

Research on The Impact of PROYA ESG Upgrades on Corporate Value

Linzhi Yang*, Yijun Chen

Sichuan University of Science & Engineering, School of Management, Yibin 644000, Sichuan, China

* Corresponding author

Abstract: In recent years, with the sustainable development, carbon peak, carbon neutral target, investors for the attention of listed companies is not limited to financial indicators, corporate environmental responsibility, social responsibility and corporate governance and development prospects more attention by investors, ESG has gradually become one of the important factors that cannot be ignored in enterprise development. In this paper, we explore the influence of the ESG rating upgrade on the enterprise value, as the research object, adopt the event research method, analyze the market reaction of the event, and then analyze the influence of the ESG rating increase on the enterprise value by calculating the value of TobinQ in the past five years. The research results show that the short-term abnormal yield rate is positive, and it also has a positive impact on its corporate value.

Keywords: ESG rating, Enterprise value, PROYA.

1. Research Background

The party's 20th Congress clearly proposed that high-quality development is the top priority of building a modern socialist country in an all-round way, and to ensure the sustainable development of social economy with a green and low-carbon development mode. With the steady growth of the economy and the national policy, the market of listed companies in the financial indicators attention gradually increased, in order to better measure the sustainable development ability of enterprises, ESG concept gradually into the public view, the so-called ESG is refers to the enterprise in environmental protection, social responsibility and corporate governance three aspects of specific performance, and through the practice of the enterprise to ESG performance.

In 2018, MSCI, A famous American index company, included Chinese A shares in ESG rating, which made the concept of ESG become A hot topic in the investment market. Both investors and enterprises realize that good ESG performance is crucial to the development of enterprises. Therefore, so the impact of their performance in ESG on their future development has become more and more obvious.

Since 2020, MSCI has included PROYA Cosmetics Co., Ltd. (hereinafter referred to as "PROYA") in the ESG rating system and given the CCC rating, the lowest rating in the MSCI rating system, which has lasted two years. Through the continuous efforts of pearl, finally on October 26, 2022, pearl won the MSCI ESG rating upgrade, the rating adjustment will pearl ESG rating upgraded to BBB, this move is MSCI of pearl ESG performance improve high recognition, also make pearl into the MSCI rating system in the only A consumer rating A jump three listed companies. This paper will conduct a study on the MSCI upgrade event, focusing on the impact of the ESG upgrade on PROYA's share price and the impact of the upgrade on corporate value for the year.

2. Research Status

The research on ESG at home and abroad is not synchronized, while the foreign ESG research started earlier,

the research topics are broader, and the research methods are more in-depth and diverse. In China, the theoretical analysis and empirical research of ESG are slightly lagging behind[1].

In recent years, the influence of ESG rating performance on enterprise value is gradually increased, and most of the research results show that ESG rating performance has a positive impact on enterprise value. Wang Linlin et al. (2022) used Tobin Q value to evaluate enterprise value in the study, and discussed the influence mechanism of ESG rating performance on enterprise value based on the data of A-share listed companies. The empirical research results show that good ESG performance helps to ease the financing constraints of enterprises, improve their operating efficiency and reduce financial risks, thus increasing the value of enterprises.[2]. Bai Xiong et al. (2022) showed the enterprise value with the logarithm of the panel regression model and panel Logit model, the study found that the shareholding intention of institutional investors is affected by the performance of enterprise ESG, the better the enterprise ESG performance, the more can win the favor of institutional investors, so that the enterprise can obtain higher enterprise value.[3]. Qi Paulei et al. (2023) used the fitting coefficient of capital asset pricing model to show the synchronization of enterprise stock price. Empirical research shows that good ESG performance can reduce the noise in the market and improve the synchronization of stock price, and this phenomenon is more obvious among enterprises and non-state-owned enterprises with low media attention[4]. In addition, Zhang Lin (2019)[5], Xue Tianhang (2022)[6] And Xu Guanghua (2022)[7] The research of other scholars also shows that ESG rating has a positive effect on enterprise value in terms of enterprise innovation performance and the improvement of enterprise heterogeneous enterprise profitability.

