

Original Paper

Analysis of the Influence path of BYD ESG Practice on Enterprise Value

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Abstract

The "dual-carbon" goal proposed by the state not only emphasizes that enterprises should adopt the concept of sustainable development, but also sets standards for enterprises to pursue high-quality growth. The practice of ESG (environmental, social and corporate governance) coincides with this goal, and with its development, investors are paying more and more attention to the ESG performance of enterprises, making it an important standard to evaluate the performance of corporate social responsibility. This study takes BYD as a case to explore the company's performance in the three dimensions of environmental protection, social responsibility and corporate governance, and how these practices affect corporate value. The research results aim to provide a reference for other enterprises in the industry and guide them to optimize their own ESG strategies to promote the long-term and stable development of enterprises.

Keywords

ESG, "double carbon" goal, green and sustainable development

1. Research Background and Significance

1.1 Research Background

Since the 21st century, global challenges such as climate change and environmental degradation have intensified, prompting investors to pay more attention to corporate sustainability and environmental practices. In this context, environmental, social responsibility and corporate governance reports (ESG reports) have gradually become the key channels for investors and regulators to obtain information on corporate sustainable development and environmental performance. In 2020, China officially proposed the "dual carbon" target, namely will peak carbon emissions by 2030 and achieve carbon neutrality by 2060. This commitment marks China's determination to tackle climate change. The party's 20th annual

report further emphasizes the importance of green and sustainable development, and reflects the importance the country attaches to environmental protection and social responsibility. ESG as an evaluation tool, by measuring the enterprise in the environment (Environmental), social responsibility (Social Responsibility), corporate governance (Governance) in the field of financial performance, not only help enterprises to better fulfill social responsibility, and closely linked with the national sustainable development goals, promote substantial progress in environmental protection and social responsibility.

1.2 Study Significance

China is actively advancing the "carbon peak and carbon neutral" strategy to promote green, low-carbon and sustainable economic development, and to strengthen cooperation and research in the field of ESG. Although compared with western developed countries, China has not yet formed mandatory regulations on ESG information disclosure, and it also lacks a unified information disclosure system and framework. At the national level, there is still a lack of clear ESG information disclosure standards and management documents, and no perfect information supervision mechanism has been established. These factors may cause some obstacles to the improvement of ESG information disclosure level of listed companies, and thus affect their high-quality development. The new energy vehicle industry is seen as a key area for its future development. As a leader in the industry, BYD has received much attention for its efforts in environmental protection, social responsibility and corporate governance. Therefore, in-depth analysis of BYD's ESG practice and its impact on enterprise value can provide valuable reference and feasible ESG promotion strategy for enterprises in the same industry.

2. Overview of BYD ESG practices

2.1 BYD Introduction

Byd Co., Ltd., referred to as "BYD", has been adhering to the enterprise spirit of "equality, pragmatism, enthusiasm and innovation" since its establishment in Shenzhen, Guangdong Province in 1995. The company takes "technology as the guide, innovation as the driving force" as the business philosophy, and is committed to meeting people's pursuit of a better life through scientific and technological innovation. Byd started out as battery manufacturing. After more than 20 years of rapid development, it has expanded to 700,000 employees, covering more than 30 industrial parks around the world, demonstrating its global strategic layout. Byd's business has expanded from initial car manufacturing to multiple industries such as rail transit, new energy and electronics. As a leader in China's new energy vehicle market, BYD has not only won the honor of sales champion in the domestic market, but also promoted the sales of new energy vehicles on a global scale, leading the green revolution of the automobile industry. Relying on the strong independent research and development ability, the company contributes to the realization of the goal of "reducing the global temperature by 1°C", and is committed to the sustainable development of the enterprise. In recent years, BYD has made remarkable achievements in the production and sales of new energy vehicles. Company not only mastered the

battery, motor and electric control the key technology of new energy industry chain, become the world's first set the three technologies in a car manufacturers, also use its research and development advantages, independent research and development of cloud rail and cloud, provides innovative solutions to solve the problem of urban traffic congestion, promote the development of urban traffic quality. Byd has also demonstrated its innovative capabilities in the field of new energy products, becoming a leading supplier of battery, solar energy and energy storage products, and building a complete new energy industry chain from raw material acquisition to energy storage to application. In addition, BYD Electronics (International) Co., Ltd. has become a world leader in high-end manufacturing since its listing in Hong Kong in 2007.

