A Research on ESG Practices and Effectiveness of Industrial Securities

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Abstract. As China enters a new era of development, high-quality development and China's Double-Carbon Policy have become new goals, and environmental, social and governance (ESG) is gradually being emphasized. ESG is becoming a key consideration for sustainable corporate development. However, the ESG concept started late in China, and relevant case studies are not sufficient to provide effective experience and behavioral guidance for corporate ESG practices. Considering the current situation, this study employs the case study method and comparative analysis method, and takes Industrial Securities, a representative company in China's financial industry, as a case study company to explore its ESG practices and governance effectiveness from three dimensions: environment, society, and governance. As a result of the study, it was found that under an effective ESG governance system, Industrial Securities has achieved results in green finance, social responsibility and ESG ratings. Industrial Securities has formed a unique sample in ESG practice, which provides experience for ESG governance of other Chinese enterprises, and promotes the implementation and development of ESG in the company itself as well as in China's domestic capital market.

Keywords: ESG, Green Finance, Social Responsibility, Sustainable Development.

1. Introduction

With the continuous development of the global economy and the increasing prominence of environmental issues, the ESG concept is rapidly emerging globally and gradually attracting the attention of all sectors of society, and it have emerged earlier in Europe, the United States and other developed countries [1]. The relevant framework and system are relatively perfect. ESG research on the enterprise level is also gradually enriched with the improvement of the ESG evaluation system. While the popularization of ESG concepts in China is relatively late, the evaluation system is still incomplete, and there is still room for improvement in the formulation and implementation of ESG policies, Chinese enterprises have both opportunities and challenges in exploring the road of ESG [2].

China has entered a stage of high-quality development, and sustainable development has become an important development theme in China. Under the background of vision of innovative, coordinated, green, open and shared development and Carbon Peaking and Carbon Neutrality Goals, fulfilling more social responsibilities and realizing sustainable development have become the inherent requirements for enterprises [3]. In recent years, financial institutions, as important participants in the capital market, have played an important role in practicing ESG concepts. Market intermediaries, including Industrial Securities, are not only intermediaries connecting the two ends of investment and financing in the capital market, but also an important link between finance and entities [4]. As a pioneer in green finance, Industrial Securities has set up an industry benchmark through its ESG practices. The enterprise provides the model experience for other enterprises' ESG practices, which is of great significance to the sustainable development of the financial industry.

Most of the existing studies on ESG in China are empirical studies on ESG based on macro policies, while few scholars have studied ESG practices of specific companies. This paper takes Industrial Securities, a good ESG performer in China's financial industry, as a case company and analyzes the representative initiatives and effectiveness of its ESG practices from the three aspects: environmental, social and governance. This is useful for enriching the case references on ESG exploration in China, and at the same time providing reference value for the sustainable development of the financial industry as well as other enterprises, so as to promote the development of China's ESG system.

2. Case Introduction

Industrial Securities Co Ltd is a nationwide, comprehensive, innovative, conglomerate and international securities company approved by China Securities Regulatory Commission (CSRC), which was founded on October 29, 1991. In October 2010, it made its initial public offering and was listed on the Shanghai Stock Exchange. Industrial Securities has become an important backbone of China's capital market by virtue of its comprehensive layout in securities brokerage, underwriting and sponsorship, investment consulting, securities self-management, financial consulting, financing and securities financing, fund and financial product distribution, fund custody, futures introduction and other businesses. As a state-owned enterprise, Industrial Securities actively responds to China's Double-Carbon Policy and new development philosophy, and is the earliest securities company in the industry to integrate ESG concepts into the company's long-term development strategy. The company adheres to the green finance “comprehensive” “systematic” development ideas, with practical action to practice the concept of ESG development, in the field of green finance has formed a set of more mature “IS program”, and has a good leading demonstration effect among listed companies [5].