At the same time, some scholars' research results show that the enterprise ESG practice and other aspects show incomplete positive changes with the enterprise value. Yi Ling snow (2022) with topin Q value enterprise value, and according to the content analysis of enterprise ESG practice project, empirical research shows that ESG practice has significant negative effect on the current value, but with the deepening of ESG practice and practice value effect, ESG

practice of enterprise competitiveness and enterprise risk reduce the effect gradually become positive[8]. Wang rong (2022) studied the relationship between ESG information disclosure behavior and enterprise value, the study found that ESG rating and Tobin Q value is "U" type relationship, when the enterprise ESG rating is too low, even if the rating has a small rise, enterprise value will fall, and when the enterprise ESG score above the critical point of 6.358, ESG information disclosure to improve the enterprise value has a positive effect[9].

To sum up, the current studies mostly reflect the enterprise value level through the Q value of Tobin. The research field mainly focuses on the overall research on all listed companies, while there are relatively few case studies on specific events. Therefore, this paper focuses on the impact of specific events and ESG performance of enterprises on enterprise value, deeply explores the correlation between ESG factors and enterprise value in specific situations to promote enterprise ESG performance, and provides accurate and practical reference for their stakeholders to make decisions.

3. Introduction of ESG

3.1. MSCI ESG rating performance for Home and Personal Goods industry

As of March 2023, a total of 31 listed companies were included in the MSCI Home furnishing and Personal Goods industry (HOUSEHOLD & PERSONAL RODUCTS), of which 13% were AAA rating, 19% AA, 13% A rating, 13% BBB and 16% BB respectively. Since October 2022, MSCI has upgraded the ESG rating to BBB to the market average.

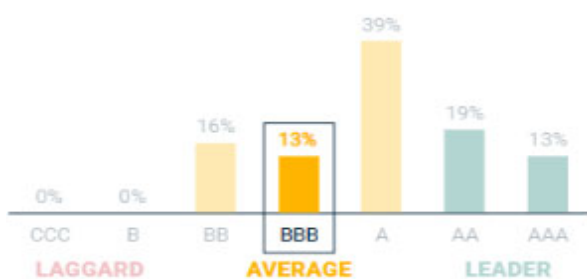


Figure 1. MSCI Home furnishing and Personal Goods industry rating performance

Throughout the domestic consumer goods industry, the consumer goods market has shifted from emphasizing consumerism to emphasizing social responsibility, and no longer blindly pursuing high growth to emphasizing sustainable development. The consumption concept of consumers has an important impact on the development of the cosmetics industry. With the increasing attention of consumers to the concept of green consumption, the construction of ESG in the cosmetics industry is imminent.

3.2. PROYA ESG management

The business of PROYA Cosmetics Co., Ltd. focuses on cosmetics products. The main business is the research and development, production and sales of cosmetics products. The company has a number of cosmetics brands, including PROYA, TIMAGE, HAPSODE, UZERO, INBAHA, YOYA and Off & Relax.

From 2020, PROYA will release a sustainability report,

covering the company's economic, social and environmental contributions. In the year of the report, the company was included in the ESG of MSCI rating and was given the lowest rating (CCC grade).

In 2021, the company set up an ESG organizational structure covering the whole company led by the board of directors. The strategy Committee of the company leads the overall situation and formulates relevant strategic plans. The subordinate ESG management Committee is responsible for the specific management of ESG major projects and related effectiveness assessment, and regularly reports to the board of directors.

In 2022, the company formulated the first sustainable development strategic plan, "Sustainable Development Strategic Plan of PROYA Cosmetics, LTD. (2022-2025)", to help the "two-carbon" goal and contribute to the joint construction of the United States earth. At the same time, the organization department of the company formulated the 2022-2025 sustainable action plan to provide suggestions and actions for the realization of the sustainable development goals of Peraia.

In July 2022, PROYA released the first ESG specification, which includes products, environmental packaging and waste management specifications. MSCI then jumped its ESG rating three times, from CCC to BBB, fully affirming PROYA's efforts in ESG.

