

The Impact of Environmental Information Disclosure on Business Performance: Evidence from High-Polluting Industries in China

Prof. Man Wang*

School of Accounting, Dongbei University of Finance and Economics

Hao-yang Yu, PhD Candidate

School of Accounting, Dongbei University of Finance and Economics

Tanveer Ahsan, PhD Candidate

School of Accounting, Dongbei University of Finance and Economics

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Abstract

Environmental management is a major goal for many Chinese companies as sustainability has become a critical issue not only for one company but, for the whole society. The paper studies the relationship between environmental information disclosure and business performance by investigating the publicly available environmental information disclosure in China. We use data of annual financial statements, sustainability disclosure reports, environment reports, and social responsibility reports of high-polluting companies listed at Shanghai Stock Exchange. Our investigation leads towards following two findings: (1) Environmental information disclosure has a positive impact on business performance; and (2) the positive impact is more significant for state-owned enterprises as compared to non-state-owned enterprises.

Keywords: Environmental information disclosure; Business performance; High-polluting industries; China

1- Introduction

Since the increased emphasis on ecology and sustainability by the Chinese government, the environmental information disclosure has grabbed more attention. The United Nations first brought up the idea of sustainability in 1987. China announced its sustainability strategy in 1992 that increased monitoring of the natural resources usage and environment protection. Further, it also increased the commitment of the Chinese government to improve the relevant laws and regulations. Thus environmental management has become a goal for many Chinese companies to achieve sustainability. Environmental information disclosure has provided a way for the public to see the consequences. The government has issued several regulations on enterprise environmental information disclosure, including *Notification on Enterprise Environmental Information Disclosure* by the Ministry of Environmental Protection in September 2003 and *Environmental Information Disclosure Regulations* in 2007. *Environmental Information Disclosure for Publicly Traded Companies (Tentative)* in September 2011 has provided guidance for publicly traded companies, especially the ones in high-polluting industry. Presently, around 97% of the publicly traded companies related to high-polluting industry provide environmental information disclosure in annual financial statements, social responsibility reports, environment reports, and sustainability reports. The *Enterprises Accounting Principles* issued by the Ministry of Finance provide guidance about the treatment of fixed assets and natural resources measurements and confirmation of enterprise environmental information disclosure. Ministry of Finance and Ministry of Environmental Protection have issued several notifications on environmental protection activities to achieve better quality of environmental information disclosure. However, the current legislation does not comprehensive cover environmental information disclosure, and still there is room for improvements especially environmental accounting standard practices and regulations regarding medium or low-polluting industries. In addition, most of the guidance provided by the authorities has been “best practice” rather than mandatory enforcement.

Currently, public pressure pushes companies to provide environmental information disclosure. The quality of information varies among different companies due to lack of regulations and rules. Therefore, it is very important to study the relationship between environmental information disclosure and business performance because: if environmental information disclosure has a positive impact on business performance, then more companies will be willing to disclose environmental information regardless of environmental information disclosure requirements. Based on prior research, we have created an evaluation system for environmental information disclosure in this study. We analyze the data of 199 companies, from high-polluting industries, publicly traded on Shanghai Stock Exchange during the year 2013. The results explain that environmental information disclosure quality has a positive impact on business performance and vice versa.

2- Theoretical framework

Business Performance

Business performance is, how effectively and efficiently an enterprise uses its economic resources during an accounting period. The criterion to measure business performance adoptive by previous empirical studies is not the same. Most of the previous studies are based on two popular proxies of business performance. One is based on the accounting measurement of financial indicators and the other is based on market indicators. Accounting measurement of business performance measures the financial performance of companies by calculating financial indicators such as the ratio of pre-tax profit or net profit to total assets or net assets. On the other hand, market measurement of business performance is based on the market indicators such as market value of a company at a specific point of time. Previous empirical studies are not clear about the response of stock prices to the environmental information disclosure of enterprises. The reason is, intensity of these kinds of market effects is lower and the duration is shorter, therefore, its impact on corporate equity investors is not significant. In contrast, business partners, consumers and creditors of a company are more sensitive to disclosure of environmental information, and their decisions about business efficiency does have a more direct and more significant impact. Accordingly, most of the previous studies, including this study, consider the choice of financial indicators to be more appropriate to investigate the relationship of between environmental information disclosure and business performance. Following previous empirical studies in the related field we choose return on equity (ROE) as a proxy to measure business performance.