2.2 Analysis of the motivation of BYD ESG practice

2.2.1 Response to the National Development Strategy

The national development strategy actively advocates the participation of enterprises in the practice of environmental, social and corporate governance (ESG), in response to the transformation of China's economy to a high-quality development stage. Environmental protection has become the focus of national attention, which is reflected in the Emission License Management Regulations issued in 2021, which strengthens the supervision of enterprises' pollution behavior. At the same time, the US Securities Regulatory Commission and other regulators have also issued a number of regulations to encourage listed companies to disclose their ESG-related information more transparently. In the context of coping with carbon emissions and promoting energy transformation, the deep practice of ESG concept is not only the inherent requirement of their own development, but also the social responsibility of enterprises. As a leader in the industry, BYD has always adhered to the path of green and sustainable development, and actively engaged in the strategic transformation of energy production. The company has not only promoted the high-quality development of the regional economy, but also vigorously supported the energy transformation to achieve a win-win situation of environmental protection and economic growth.

2.2.2 Meet the Stakeholder Expectations

With the continuous progress of economy, stakeholders have increasing demands for enterprises. They not only pay attention to the financial performance of enterprises, but also pay attention to the contribution of enterprises in social responsibility. In this trend, through the practice of ESG (environment, society and corporate governance), enterprises can deepen the understanding of stakeholders to the enterprise, establish a more harmonious relationship with the external environment, meet their dual expectations of corporate social value and economic value, and thus improve their satisfaction. As a model of the industry, BYD has been actively fulfilling its responsibilities to employees, suppliers, users and other stakeholders for many years, and actively participating in social public welfare activities. The company regards employees as important stakeholders, and has established a differentiated compensation system based on employee value contribution to ensure that employees' efforts can be rewarded accordingly. Byd also uses big data technology to strengthen the

supervision of suppliers, integrate the performance of suppliers in social responsibility, and seek the coordinated development with suppliers. In addition, the company provides professional services to users through the digital platform, actively responds to and solves customer complaints, and actively understands and meets customer needs. The company conducts in-depth evaluation from the key aspects such as corporate governance and product quality, and integrates the substantive issues of customer concern into the company's decision-making and business strategy, so as to meet the reasonable needs of customers to the greatest extent.

2.2.3 To meet the Market Regulatory Requirements for ESG

The Hong Kong Stock Exchange has increasingly strict ESG disclosure requirements of listed companies, from the early "non-compliance interpretation" and "recommended disclosure" to the current mandatory disclosure. BYD actively responded to this trend and fully integrated the ESG concept into the daily operations of the enterprise. The Company strictly complies with relevant laws and regulations, and continuously optimizes the risk management mechanism to minimize the risk of ESG violations. With the continuous introduction of China's policy documents on the disclosure requirements for enterprise ESG, the capital market attaches more and more importance to the concept of ESG. ESG indicators can directly reflect the actual performance of enterprises in environmental protection, social responsibility and corporate governance, and show them to the outside world through their ESG reports. In the face of the strengthened market regulation of ESG, enterprises must take effective measures to maintain their own reputation. Byd began to build ESG management system since the rise of ESG concept, and in years of practice, through the release of ESG report, showed the company's excellent performance in the performance of social responsibility, and played a positive demonstration role in the industry.

2.2.4 Pursue the Sustainable Development of Enterprises

With the vigorous development of China's economy, it provides new opportunities for enterprises to achieve high-quality development. Enterprises should not only pursue their own sustainable growth, but also pay attention to the long-term goal of sustainable development. Under the guidance of ESG (environmental, social and corporate governance) concept, the connotation of enterprise value has gone beyond the simple economic benefits and expanded to the multi-dimensional value such as social contribution and environmental protection. The public increasingly recognizes the importance of balanced development in economy, society and environment. In order to achieve sustainable development, enterprises must win the trust and support of their stakeholders. This includes but is not limited to protecting the legitimate rights and interests of employees, maintaining good business relationships with suppliers and customers, and integrating the ESG concept into the daily operations of the enterprise. Through these measures, enterprises can not only achieve economic success, but also play an active role in social responsibility and environmental protection to ensure their long-term sustainable development.

3. Impact Pathway Analysis of ESG Practices

While investors are increasingly concerned about the ESG (environmental, social and corporate governance) performance, there is no unified standard for the specific definition of ESG. Although different ESG rating agencies have put forward their own representative definitions, their core is to focus on the environmental, social and governance performance of enterprises. The differences between these definitions are mainly reflected in the definition of various fields and specific indicators. In view of this, this paper will refer to the existing research results and the insights of the rating agencies for an in-depth analysis of how ESG practices affect enterprise value. The analysis will be conducted from three dimensions: environment, society and corporate governance to explore the specific performance of ESG practice in these areas and its potential impact on enterprise value.