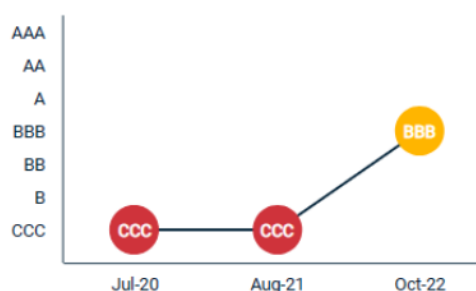


Figure 2. 2020-2022 Peraia MSCI Ratings Performance

3.3. Development status of PROYA ESG

3.3.1. Environmental status of PROYA

In terms of water resources use, in 2022, PROYA established a water saving management leading group in Huzhou skin care Factory. The water saving management leading group will coordinate the water saving management, establish the water saving assessment and reward mechanism, improve the water metering system, standardize the water use behavior, and promote the continuous improvement of water resources utilization efficiency.

In terms of energy management, PROYA has formulated energy management systems such as "Power Saving Management System" and "Natural Gas Leak Emergency Plan", and continuously improved energy use efficiency and optimized the energy use structure. In 2022, the company's energy consumption of 10,000 yuan of revenue is 32.65, KWH, down 18.20% compared with 2021.

In terms of green packaging, PROYA set up a green packaging group to further expand the application scope and scale of green packaging in the company, and explore more green packaging solutions based on the existing practice, to build a comprehensive and perfect green packaging management system.

PROYA attaches great importance to tackling climate change and includes it in one of the company's ESG

management issues. The Board of Directors is responsible for overseeing and managing the company's ESG issues, including climate change issues, and the relevant functions and business departments also focus climate change management on a day-to-day basis. Every year, the company will count and quantitatively disclose the data related to climate change, such as greenhouse gas emissions, and reasonably evaluate the company's performance and management level in response to climate change.

3.3.2. Current situation of social responsibility of PROYA

In terms of product and customer responsibility, pearl elegant force through innovation research and development to build and maintain its core competitiveness, pearl, always adhering to the "consumer-centered" concept, the consumer demand at the core of product research and development, with the help of skin science research basis, pearl, deep understanding of consumer demand, through the depth of technology and demand fusion, production highly fit product of consumer demand. In order to maintain its leadership in technological innovation, PROYA has 229 researchers as of 2022. In the field of science and technological innovation has made remarkable achievements, the company has obtained 15 authorized invention patents, and successfully developed many exclusive raw materials, such as ultramolecular A alcohol, multiple molecular nail, package with quercetin, sugar, anti black lipid, Microbe Defender, etc., the birth of these innovations, not only brought competitive advantage for the company, also promoted the pearl elegant product line expansion and diversification. Through continuous technological innovation and high-quality research and development work, PROYA has successfully launched 75 new products. The launch of these new products not only meets the changing needs of consumers, but also enhances the influence and competitiveness of the Pearl Ya brand in the market.

Chemical safety, pearl, strictly abide by the requirements of the relevant laws and regulations, do not use any banned ingredients, including but not limited to the catalog of cosmetics banned plant (dynamic) cosmetic raw material target in more than 2000 kinds of banned ingredients, such as hydroquinone, phenol, retinoic acid (retinic acid) and salt, corticosteroids, antibiotics, etc.

In terms of consumer services and rights protection, PROYA always puts the interests of consumers first, and is not only committed to providing high-quality products and services, but also actively protects the rights and interests of consumers. Through the establishment of smooth online and offline consumer service channels, regular staff training, and consumer satisfaction survey, PROYA provides consumers with a full range of services and guarantee. Consumers can rest assured to buy the products and enjoy high-quality pre-sale consultation, in-sale service and after-sales support to ensure that their consumption experience is consistently satisfactory.

In terms of supply chain responsibility, The company has established a series of management documents, including Supplier Management System and New Supplier Development Management System for Production Materials, to standardize all links of the supply chain. In addition to the strict inspection and selection of suppliers in the access link, PROYA will also regularly assess and evaluate the suppliers in cooperation with the company. In addition, the company also pays attention to the supervision and review work in the

supply chain management to ensure the transparency and responsibility of the supply chain. At the same time, it has set the sustainable transformation goal of the whole value chain for 2025, aiming to improve the sustainable attribute of the whole value chain.