Environmental Information Disclosure

The environmental information disclosure is primarily presented by the companies as a part of their social responsibility report. At first, the companies presented it to fulfill the requirements of the political system as well as due the pressure of the community. Presently, the proportion of the companies disclosing environmental information as a part of social responsibility report is relative very low in China. In 2014, 327 A-share companies disclosed their environmental information, and among which, 59% of the companies were from high-polluting industries and 24% of the companies were from non-polluting industries. Since the environmental information disclosure has a great effect on the prevention and control of environmental pollution, and the business performance, therefore, the scholars in our country are paying more attention to study this phenomenon. For example, Zhu Jinfeng et al. (2008) have confirmed that the environmental information disclosure of the listed companies has a certain correlation with the release time of environmental laws and regulations, and the government's supervision is one of the motives of this disclosure. They also conclude that the pressure of external stakeholders has a great influence on the quality and quantity of the environmental information disclosure. Wang Jianming (2008) has conducted an empirical research on the relationship between environmental information disclosure, industry differences and the pressure of external system. Their results explain that the industry attributes, intensity of supervision and media attention have a very significant impact on the level of environmental information disclosure of the companies. Especially, the companies from high-polluting industries have to follow more regulations and have to bear more pressure by the community. Therefore, these companies have to disclose more environmental information to promote them and to establish a corporate social image. In addition, the company's brand reputation is also an incentive for the companies to disclose high quality environmental information (Wang Xia (2013)).

Business performance is not only a goal pursued by the enterprises, but also a foothold for the enterprises. The behavior of the enterprises to the environmental information disclosure is an important factor for the business performance. Sun Caiyan (2009), Yuan Yang (2014) and other studies have confirmed that the higher the quality of environmental information disclosure, the lower the cost of the enterprise's equity capital. Further, these studies also conclude that independent environmental information report and the quality of environmental information disclosure significantly reduce the cost of equity capital. Shen Hongtao et al (2010) also pointed out that the environmental information disclosure by the enterprises can significantly reduce the cost of equity capital. Furthermore, the cost of debt also reduces with the reduction in cost of equity capital for the enterprises voluntarily disclosing high quality environmental information in accordance with the law. Furthermore, following rules and regulations create a legitimate business environment for these enterprises. This may reduce the perceived risk by the creditors of the enterprise and accordingly it may reduce the cost of debt capital. Liu Shanglin (2010) concluded that environmental information disclosure not only reduces the cost of debt and equity capital, it also increases the value of the enterprises. Tang Guoping and Li Long (2011) also found a positive but weak correlation between environmental information disclosure and enterprises value, and pointed out that the companies disclosing environmental information have relatively high market value.

In line with the aforementioned research studies, we summarizes that the impact of an enterprise's environmental information disclosure to its value is directly derived from the level of environmental information disclosure. The main advantages of the environmental information disclosure are the following: reduced uncertainty of stakeholders about the future cash flows; improved accuracy of the expected cash flows; increased confidence of the stakeholders on the company's future business; and reduced financing risk. Further, it also

reduces the cost of equity and debt capital, increases cash flows and improves business performance. Furthermore, credibility, government support as well as social recognition of the enterprises increases. In addition, by following the relevant laws and regulations enterprises can avoid the cost of fine and improved level of volunteer disclosure indirectly plays a positive role for business performance. Based on the above analysis, the paper puts forward its first hypothesis:

H1: The disclosure of environmental information has a positive impact on the performance of enterprises

Talking about state-owned and non-state-owned enterprises, the former enterprises have more government intervention and supervision regarding their economic decision-making as well as management control, therefore, state-owned enterprises will have more external pressure and will take more responsibility to implement and promote the national policy of environmental disclosure. Nowadays, state-owned enterprises are playing a significant role to promote the idea of a socially ecological civilization as well as to promote energy conservation and environmental protection programs and policies. The state-owned enterprises take more responsibility for environmental protection programs and put more efforts as compared to non-state-owned enterprises.

Further, the state-owned enterprises are facing higher requirements and more direct pressure regarding environmental information disclosure as compared to the non-state-owned enterprises. One of the reasons is; as per national environmental protection agency, the state-owned enterprises should be regulated by the SASAC, therefore, these enterprises have to follow more comprehensive as well as strict laws and regulations. As a competent authority for the state-owned enterprises, the SASAC continuously monitor the state-owned enterprises to improve their social responsibility management system and encourage these enterprises to publish social responsibility reports. Moreover, they have introduced a series of regulations, such as, in December 2006 they released “The Interim Measures For The Management of The Central Enterprises Responsible Person”, including measures about resources, environmental protection as well as sustainable development and have a large proportion in the assessment index. In December 2007, they issued “Guidance on The Central Enterprises to Fulfill Their Social Responsibilities”, to strengthen the central enterprises to fulfill their social responsibility obligations as well as to strengthen resource conservation and environmental protection. In March 2010, they issued “The Central Enterprises Energy Conservation and Emission Reduction Supervision and Management Interim Measures for The Central Enterprises”, to formulate detailed provisions for energy saving and emission reduction. The main purpose of these provisions was to enable the state-owned enterprises to pay more attention to the environmental protection and environmental information disclosure and consequently to enhance the level of environmental management, environmental performance assessment and environmental information disclosure quality. The results of an empirical study carried out by Chen Geng, et al (2013) explain that more controlled environment has a significant impact on the quality of information disclosure. The study also explains that regulating the quality of a company’s information disclosure cannot be confined to the direct controlling shareholder level, but should be traced back to the actual controller”. Liu Mao Ping (2012) pointed out that the ultimate controller is the main driving force for the state-owned enterprises to be more inclined to disclose environmental information and the higher the quality of environmental information disclosure the more significant and far-reaching its impact on business performance. Peng Jue (2014), while using data of high-polluting publicly traded enterprises, proved that the environmental information disclosure index of the state-owned ultimate holding listed enterprises was significantly higher than the non-state-owned ultimate holding listed corporation.

In addition, state-owned enterprises are more likely to get support of government funds and financing choices are wider and smoother for state-owned enterprises as compared to the non-state-owned enterprises. Further, state-owned enterprises face lesser risk, have more creditability and are more secure as compared to other enterprises. Therefore, the state-owned enterprises have lower financing costs and more stable and safe operating environment. Consequently, the performance of these enterprises is expected to be higher as compared to other enterprises. Based on the above discussion, the paper puts forward its second hypothesis:

H2: The impact of the environmental information disclosure of state-owned enterprises to the business performance is greater than non state-owned enterprises.

3- Research design

Sample and Data sources

Keeping in mind the environmental information disclosure system it seems more appropriate to study the behavior of high-polluting industries. The paper follows the “*Guidelines on the listed companies’ environmental information disclosure*”¹, and the quotes about the “*Listed Company Environmental Protection Check List of Industry Classification Management*” (*Environmental Documents (2008) No. 373*) and identifies Shanghai A-

¹ The heavy polluting industries in the 《*the Guidelines on the listed companies’ environmental information disclosure*》 (*Draft*) include thermal power, steel, cement, electrolytic aluminum, coal, metallurgy, chemical, petrochemical, building materials, paper making, brewing, pharmaceutical, fermentation, textile, leather and mining industry, and specific identified according to 《*the Listed Company Environmental Protection Check List of Industry Classification Management*》 (*Environmental Documents(2008) No. 373*).