3.1 Process Analysis of the Impact of Environmental Dimension Practice on Enterprise Value

3.1.1 Adhere to Green and Low-carbon Development

Byd is committed to supporting its long-term sustainable development and increasing its corporate value by improving energy efficiency, reducing waste emissions, and actively developing green and innovative technologies. In response to the national call for the development of new energy, BYD announced in 2022 to completely stop producing fuel vehicles, and increased the improvement and upgrading of new energy vehicle technology. Since 2020, although the total electricity and water consumption of enterprises has increased, the intensity of electricity consumption has been continuously decreasing. In order to accelerate the realization of energy conservation and emission reduction targets, BYD has introduced an energy management system, and actively promoted the application of renewable energy. By increasing energy efficiency and reducing its reliance on non-renewable energy sources, BYD has built its brand image for sustainability and enhanced its market competitiveness. Byd has conveyed its emphasis on environmental protection to the market by reducing pollution emissions, suggesting that good environmental performance companies are more likely to attract external resources (Gao, Chu, Lian et al., 2021). The company continues to innovate and upgrade equipment, developing renewable energy to replace traditional energy, thus increasing revenue per unit of greenhouse gas emissions. Since 2020, the total greenhouse gas emissions have increased. At the same time, the company's waste water and exhaust emissions and their density show a downward trend, which reflects BYD's active efforts in process transformation, raw material replacement and reducing the generation of waste water, waste gas and solid waste, showing the company's determination to pursue long-term sustainable development.

3.1.2 Development of Green Technology Innovation

Byd uses its technological advantages to commit to green transportation innovation and solve urban traffic problems, thus establishing its leading position in the industry, which has had a positive impact on the improvement of its corporate value (Yu, 2023). The company has built a comprehensive new energy ecosystem that provides one-stop solutions and services that ensure safety and reliability. Byd has reduced air pollution through electric vehicles, alleviated traffic congestion through cloud rail and

cloud ba technology, providing three-dimensional green transportation solutions for cities around the world. These results demonstrate BYD's remarkable achievements and progress in promoting green transportation development.

3.2 Process Analysis of the Influence of Social Dimension Practice on Enterprise Value

The enterprise initiative to assume social responsibility not only helps investors to fully understand the ESG (environmental, social and corporate governance) risks, but also can effectively shape the positive image of the enterprise, thus promoting the growth of enterprise value (Shi & Wang, 2023). By actively fulfilling its social responsibilities, BYD has met the stakeholders' demand for corporate transparency and actively participated in social welfare activities, which not only expands the market influence of the enterprise, but also enhances the public reputation of the enterprise. Through these measures, BYD has strengthened its ties with society and demonstrated its commitment to social contribution. These actions not only enhance its brand value, but also bring long-term competitive advantage and market recognition.

3.2.1 Pay attention to Employee Training and Development

Adhering to the concept of "people-oriented" management, BYD is committed to creating a fair, just and transparent work environment and career development opportunities. In recent years, the company's research and development, technology and production personnel team has continued to grow, which has laid the foundation for the stable development of the company, and created greater value for the enterprise. In the face of the current tight job market, BYD works closely with government agencies such as human resources and social security departments to establish an employment platform to actively promote local employment. In 2023, the company will recruit more than 550,000 people, which not only meets the needs of the company's scale expansion, but also makes a positive contribution to the harmonious development of society and economy. Byd has established a set of talent training system, including management index evaluation, technical title certification and skill level certification, and created a compound talent training channel combining management, technology and skills, providing talent support for the company's continuous innovation. The company also encourages employees to participate in the democratic management of the enterprise and improve the democratic level of management, so as to create more value for the enterprise. The enterprise trade union federation has actively participated in the decision-making process involving the interests of employees and established a labor dispute mediation mechanism. For major matters involving the interests of employees, the company will review and vote through the staff congress, extensively collect employees' opinions, and ensure the implementation of democratic management. In addition, BYD has set up an employee feedback mechanism to improve the privacy, convenience and timeliness of feedback to ensure that employees' voices can be effectively heard and responded to.

3.2.2 Strengthen Supply Chain Management

Through the formulation of "BYD Supplier Requirements" and other systems, BYD has established the social responsibility of supply chain partners, and built a mutually beneficial and win-win supply chain