3. Industrial Securities ESG Practices

As early as 17 years ago, Industrial Securities followed the global trend of ESG investment, started to study offshore socially responsible investment and ESG concepts, and took the lead in introducing ESG concepts into China. The company issued China's first socially responsible investment theme fund – “E Fund Social Responsibility Fund” – in 2008, creating real benefits for the majority of fund holders. In terms of the ESG strategy system, due to the high importance attached by the company's leaders, Industrial Securities has incorporated green development into the company's strategy system, written ESG principles into the company constitution as well as the 14th Five-Year Development Plan, and continuously improved the top-level design. Focusing on the ESG concept, Industrial Securities has built an organizational structure and professional team, improved its business system, and continued to promote the innovative development of responsible investment in the areas of investment, research, and asset management to ensure that the ESG concept is deeply implemented in the company. In terms of ESG supporting systems, since 2020, the company has successively issued and revised a number of systems or statements such as “Industrial Securities Co., Ltd. Responsible Investment Policy”, “Industrial Securities Co., Ltd. Environmental, Social, and Governance (ESG) Management Statement”, “Industrial Securities Co., Ltd. Employee Rights and Benefits Statement”, “Anti-Corruption and Integrity in Professional Conduct Policy”, and other systems or statements, which provide effective institutional mechanisms to guarantee that the Group's ESG concepts are systematically implemented into the Company's operation management and business development.

3.1. Environmental Practices

Industrial Securities is committed to becoming a pioneer and advocate of green finance, and is the first brokerage firm in China's securities industry to achieve carbon neutrality in its own operations. In 2020, Industrial Securities took the lead in formulating the industry's first green financial business evaluation standard – “Industrial Securities Group Green Finance Business Evaluation Standards”, and incorporated ESG multi-dimensional information into the green evaluation of enterprises and projects. For the first time, it clarified the connotation and extension of green finance in the securities industry. Based on the green finance standards, the company has formulated a set of green finance business assessment indicators applicable to securities companies covering 4 major categories and 16 sub-categories, which are respectively issued to the Group's 60 operating divisions and branches, and effectively supervise the Group's green financial work on a regular basis. The company has established a series of financial resource allocation policies favoring green finance initiatives. By emphasizing annual performance evaluations and financial investments, it strengthens internal guidance and incentives. In addition, the company has organized a series of trainings, such as “Green Finance Specialist Certification Online Bootcamp”, to comprehensively enhance the professional ability of green financial talents in its branches. Relying on the above development mechanism, Industrial Securities has formed a green research, green financing, green investment, environmental equity trading “four-in-one” green financial comprehensive service system with securities industry characteristics, and has achieved remarkable results [5]. In recent years, green finance has become a distinctive competitive advantage for Industrial Securities, facilitating industrial green transformation and expanding business opportunities.

3.2. Social Practices

Industrial Securities actively fulfills its social responsibility. In promoting rural revitalization, the company has implemented over 40 rural revitalization projects and pioneered innovative initiatives, including Fujian Province's first Minning Cooperation project combining "Public Welfare + Insurance + Futures" and the first Rural Revitalization Charitable Trust, successfully exploring a new path for securities and finance to empower rural revitalization, effectively assisting rural economic development and farmers to increase their income. In terms of promoting common prosperity, the company has established a long-term public welfare investment mechanism, donating no more than 1% of the total profit of the parent company's statement to the Industrial Securities Charitable Foundation every year, and continuing to promote the efficiency of public welfare and charity with specialized financial strength [6]. In terms of employees’ rights and benefits, the company has established a comprehensive salary and benefit system and a training system to ensure the legitimate rights and interests and career development of employees in terms of salary, vacation and social security. In 2023, the company updated its compensation management system, strengthened performance incentives and medium- and long-term incentives, and formed a balanced compensation structure of fixed salary, allowances, performance incentives and benefits, with special attention paid to grassroots employees. Employee benefits cover statutory insurance, housing provident fund, enterprise annuity, health checkup, etc. A multi-level insurance and welfare system has been constructed to meet the diversified needs of employees.

3.3. Governance Practices

In terms of ESG governance mechanism, in 2021, Industrial Securities has set up a “Strategy and ESG Committee” at the board level, which is responsible for comprehensively overseeing ESG issues including green finance and low carbon operation, and enhancing the effectiveness of ESG management; for green finance business, the company has set up a Green Finance Leadership Group and a Green Securities Finance Working Group. For the green finance business, a Green Finance Leadership Group and a Green Securities Finance Working Group have been set up. The company has established a three-tier, top-down green finance governance system comprising the strategic, leadership, and implementation levels. This structure clearly delineates responsibilities related to environmental matters across each tier, facilitating the effective integration of green finance and ESG management throughout the organization. In addition, four special working groups have been set up at the corporate level for green research, green financing, green investment, and environmental equity trading to carry out their work in the form of a “One Base Four Elements” organization. The company continues to strengthen the professional experience of the Board of Directors in climate issues, formulate refined business assessment indicators and supporting financial resource allocation policies, and promote the development of green finance in the direction of integration and systematization. Industrial Securities continues to improve its environment-related governance system, laying a foundation for the company to carry out green operations and green financial management and practice, and continues to promote the development of the company's green finance in the direction of comprehensiveness and systematization, and to effectively enhance the effectiveness of green financial management.