In terms of employee responsibility, PROYA is not only limited to the compliance employment of employees, but also attaches importance to the welfare protection of employees on the basis of the compliance employment of employees, and formulates and strictly implements the Welfare Management Measures. In addition to welfare security, PROYA attaches great importance to the occupational health security of employees and has set occupational health management goals. In order to ensure the implementation of these goals, the company has also formulated and strictly implemented the relevant employee health management system to manage and monitor the occupational health situation of employees. The Company actively evaluates and identifies the possible risk of occupational diseases in the workplace, and takes appropriate preventive and control measures to ensure the health of its employees.

Social responsibility, pearl, uphold the "beautiful forever, sharing good" corporate mission, advocating "beauty" social values, focus on key issues in social life, relying on the brand influence and professional ability, issued initiative, into action, by 2022, the company's social advocacy activities have directly benefit 430000 people, and provides indirect benefit for 119 million people.

In terms of investor relations, PROYA attaches great importance to it and strictly complies with regulatory requirements to ensure the accurate and timely performance of information disclosure obligations. Voluntary ESG information disclosure through environmental, social and Corporate Governance (ESG) reports, and hiring external professional organizations to conduct ESG training to relevant departments of the company to enhance the internal understanding of ESG.

3.3.3. Corporate governance status of PROYA

In terms of compliance operation, the company has set up a multi-level supervision and reporting mechanism, and set up various compliance reporting channels, including the internal Employee Supervision and Reporting Management System, the external reporting hotline and reporting mailbox. At the same time, the company and the Legal Department carried out legal compliance practice training activities for employees, including 3 off-site expert training and 4 internal legal training, covering 272 person-times, totaling 555.5 hours, further integrating the rule of law through the enterprise management, and promoting the enterprise compliance management philosophy of "promoting management by law and creating efficiency through management".

In terms of corruption and business ethics, PROYA has implemented the "PROYA 32" for its employees and signed the "Integrity and Self-discipline Commitment" with its employees to strengthen their awareness of "honesty, integrity, integrity and trustworthiness". In supplier procurement and brand cooperation, the company requires all raw materials and packaging materials suppliers to sign the business standards pledge, brand promotion partners need to sign the clean cooperation agreement, strictly follow the principle of corruption and bribery, and in the procurement contract clear definition of commercial bribery and illegal punishment regulations.

In terms of intellectual property protection, in 2022, the company established IP (Intellectual Property, intellectual property) management system to strengthen the company's intellectual property protection in terms of IP layout and management, risk warning and control, process system construction, professional personnel training, information tool construction, etc. At the same time, the company has added new management systems such as Compliance Guidelines on the Use of Software, Compliance Guidelines for the Use of Font and Compliance Guidelines for the Use of Pictures to standardize the compliance use of software, fonts, pictures and other aspects of various business departments and eliminate the potential risk of intellectual property infringement.

4. The Impact of The Value of The ESG Upgrade on Corporate Value

4.1. Market reaction analysis after the ESG rating upgrade

This paper uses the event study method to study the abnormal market yield rate in the window period of the event date and no major event occurred to BBB, in order to observe the market response caused by the event. In response to this event, this article takes the event date as the event date, that is, October 26,2022, and sets the date to the basis point 0. The event date and 15 working days after the event as the event

window period. The 200 working days before the event window period, from December 3,2021 to December 27,2022, are taken as the event estimation period, when the annual report on April 22 is excluded.

Moreover, this paper selects the most commonly applied market model to estimate the normal yield rate to R_{it} Represents the value of the PROYA yield at day t, to R_{mt} Represents the value of the market yield on day t. In view of the listing of PROYA on the Shanghai Stock Exchange, in order to make better use of market trends to measure the relative performance of PROYA on specific dates, this paper selects the daily return rate of the Shanghai Composite Index in the event window and estimated period to represent the market return rate. The calculation model is shown in Equation 4-1:

$$R_{it} = \alpha + \beta R_{mt} + \epsilon \text{ (Formula 4-1)}$$

Where, α and β are the regression coefficient of the formula, and ϵ is the error residual term. During the estimated period [200, -15], linear regression is Excel, the regression coefficient α and β can be obtained, and then the regression function is established as shown in Equation 4-2:

$$R_{it} = 0.9059R_{mt} + 0.0012 \text{ (Formula 4-2)}$$

The fitting results are shown in Figure 3:

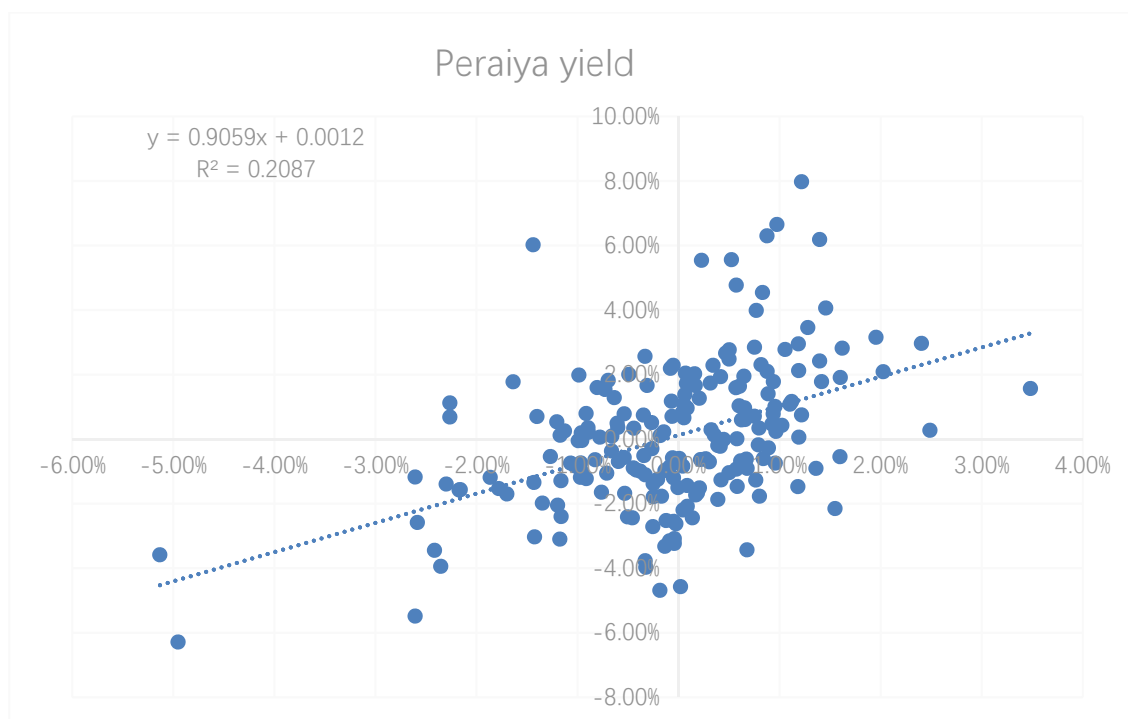


Figure 3. Event day function fitting Fig

Next, according to the regression function obtained from the fitting and the market return rate of the Shanghai Composite Index in the window period, the expected market return rate R of Pelaya in the window period is calculated. This indicator indicates the market return that PROYA is expected to receive during the event estimation period. Subsequently, by equations 4-3 and 4-4, equations 4-3 and 4-4 R_{it} And the cumulative abnormal yield rate of $CAR(t1,t2)$, To help assess the relative performance of PROYA and its accumulated earnings during the window period.

$$AR_{it} = R_{it} - R_{it}' \text{ (Formula 4-3)}$$

$$CAR(t1,t2) = \sum_{t=t1}^{t2} AR_{it} \text{ (Formula 4-4)}$$

R_{it} : Actual rate of return of PROYA during the event window, $CAR(t1, t2)$: the sum of abnormal rate of return from $t1$ to $t2$.