share listed companies of high-polluting industries during 2013 to fulfill the research objective. Based on above mentioned guidelines we pursue the following procedure to for further screening of the enterprises: (1) Taking into account the negative impact of financial information quality and extreme values on the statistical results, we exclude the companies named as "ST" and "*ST" from our analysis; (2) Taking into account the cognitive process of the environmental information disclosure behavior, we screen out the companies having first report of environmental information in 2013; (3) considering the comparability and effectiveness of the sample data, we exclude the companies with missing data. Finally, we get 199 listed companies from 16 high-polluting industries as a study sample and to conduct empirical analysis. We use Guo Tai'an database to extract data and use Excel and Eviews7.0 to carry out statistical analysis.

Environmental Information Disclosure Level Evaluation Index

The paper adopts content analysis method to measure the level of environmental information disclosure (EID). The content analysis is a common method to measure information disclosure. It mainly analyzes all kinds of related reports or documents to determine the specific value of the project, and finally gets the total evaluation. According to the meaning of the content analysis method, the paper first need to set a score for the project of the relevant analysis and then to determine the relevant score evaluation method.

According to the former State Environmental Protection Administration released "*the Environmental Information Disclosure*" (*pilot*) and as well as the National Environmental Protection Department in 2010 promulgated "*the Guidance on Listing Corporation Environmental Information Disclosure*" (Draft) about the Related content of environmental information disclosure requirements for enterprises and learning from the Global Reporting Initiative (GRI) release "the Guidance of the Sustainable Report" (Fourth Edition) suggests seven principles i.e. balance, comparability, accuracy, timeliness, clarity, reliability, importance of the quality reporting. The paper defines the disclosure of corporate environmental information content based on 6 of these principles i.e. balance, importance, relevance, comparability, clarity, reliability as 26 projects (see Table 1), and takes it as a proxy to measure environmental information disclosure index.

We collect information from the annual accounting and the environmental information disclosure reports of the sample companies and assign score to the items according to their qualitative or quantitative disclosure of the information. The environmental information disclosure in the annual reports of the sample companies is divided into following three kinds: (1) monetary information, (2) non-monetary information and (3) non-information. The disclosure of monetary information is scored "2", and the non-monetary information is scored "1", and non-information is scored "0". Finally, we sum up all the scores of the indexes of a company to calculate its EID:

$EDI = \text{Total score} / \text{Optimal disclosure score}$

Model Design

Ullman found that the previous studies about environmental performance, environmental information disclosure and business performance applied a single correlation method and did not find the unity of the intrinsic relationship between the three. Therefore, Ullman proposed a theoretical model to integrate the three variables into a relevant relationship, and pointed out that the activities of the enterprise environment, the level of environmental information disclosure and business performance has been influenced by the enterprise's environmental strategy, simultaneously.

Table 1: The Index system table of environmental information disclosure level

Dimensions	Evaluation contents	Optimal disclosure fraction
Balance	The report disclosed the aspects of advantages and disadvantages or a trend of positive and negative performance	1 score
Importance	Published information is in proportion to business relative importance	1 score
Correlation of non financial environmental information	Environmental regulations and policies	1 score
	Establishment and implementation of internal control of environment	2 score
	The objectives and plans, etc. on environmental protection and pollution control	2 score
	Fulfillment of the social responsibility	2 score
	Specific circumstances of resource consumption	2 score
	Specific circumstances of pollutant discharge	2 score
	Demonstrating compliance with the major environmental indicators	2 score
	Detailed information relating to environmental accidents	2 score
	The emergency plan for environmental pollution accidents	2 score
	Voluntary disclosure of other environmental measures	2 score
Correlation of financial environmental information	Environmental management technology research and development, investment	2 score
	Pollutant treatment fee, site recovery fee	2 score
	Environmental issues related litigation costs	2 score
	Energy saving investment cost	2 score
	Waste reduction benefit	2 score
	The benefit of the recovery and comprehensive utilization of waste products	2 score
	Environmental protection grants, subsidizes and tax breaks	2 score
	Award for environmental governance	2 score
Related compensation and fine	2 score	
Comparability	The choice of environmental information, editing and reporting is accord with the unified requirements	1 score
Clarity	Statement clearly understandable, including the need to explain	1 score
	The carrier for the environmental information disclosure carrier is independent and professional	3 score (Environmental report or sustainable development report 3 score, Social Responsibility Report 2 score, The annual report 1 score)
Reliability	Certified by independent certification body	1 score
	The instruction of the quality assurance of environmental information	1 score
Total		46 score