4. Effectiveness of ESG Practices of Industrial Securities

4.1. Green Finance

4.1.1. Innovation in green financial products and services

Industrial Securities has incorporated green finance into the company's strategic system and continuously optimized and enriched its “Four-in-one” comprehensive green finance product system. In terms of green research, China Academy of Financial Research has written more than 10 research reports focusing on carbon peaking and carbon neutrality, green finance and other areas, and has published nearly 30 ESG-related research reports. By providing green research services to leading public mutual funds, insurance capital, and other institutions, the annual income from green research and consulting services was about 5.17 million yuan. Not only does the company increase its revenue by assisting clients with green consulting services, but these research reports help to draw public attention to green finance and ESG issues, and promote the importance of sustainable development among more companies. In terms of green financing, the company has increased the scale of green financing by 126.377 billion yuan, including 121.083 billion yuan in debt financing and 5.294 billion yuan in equity financing. This shows that the company has achieved remarkable results in expanding the scale of green financing, providing support for financing green projects and enterprises and helping to promote the development of environmentally friendly projects. In terms of green investment, the scale of the company's green investment totaled 15.284 billion yuan. For investments related to green bonds, climate bonds and sustainable bonds, the company has invested about $1.34 billion. This shows the active layout of Industrial Securities in the field of green investment, which promotes the development of green economy by investing in green financial products. Based on the green investment and financing business model, the company has continued to innovate green financial products and services, and has continued to strengthen the construction of green financial supporting system, further expanding the scale of green investment and financing business and enhancing business diversification.

4.1.2. Growth in the scale of green finance business

With the rapid growth of green financing demand, the company focuses on enhancing the diversity of green equity and debt financing products and tools, and deepens the practice of green finance development through both green investment and financing channels [7]. As shown in Table 1, Industrial Securities' green finance business indicators show a significant growth trend from 2019 to 2023. The cumulative green investment and financing scale grows from 12.68 billion yuan in 2019 to 255.30 billion yuan in 2023, which is a rapid growth and strong momentum. This shows that Industrial Securities has provided financial support for more environmentally friendly projects and enterprise growth, and boosted the financing efficiency of green low-carbon industries and the scale of green capital [8]. It shows that Industrial Securities has continued to focus on the ‘four-in-one’ comprehensive green financial service system, actively laid out the green financial business, and promoted the green, low-carbon and high-quality development with remarkable results. The company's green financial influence plays a positive role in promoting the sustainable development of society [9].

Table 1. Data Sheet of Green Finance Business Indicators of Industrial Securities

Indicator	Unit	2019	2020	2021	2022	2023
Scale of green financing	Billion Yuan	0.60	9.49	25.36	72.73	126.38
Of which, the scale of green equity financing	Billion Yuan	0.46	1.47	2.78	6.37	5.29
Of which, the scale of green debt financing	Billion Yuan	0.14	8.02	22.58	66.36	121.08
Scale of green investment	Billion Yuan	6.62	10.53	25.83	19.49	15.28
Cumulative green investment and financing scale	Billion Yuan	12.68	26.07	66.74	133.13	255.30
Growth rate of green investment and financing	%	18.73	105.70	155.96	99.48	91.76

Data source: Industrial Securities Environmental Disclosure Report 2023

4.2. Employee Care

According to Industrial Securities 2023 Social Responsibility Report, as of the end of 2023, 50% of the company's active employees were women, and 46% of the newly introduced employees in that year were women. The company actively promotes full employment of female university students in accordance with the development outline, and the proportion of female university students among fresh graduates introduced in 2023 was 51%, higher than the proportion of males. In terms of recruiting ethnic minorities, the company introduced 51 ethnic minority employees from 12 ethnic groups in 2023. It can be seen that the company adheres to the equal development of men and women, eliminates discrimination on the basis of gender, age, ethnicity and region in recruiting and hiring, provides fair employment opportunities for people of different backgrounds, and respects the diversity of employees. In terms of employee diversified benefits and welfare protection, the company upholds the original intention of caring for employees, innovates the humanistic care model, and continues to provide diversified services for employees. As shown in Table 2, the value of the company's employee turnover rate decreases year by year, which not only improves the sense of belonging and loyalty of employees but also enhances the company's reputation, which attracts talent to participate in ESG practices and promote the sustainable development of Industrial Securities [10].