The calculation results are shown in Table 1:

Table 1. Data chart of various indicators in the window period of PROYA event

| time point (t) | effective yield (R_{it}) | expected yield (R_{it}^e) | Abnormal yield (AR_{it}) | Cumulative abnormal return rate ($CAR_{(t1,t2)}$) |
|----------------|------------------------------|-------------------------------|------------------------------|---|
| -15 | 0.50% | -1.31% | 1.81% | 1.81% |
| -14 | 1.30% | 0.00% | 1.30% | 3.10% |
| -13 | -0.35% | -0.38% | 0.03% | 3.14% |
| -12 | 3.71% | -1.38% | 5.10% | 8.23% |
| -11 | 0.89% | 0.29% | 0.60% | 8.83% |
| -10 | 0.48% | 1.51% | -1.03% | 7.80% |
| -9 | -0.71% | -0.15% | -0.56% | 7.24% |
| -8 | 1.88% | 1.79% | 0.08% | 7.33% |
| -7 | 1.21% | 0.50% | 0.71% | 8.04% |
| -6 | -2.76% | 0.00% | -2.76% | 5.27% |
| -5 | 0.53% | -0.96% | 1.49% | 6.76% |
| -4 | 0.89% | -0.16% | 1.04% | 7.81% |
| -3 | -1.36% | 0.24% | -1.60% | 6.21% |
| -2 | -6.03% | -1.71% | -4.32% | 1.88% |
| -1 | -0.22% | 0.08% | -0.31% | 1.58% |
| 0 | 8.91% | 0.83% | 8.08% | 9.66% |
| 1 | -6.12% | -0.38% | -5.74% | 3.92% |
| 2 | 1.79% | -1.91% | 3.70% | 7.62% |
| 3 | 0.41% | -0.58% | 0.99% | 8.61% |
| 4 | 2.20% | 2.49% | -0.29% | 8.33% |
| 5 | 3.71% | 1.16% | 2.54% | 10.87% |
| 6 | -2.27% | -0.05% | -2.22% | 8.65% |
| 7 | 1.57% | 2.33% | -0.76% | 7.89% |
| 8 | 0.05% | 0.33% | -0.28% | 7.61% |
| 9 | 0.02% | -0.27% | 0.30% | 7.91% |
| 10 | -1.51% | -0.36% | -1.15% | 6.76% |
| 11 | 0.39% | -0.24% | 0.63% | 7.39% |
| 12 | -1.14% | 1.65% | -2.78% | 4.60% |
| 13 | -4.21% | 0.01% | -4.21% | 0.39% |
| 14 | 3.04% | 1.61% | 1.43% | 1.82% |
| 15 | -0.94% | -0.29% | -0.65% | 1.17% |

According to the above index data chart, the line chart of the abnormal return rate and the cumulative abnormal return

rate during the event window is obtained, as shown in Figure 4:

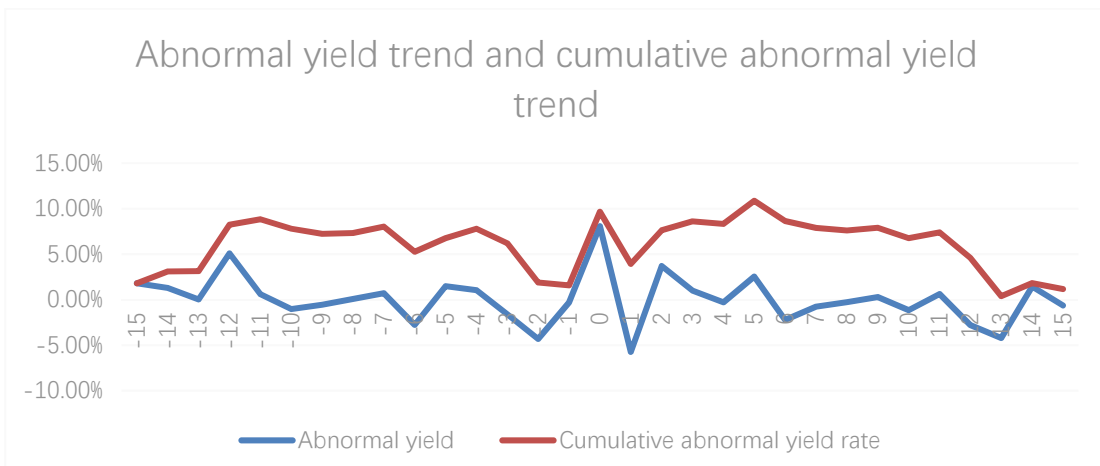


Figure 4. Change of abnormal rate of return and cumulative abnormal rate of return in the window period

As can be observed from Figure 4, Praya showed a very significant positive and abnormal yield change on the day of the event, reaching 8.08%. The day after the upgrade occurred, its abnormal yields fell. However, over the next four consecutive days, the abnormal yield showed a continuous positive change, until the fifth day of the upgrade event, when the cumulative excess yield reached a peak of 10.87%. The data show that investors reacted strongly on the day of the ESG upgrade, showing a strong positive trend. It can be said that in the short term after the ESG rating upgrade event, it

had a positive impact on PROYA's stock price, increasing the short-term market value of PROYA to some extent.