Based on the research of Ullman, many scholars choose to study the relationship between the two of the three or the three from the perspective of enterprise environmental strategy management. The empirical model of this paper is based on the dynamic relationship of the business performance and the level of environmental information disclosure. To investigate hypothesis-1 (Environmental information disclosure has a positive effect on business performance) the paper establishes the following model:

$$ROE = a_0 + a_1EID + a_2LEV + a_3K + a_4OWNER + \varepsilon_1 \quad (1)$$

Where ROE is key indicator for business performance (we use net assets yield to measure it); EID (EID = total score / optimal disclosure score) stands for the environmental information disclosure index in 2012, and the specific scoring method of the environmental information disclosure index has been mentioned in the above. LEV stands for the asset liability ratio; K stands for the actual control of the listed Corporation ownership ratio that is the control of ownership; OWNER is a dummy variable stands for the nature of the enterprises (1 stands

for the state-owned enterprises; 0 stands for the non-state-owned enterprises). According to hypothesis-1, when $a_1 > 0$, the environmental information disclosure has a positive effect on the business performance.

To investigate hypothesis-2 (The impact of the environmental information disclosure of state-owned enterprises to the business performance is bigger than non state-owned enterprises), we choose the same model and run regression separately for state-owned and non-state-owned enterprises.

4- Empirical Results and analysis

Descriptive statistics

In Table 2, we present the descriptive statistics for all the variables used in the study. These descriptive statistics of the variables are for 199 sample enterprises in 2013.

Table 2: Descriptive statistical analysis of variables

	ROE	EID	LEV	K	OWNER
Mean	0.0371	0.2970	0.4974	0.3152	0.6130
Median	0.0289	0.2826	0.4930	0.2843	1
Maximum	0.3551	0.8478	0.9832	0.8251	1
Minimum	-1.1734	0.0043	0.0517	0.1245	0
Standard deviation	0.1140	0.1735	0.1936	0.1712	0.4882

It can be seen from table 2 that the maximum value of environmental information disclosure index (EID) of all Sample enterprises is 0.8478, the minimum value is 0.0043 and the mean is 0.2970, which indicates that the sample enterprises' environmental information disclosure levels are relatively low and average disclosure is relatively poor. These statistics also show that the numbers of items of environmental information disclosure of listing enterprises in our country are less, and the degree of detailed disclosure is poor and the level is low. However, in comparison with the 2011 annual environmental information disclosure index, it shows certain improvement. For example, the mean value of EID in 2011 was 0.26 and the maximum value was 0.76. That means, the level of disclosure of sample enterprises in 2013 is more extensive, the average level has increased, and the level of environmental information disclosure of sample enterprises is developing. Among them, Baoshan Iron and Steel (600019) has the maximum value for business performance (0.0266) which is in a higher position. Accordingly, it initially proves the relationship between the environmental information disclosure and business performance. The average yield of net assets (ROE) is 0.0371, which shows that the performance of the enterprises and explains that collective the enterprises are in profits.

