolstered reputation, and mitigated operational risks, their negative ramifications cannot be overlooked; the considerable costs associated with disclosure and potential regulatory risks exert pressure, particularly on small and medium-sized enterprises. Furthermore, the variances across different industries and company sizes render the efficacy of environmental information disclosure markedly inconsistent in various contexts. Thus, enhancing the quality and effectiveness of such disclosures necessitates a concerted effort from multiple stakeholders. Governments and regulatory bodies must further refine legal frameworks to promote standardized disclosures, while companies should optimize internal management and engage independent third-party audits to ensure the authenticity and reliability of the information. As global market demands for sustainable development continue to escalate, environmental information disclosure will remain a critical determinant of corporate value, with a company's ability to effectively respond to this trend directly influencing its future position and growth potential in the marketplace.

## References

- [1] Wang L, Li C, Li S. Can environmental information disclosure regulate the relationship between environmental cost and enterprise value?[J]. *International Journal of Environment and Pollution*, 2020, 67(2-4): 95-110.
- [2] Mi S B, Il T H, Dae J K .Study on the Relationship between Ownership Structure and Environmental Information Disclosure in GRI Reports[J].*Journal of Environmental Science International*, 2018, 27(8):701-709.
- [3] Ruiyue Z, Fengju X. An Empirical Study on the Relationship Between Environmental Information Disclosure and Financial Performance of Listed Companies[C]//University of Wales Trinity Saint David, UK, Wuhan University of Technology, China. *Proceedings of the 14th International Conference on Innovation and Management*.School of Management, Wuhan University of Technology; 2017:6. DOI:10.26914/c.cnkihy.2017.011788.
- [4] Zhongfu Y, Jianhui J, Pinglin H .The Study on the Correlation between Environmental Information Disclosure and Economic Performance-With empirical data from the manufacturing industries at Shanghai Stock Exchange in China[J].*Energy Procedia*, 2011,5(C):1218-1224.