platform. In terms of supply chain management, BYD has implemented the "green procurement" and "circular development" strategy to ensure the environmental protection and sustainability of the procurement process, from the selection of environmentally friendly materials to the optimization of logistics transportation, to the use of circular logistics packaging materials to reduce the use of harmful substances. Adhering to the risk management concept of "putting prevention first and combining prevention and control", the company has established a risk management committee, which is responsible for collecting and evaluating supply chain risks, and formulating and implementing risk management strategies. The committee regularly summarizes and analyzes the effectiveness of the strategies, and adjusts and improves according to the actual situation. Byd is committed to establishing a fair and transparent supply chain competition environment. Through continuous optimization of supply chain management, BYD and suppliers jointly create a clean and open business atmosphere, to achieve mutual benefit and win-win results, so as to enhance corporate value. In terms of customer satisfaction, BYD continues to improve service quality and enhance customer loyalty as a way to enhance corporate value (Jin, 2022). The company strictly abides by the "Data Safety Law" and other relevant laws and regulations, improves the employees' awareness of personal information security through training, and protects user privacy, which is the basic byd's basic commitment to users. Byd has established a sound protection system for customer rights and interests, formulated corresponding management systems and methods for different businesses and customer groups, and focusing on improving the quality of products and services. From new product research and development to production, and then to after-sales service, BYD strictly controls product quality, and formulated the "BYD Automobile After-sales Customer Litigation Management Process" and other management methods, through the establishment of complaint hotline, email and other channels, timely collect and handle customer feedback. The establishment of BYD Charity Foundation marks the company's active participation in the field of public welfare. By carrying out various public welfare activities, it transmits positive social information, improves market attention, and further enhances the social value of the enterprise (Wang & Yang, 2022).

3.3 Process Analysis of the Impact of Corporate Governance Dimension Practice on Enterprise Value

Byd is committed to increasing corporate value by strengthening compliance management and internal controls to attract investors to invest more. Strong corporate governance helps reduce operational risk and enhance investor confidence. Byd adheres to the principle of honest management, and follows the laws, regulations and compliance requirements of the countries and regions where the business is located. The company integrates compliance requirements into its daily business activities, and specifies through the BYD Code of Conduct that all corporate behaviors must comply with laws and regulations. Byd has established an effective internal governance and control mechanism, and revised the BYD Company Business Ethics Code and other systems to ensure that corporate activities are in compliance with the law. Byd has a special legal and intellectual property department, focusing on legal and intellectual property affairs, and arranges full-time personnel in various business departments to

supervise law enforcement behavior and evaluate its legality. The company also improves the intellectual property awareness of its employees through training, and the continuous growth of the number of patents provides a solid foundation for the long-term sustainable development of the company. Byd has developed an intellectual property strategy, guided by the concept of "technological innovation changes the world and intellectual property competition for the future", and is currently focusing on improving the quality of patents and mining patents with high value. Since 2020, the number of patents granted at home and abroad has increased year by year, reflecting the company's achievements in research and development. The company implements comprehensive standardized management of the creation and application of intellectual property, constantly improves relevant systems and systems, and launches an intellectual property management platform, realizing the efficient and safe management of the whole life cycle of intangible assets such as patents. Byd strictly abides by the "Listed Company Governance Standards" and other laws and regulations, constantly improves the corporate governance structure, improves the governance level, and improves the quality of information disclosure, so as to better safeguard the rights and interests of investors and other stakeholders. The company has also set up the Audit and Supervision Department as an anti-corruption department to report directly to the chairman to ensure the independence of the work and strictly prohibit corruption and fraud.

4. Conclusions and Revelation

4.1 Conclusion

The ESG (environmental, social and corporate governance) performance of an enterprise is an important indicator of its long-term value and market competitiveness. When enterprises take the initiative to assume ESG responsibilities, by reducing the environmental impact, actively fulfilling social responsibilities and continuously optimizing the corporate governance structure, they can not only create social value, but also enhance their competitiveness in the market, reduce potential operational risks, so as to achieve the improvement of corporate value. In the industry, BYD stands out with its excellent ESG performance, which not only wins a good reputation for the enterprise, but also provides a solid foundation for the growth of enterprise value. Through continued ESG practices, BYD demonstrates its commitment to sustainability, which helps attract investors and consumers, enhance brand loyalty, and build a strong competitive advantage in the market.

4.2 Revelation

First: to establish a unified ESG report disclosure standards, the government departments have issued a number of ESG disclosure guidelines and guidance documents, but at present, the evaluation indicators of enterprise ESG reports have not yet formed a unified standard. The establishment of a unified ESG reporting disclosure system will help to accumulate enterprise data and provide reference for ESG practices in other enterprises. Therefore, the government and relevant institutions should accelerate the development of unified ESG disclosure standards to encourage enterprises to actively participate in

ESG practices and improve their enthusiasm and effectiveness.

Second, according to the actual performance of ESG responsibilities, enterprise managers need to pay attention to the realization of social value while pursuing economic value. Excellent ESG practices require enterprises to develop practical strategies according to their own situation. In the practice of ESG, BYD combined the development needs of the company and the expectations of the stakeholders, identified and determined the substantive issues in the three dimensions of ESG, and achieved remarkable practical results. Byd's approach not only has a positive impact on the company itself, but also provides other companies with valuable experience in fulfilling their ESG responsibilities.

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