The mean value of the enterprise nature (OWNER) is 0.6130, which indicates that 61.30% of the sample enterprises are the state-owned enterprises. The maximum value of the equity balance is 0.8251, and the minimum value is only 0.1245, which shows that the changes of the enterprises' balance degree is relatively large, and it will cause violent fluctuation.

Correlation analysis

Prior to the regression analysis of the model, the paper runs a correlation test for all the variables to investigate the problem of multicollinearity and to find out its potential impact on the regression results. In statistical analysis, if the correlation coefficient between the independent variables is greater than 0.50, it can be problematic for the regression results. The correlation coefficient matrix is shown in Table 3:

From the above table, it is very clear that the pair-wise correlation coefficients of the independent variables are not greater than 0.50. Accordingly, there is no need to worry about the problem of multicollinearity. Moreover, the relative intensity of environmental information disclosure index and business performance is relatively weak (correlation coefficient < 0.5).

Table 3: Correlation coefficient matrix

	ROE	EID	LEV	K	OWNER
ROE	1.000				
EID	0.400	1.000			
LEV	-0.210	-0.21	1.000		
K	-0.030	0.14	0.08	1.000	
OWNER	-0.110	-0.010	0.200	0.230	1.000

Regression results and analysis

Table 4 presents the results of regression analysis (the impact of Environmental Information Disclosure on the economic performance).

Table 4: The results of regression analysis

Variables	Coefficient	T-Value	P-sig.
C	0.0154	0.5503	0.5827
EID	0.2596***	5.9116	0.0000
LEV	-0.0637	-1.6019	0.1108
K	-0.0402	-0.8994	0.3695
OWNER	-0.0179	-1.1415	0.2550
R-square	0.1956		

Note: *** indicates at the level of 1%, and ** indicates significant at 5% levels; * indicates significant at 10%.

From the regression results of Table 4, it can be seen that the regression coefficient of environmental information disclosure index is 0.2596 and statistically significant (1% significant level). This explains that the environmental information disclosure has significant positive impact on business performance, in line with our first hypothesis. Therefore, we can say that the enterprises can take more social and environmental responsibility by disclosing more detailed environmental information and can build a good environment of stakeholders to gain more social reputation, form the advantages of public opinion, and ultimately can improve their economic performance. Further, as the EID index has been calculated by using the data of 2012, therefore, it indicates that the environmental information disclosure index has a lagging role in business performance and provides the basis for the theory of sustainable development.

For control variables, LEV has a negative correlation with business performance, which is not consistent with the traditional financial leverage theory. The negative correlation between LEV and business performance explains that increased level of LEV increases the financial risk of an enterprise and reduces its ROE. The regression coefficient of controlling equity (K) is 0.8983, which indicating that the higher the proportion of the actual controller, the higher the business performance will be but the coefficient is not significant. The regression coefficient of the proportion of state-owned shares (OWNER) is -0.9418 but insignificant, which shows that the proportion of state-owned shares has not played an important role in this model. The regression results of H2 are shown in Table 5a and Table 5b.

From the regression results of table 5a and 5b, it can be seen that the environmental information disclosure index has a significant positive correlation with the business performance in both state-owned enterprises and non state-owned enterprises. For state-owned enterprises, the coefficient of environmental information disclosure index is 0.2641, and for non state-owned enterprises the coefficient of environmental information disclosure index is 0.2245. Further, both the coefficients are significant at 1% level. By comparing (0.2641>0.2245) the two it can be known that the influence of environmental information disclosure of state-owned enterprises on their business performance is much greater than that of non state-owned enterprises. Under the national call, the state-owned enterprises can better implement the relevant provisions of the environmental information disclosure and can build their reputation and finally can increase their income. Accordingly, we argue that non-state-owned enterprises should also enhance the monitoring of environmental information disclosure to have more opportunities to reduce pollution. Further, the government should also put forward a set of standards for the promotion of quality of the environmental information disclosure of non-state-owned enterprises.