4.2. Analysis of enterprise value changes based on Tobin Q

The valuation level of enterprises in the market is often evaluated by the Tobin Q value, which is a very commonly used indicator. The basic principle is to compare the market value of the company with its replacement cost. When the ratio of the two is greater than 1, the market value of the

company is higher than its replacement cost. that is to say, the market value of the enterprise is overvalued at this time, indicating that market investors have high expectations for the development prospect of the enterprise at this time. When the ratio of the two is equal to 1, the market value of the company and the replacement cost are in equilibrium at this time, and the market value of the enterprise is neither underestimated nor overestimated. When the ratio of the two is less than 1, the company is not favored in the market, and the market value of the company is undervalued. According to the above situation, we can obtain the calculation formula of TobinQ value as follows:

$$\text{TobinQ} = \frac{MV}{RC} \quad (\text{Formula 4-5})$$

MC: Market value of the enterprise; RC: replacement cost of the enterprise.

At present, there are many different views and caliber in the calculation method of enterprise market value in academic circles. This paper draws on Su Qilin for reference [10] And Xia Lijun [11] The calculation method of the scholar. That is, the total number of short-term liabilities and long-term liabilities is used to calculate the market value of debt capital to obtain a relatively accurate and reliable estimation method. Generally speaking, the total market value of equity capital is to multiply the price per share by the number of shares, but

there are still non-tradable shares in China. Therefore, in addition to considering tradable shares, they also need to consider the value of non-tradable shares. However, because the value of non-tradable shares is not listed and circulated and lacks market value, the transfer is often measured by the value of net assets. Therefore, this paper expresses the total market value of equity capital as the product of the net assets and the non-tradable shares of each share and the value of tradable shares.

In addition, due to the enterprise announcement is usually not directly reflect the replacement cost of public data, this paper chooses the enterprise to indirectly represent the total assets of the replacement cost, this is because the total assets are often is closely related to the replacement cost, through the estimation of total assets, can more accurately obtain the replacement cost approximate. Thus, the calculation formula of TobinQ is:

$$\text{Tobin Q} = \frac{(\text{每股价格} \times \text{流通股份数} + \text{每股净资产} \times \text{非流通股份数} + \text{负债账面价值})}{\text{总资产}}$$

According to the above calculation method, by inquiring the public information released by Praya, calculate the TobQ value in recent five years (as shown in Table 2), and observe the change of its indicators (see Figure 5).

Table 2. Q values in 2018-2022

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------|---------------|---------------|----------------|----------------|----------------|
| vendibility | 4440762523.10 | 7425545497.63 | 37881298057.86 | 44396643827.02 | 59810948870.03 |
| total assets | 2860042557.71 | 2454281291.65 | 3636882185.29 | 4633049783.03 | 5778071824.19 |
| Tobin Q value | 1.55 | 3.03 | 10.42 | 9.58 | 10.35 |