Table 2. Employee Hiring Performance Indicators

Indicator		Unit	2021	2022	2023
Total number of new hires		People	2,333	1,590	1,084
By gender	Female	People	1,113	754	499
	Male	People	1,220	836	585
By age group	>50 years old	People	3	3	2
	30 to 50 years old	People	1,110	819	538
	<30 years old	People	1,220	768	544
By region	Domestic (China)	People	2,331	1,589	1,014
	Overseas (including Hong Kong, Macao and Taiwan)	People	2	1	70
Employee turnover rate		%	17.63	15.09	11.76
Number of male employees in management		People	245	250	277
Number of female employees in management		People	138	137	138

Data source: Industrial Securities 2023 Social Responsibility Report

Moreover, the company pays special attention to the care of female employees. In addition to carrying out female-themed activities such as “Women's Day” and “Mother's Day”, the company also continues to improve the construction of Mom’s Cabin and promotes the signing of collective contracts for the special welfare and protection of female employees. By the end of 2023, Industrial Securities' Mom’s Cabin has served over 120 female employees who have returned to the workplace after maternity leave. On the basis of providing professional and hygienic disinfection facilities, feeding advice science, and daily consumables, it also relies on the Mom’s Cabin to organize activities such as caring for postpartum mothers and yoga to provide attentive services for female employees. It can be seen that the company has built a diversified and inclusive working environment, which effectively protects the legitimate rights and interests of all employees and the special rights and interests of female employees.

4.3. ESG Ratings

In terms of companies' own ESG performance, Industrial Securities' ESG ratings have stabilized at A in recent years, and in 2021 it received AA, which is at the forefront of the industry. Industrial Securities' ESG score of 7.24 is higher than the industry average, with the company performing well in the environmental, social and governance dimensions (see Table 3). Out of 145 companies in the same industry, Industrial Securities is ranked 14th, which shows the company's competitiveness in the industry. Industrial Securities' performance in ESG is generally positive, with the company performing better in environmental protection and corporate governance in terms of the respective scores for environment, social and governance. The social score of 5.36, a relatively low score, indicates that there is still some room for improvement in the area of social responsibility, which may be an area that the company needs to focus on and improve in the future. In summary, the company should continue to strive to improve its social responsibility performance in order to achieve more comprehensive sustainable development.

Table 3. ESG Performance Peer Ranking Table

Ranking	Wind Code	ESG Rating	ESG Score	Environmental	Social	Governance
1	601688.SH	AA	8.49	9.14	8.49	7.2
2	600958.SH	AA	7.99	9.75	6.92	6.83
3	600999.SH	AA	7.86	8.33	6.72	7.68
4	600837.SH	AA	7.7	7.96	8.35	6.78
5	600109.SH	A	7.47	7.21	6.2	6.69
14	601377.SH	A	7.24	7.88	5.36	7.01

Data source: Wind

5. Conclusion

Industrial Securities has achieved significant results in its ESG practices, but there is still some room for improvement in terms of social responsibility. The study found that strengthening ESG top-level design, building a comprehensive green financial product system with securities industry characteristics, constructing a green financial governance system, and continuously exploring innovations are the keys to the success of Industrial Securities' ESG governance, which can provide a reference to the ESG governance of other enterprises. The ESG practice of Industrial Securities also proves the consistency of its ESG strategy with the long-term development goals of the enterprise, which can lay a solid foundation for the sustainable development of Industrial Securities.

The 20th National Congress of the Communist Party of China (CPC) pointed out that a green and low-carbon economy and society are crucial to high-quality development. Under the new development dynamic, ESG serves as an important link for the interconnection of international financial markets and is also a crucial tool for the ‘dual circulation’ development pattern. Industrial Securities should seize the opportunity to continue to play the role of a state-owned financial enterprise, play a key role in the green and low-carbon transformation of the economy and society, and help China's dual carbon goals to achieved smoothly; It should also play the advantages of a pioneer and active practitioner in the field of domestic ESG, and promote the landing and development of ESG in the company itself as well as in the domestic capital market. In addition, by playing the advantage of being a pioneer and active practitioner in the field of ESG in China, Industrial Securities will promote the implementation and development of ESG in the company itself as well as in the domestic capital market, and contribute financial strength to the development of China's green and low-carbon transformation.

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