Table 5a: The regression results for hypothesis 2 (state-owned enterprises)

Variable	Coefficient	T-Value	P-sig.
C	0.0123	0.2613	0.7943
EID	0.2641***	4.235	0.0000
LEV	-0.1100*	-1.7501	0.0827
K	-0.0147	-0.2135	0.8313
R-square	0.2054		

Note: *** indicates at the level of 1%, and ** indicates significant at 5% levels; * indicates significant at 10%.

Table 5b: The regression results for hypothesis 2 (non state-owned enterprises)

Variable	Coefficient	T-Value	P-sig.
C	-0.0191	-0.5689	0.5718
EID	0.2245***	3.6484	0.0006
LEV	0.0489	1.2170	0.2291
K	-0.0346	-0.8019	0.4262
R-square	0.2267		

Note: *** indicates at the level of 1%, and ** indicates significant at 5% levels; * indicates significant at 10%.

5- Conclusion

The paper uses data from the annual financial, environmental information disclosure and social responsibility reports of publically traded enterprises in 2013 to investigate the relationship between business performance and environmental information disclosure index of listed Corporations and find that: (1) The disclosure of environmental information has a positive effect on the business performance; (2) The environmental information disclosure of state-owned enterprises has a greater impact on business performance as compared the non state-owned enterprises.

From the empirical results, we realize that the level of environmental information disclosure in our country is still at a low level, even though it is increasing every year. Most of the enterprises disclose information about environmental governance data instead of disclosing information related to the environmental inputs and costs etc. The promotion of environmental information disclosure to business performance reflects the consistency of environmental and economic benefits. The increase of environmental information disclosure will also enhance the enterprise's efficiency, which is the economic motivation and role of environmental information disclosure. Furthermore, the environmental information disclosure also improves the reputation of enterprises. Information disclosure as an important mean and method of legal management can help enterprises to establish a good reputation, by improving the social capital, and finally can be transformed into the advantages of the enterprises.

This paper also considers that the effect of the environmental information disclosure on the business performance of the later period. The mechanism of enterprise environmental information disclosure plays an important role in the following three aspects: *First*, environmental information disclosure has become the main driving force for more enterprises to reduce pollution. In the case of environmental information transparency, for their reputation, more of the enterprises will choose to reduce pollution to achieve sustainable development. *Second*, the environmental information disclosure has given the public power to strengthen government supervision. *Third*, the environmental information disclosure leads the market and other stakeholders to the ranks of reducing environmental pollution. Therefore, the disclosure related to the enterprise environment promotes enterprises to voluntarily reduce pollution and gives an impetus to the sustainable development of enterprises.

Policy suggestion

In view of the effect of environmental information disclosure on the business performance of enterprises, this paper puts forward some suggestions on the existing problems of environmental accounting in China: *First*, Establish a sound system as well as supervision mechanism of environmental accounting information disclosure in China. From the existing research, it is found that a number of listed companies in China are still relatively poor in the level of environmental information disclosure, and the standard, form and content distribution of environmental information disclosure of these companies are not uniform. Therefore, this paper suggests that the basic methods and forms of environmental accounting information disclosure should be incorporated into accounting standards. The provisions of China's existing environmental disclosure standards, not only can make the enterprise clear about their own environmental responsibility, and promote the implementation of enterprise environmental accounting, but also can promote the business performance of enterprises. *Second*, Improving the contents of environmental accounting information disclosure. The production of environmental problems in business activities of enterprises need to be reflected in the financial statements and can be reflected in the accounting of the enterprises. Currently, because of the different contents and forms of the environmental accounting information disclosure of each enterprise in China, there is no comparison. Considering these specific factors, the government or the environmental protection department suggests that the accounting profession association should develop a workable strong criterion to guide the environmental accounting information disclosure of enterprises, which can improve the comparability of the environmental management of enterprises, and urge enterprises to implement the corresponding disclosure.

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