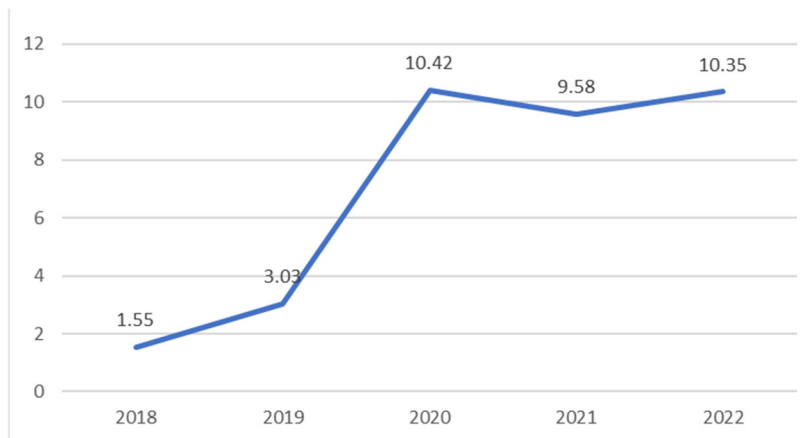


Figure 5. Changes in Tobin Q value in the recent five years

According to Table 2 and Figure 5, it can be observed that the Q value of TobinQ has been above 1 in the past five years, and it is increasing year by year. This trend shows that its value in the market continues to grow. In particular, in 2020, PROYA's TobinQ value tripled to 10.42, exceeding the level of previous years. This growth shows the market's high recognition of PROYA, indicating that its market value in that year is much higher than its replacement cost. At the same time, MSCI in 2020 included PROYA in the ESG rating system, which marks the recognition of PROYA's performance in environmental, social and corporate governance.

However, in 2021, The MSCI rating remained at CCC, the ESG performance was mediocre, and its TobinQ value also decreased. In July 2022, PROYA released the first ESG specification, which reflects the company's commitment to

sustainability, jumping PROYA's MSCI rating from CCC to BBB. In addition, the TobinQ value in 2022 also increased compared with 2021, further proving the market's recognition and optimism for PROYA. This series of changes indicates important progress in PROYA's efforts and development strategies for ESG, and lays the foundation for its continued future growth.

To sum up, from the pearl of the ESG rating upgrade event after abnormal price changes and the perspective of data processing, analysis found that investors for ESG ratings, in the pearl ESG rating upgrade after the excess yield is positive changes, and in the year the pearl of the TobinQ value also rose. This shows that the current market investors do not only focus on the financial indicators of enterprises in the past, and pay more attention to judge the development potential of enterprises through the non-financial situation of the

enterprises. Therefore, this paper believes that the ESG rating upgrade has a positive impact on their corporate value.

5. Conclusion

In recent years, sustainable development has become a hot topic of the market, has become the focus of consumer goods industry, Estee Lauder, SHISEIDO, L'ORÉAL foreign groups are already attention and practice the concept of sustainable development, pearl is China beauty makeup enterprises in the few ESG report to the society and commitment to the future sustainable development strategy of one of the enterprise, for the domestic beauty makeup industry development. This paper analyzes the development status of ESG, and studies the event of MSCI upgraded ESG rating. It is found that the improvement of ESG rating has a positive impact on the stock market price and enterprise value of enterprises in the short term.

The improvement of good ESG ratings for corporate value is determined by many reasons. In recent years, consumers pay more attention to the corporate social responsibility and sustainability, the ESG rating will help prove its commitment to social responsibility, on the one hand, can improve consumer trust and brand loyalty, on the other hand played the role of stimulating consumer interest and curiosity, attract more consumers to try products, to improve sales and market share. In addition, the ESG rating upgrade could encourage PROYA to focus more on environmental and social responsibility, thereby improving resource utilization and reducing related costs, while also demonstrating a focus on long-term sustainability and sound operations.

In order to obtain high ESG rating performance, enterprises need to make efforts in many aspects except for economic benefits to realize the synchronous development of ESG governance and enterprise performance, so that enterprises can enter a virtuous cycle of development. The improvement of environmental benefits is in line with China's development strategy of environmental protection, and the fulfillment of social responsibility can improve the prestige and efficient corporate governance can improve the internal management structure of the company; on the other hand, with the gradual popularization of ESG concept, the external stakeholders have become more sensitive to the change of ESG rating. Investors have begun to value ESG ratings, and they have realized that high ESG ratings are sending a message to investors that companies are in good shape. The reason why investors respond quickly to the company's ESG rating changes is also closely related to the company's long-term investment in ESG. Since 2020, PROYA was included in the MSCI rating, and only received CCC rating. Such rating result enabled PROYA to advance until it became the only Chinese listed company with three grades in 2022. In the

long-term practice, investors have realized that PROYA has implemented long-term investment in ESG, rather than short-term operation. By delivering positive information to investors, enterprises can build a sustainable and eco-friendly corporate reputation and indirectly enhance their corporate value.

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