

# Research on the Legal System of Environmental Credit of Enterprises in China

ErRun Zhao<sup>1,\*</sup>

<sup>1</sup>Department of law, the Beijing University of Civil Engineering and Architecture, China

\*Corresponding author: Zhao ErRun(Email1274146792@qq.com)

## Abstract

Enterprise environmental credit evaluation refers to the evaluation of enterprise environmental behavior according to specific evaluation criteria and procedures, and the integration of environmental credit rating into Social Credit, as the name implies, the environmental behavior of enterprises plays a decisive role in the final evaluation results, and the evaluation of enterprise environmental behavior mainly depends on the environmental protection of enterprises in social production. The current serious environmental pollution, the global climate crisis, is not inexhaustible natural resources and the protection of the natural environment is particularly important. In order to strictly restrict the environmental behavior of enterprises as the main body of market economy and achieve the goal of saving resources and protecting the environment, China has developed the enterprise environmental credit evaluation system. The first part of the paper introduces the background and significance of the research and the status quo of the research at home and abroad The second part introduces the basic theory of the legal system of enterprise environmental credit, and the third part summarizes the defects of China's enterprise environmental credit evaluation system The fourth part puts forward the improvement methods of China's enterprise environmental credit assessment system; the fifth part summarizes the above content.

## Keywords

Corporate environmental credit; Legal system; Evaluation.

## 1. Introduction

### 1.1. Background and significance of the study

In 1993, the world bank carried out a "Pollution control, equal sharing and rating" plan in Indonesia, which achieved good environmental protection results, it provides a certain foundation for enterprise environmental credit system to become a new direction to solve environmental problems. In 2002, China's Jiangsu Province, as a pilot province, took the lead in the development of enterprise environmental behavior assessment, through a series of economic and information management means to promote enterprise environmental self-discipline. In 2013, the Chinese government issued the "Measures for environmental credit assessment of enterprises (trial implementation)", which set out in detail the process and application of the results of its assessment, subsequently, the environmental credit evaluation system began to be implemented and applied in various localities and fields. China's enterprise environmental credit assessment system is based on the current serious environmental pollution, ecological resources continue to be destroyed on the basis of the enterprise is the main social and economic development and market transactions, play an important role in the process of environmental protection, the use of resources, waste disposal and other improper treatment of environmental resources will cause pollution and waste.

The research on the legal system of enterprise environmental credit evaluation, on the one hand, is to constantly improve the system to better guide the local practical work, on the other hand, to guide enterprises to carry out reasonable social production and trade, to restrict the environmental pollution problems caused by the bad environmental behavior of enterprises. Simply punishing companies does not make them aware of the dangers of their actions, even if they are not allowed to act, in the face of huge interests still laissez-faire attitude to bad behavior. How to make enterprises realize the importance of environmental protection and fulfill the relevant obligations of environmental law is an important reason for enterprises to link their environmental behavior with their Social Credit. Credit is the cornerstone of social development, a person without credit is difficult to have good communication in society, and a company without credit is more difficult to survive in the fierce social market competition. In addition, in the face of the serious environmental pollution in today's world and the endless waste of resources, leading to global warming, resources are facing depletion, endangering human health, enterprises as an important component of social activities, the impact of its behavior on the environment is immeasurable, so strictly restricting the bad environmental behavior of enterprises is an important basis for building a harmonious society and a healthy living environment, the continuous improvement of enterprise environmental credit evaluation system is of great significance for the correct guidance of enterprise environmental behavior.

## 1.2. Current status of research at home and abroad

Corporate environmental credit is a unique legal system in China, and there is no relevant theoretical research abroad. At present, the research direction of enterprise environmental credit in China mainly focuses on the following aspects:

Research on the concept of environmental credit. The first is the understanding of "Social Credit". Fu Weigang (2016) believes that social credit mainly refers to financial credit, that is, a person or an institution can first obtain money or goods, and then pay the limit. Lu daifu and Liu Yunliang (2018) argue that Social Credit system is public, and its information includes public and market credit information. Gu Minkang (2020) believes that social credit is relative to economic credit, and Social Credit information includes public credit information and market credit information. Shen (2019) believes that the construction of Social Credit system, as a kind of institutional credit, is intended to cover the field of "Government-market-society-justice" in an all-round way.

Research on the legal system construction of enterprise environmental credit. On the improvement of the legal system of enterprise environmental credit. Yang Xing and Wu Guoping (2010) believe that the legal system of environmental protection credit in our country should establish the system of Environmental Protection Credit Information Disclosure, Enterprise Environmental Protection Credit Grade Early Warning and assessment, environmental protection credit relief system and so on. Cui Kai (2019) thinks that the environmental credit relief system should be designed as the basic system of Social Credit.

To sum up, the author believes that the theoretical research on enterprise environmental credit assessment is still relatively weak.

## 2. The Basic Theory of Enterprise Environmental Credit Legal System

### 2.1. The concept of enterprise environmental credit

Environmental credit of the enterprise refers to the environmental executive branch of the ecological environment and the organizations with public management functions as stipulated by their laws and regulations, an environmental regulatory instrument that collects records,

classifies evaluations, shares information publicly, and works through classification and rewards and penalties.

Enterprise environmental credit is based on the understanding and application of public credit. Public Credit refers to the administrative subjects through recording, evaluation, disclosure and use of citizens, legal persons or other organizations of public credit information to achieve governance means. In other words, public credit is not the regulation of the credit relationship produced by the market subject in the process of economic (commercial, financial) transactions, but it is based on the accumulation of the regulated subject's daily performance of the file information to take targeted regulatory measures. The regulatory measures involved in areas such as safety in production, product quality, environmental protection, food safety.

## **2.2. The concept of enterprise environmental credit evaluation system**

The<Measures for environmental credit assessment of enterprises (for trial implementation)>defines environmental credit assessment of enterprises as: Environmental Protection Departments, in accordance with the information on environmental behavior of enterprises, and in accordance with the prescribed indicators, methods and procedures, environmental Management Tools for public supervision and application by relevant departments, institutions and organizations.

Enterprise environmental credit evaluation in the same area according to the same indicators, procedures for enterprise environmental behavior credit rating, to enable enterprises with good credit to receive full support in terms of credit, special funds, priority evaluation, etc. , while enterprises with bad credit not only restrict financial assistance, and in the administrative permission, the qualification appraisal and so on are "Grounded". This will not only help to improve the environmental protection awareness of enterprises, consciously fulfill the social responsibility of environmental protection, but also help to improve the competitiveness of enterprises in the market by establishing a good image of integrity.

Enterprises are the main participants in the development of environmental protection and environmental credit system, so the development of enterprise environmental credit system can better reflect that environmental credit is an important component of social credit system, it will also become a powerful hand to enhance the effectiveness of environmental governance.

## **3. Defects of China's Enterprise Environmental Credit Assessment System**

The<Measures on environmental credit assessment for enterprises (for trial implementation)> promulgated by China stipulates the subjects, indicators, methods and procedures for environmental assessment, to evaluate the actual compliance of enterprises with laws and regulations and their social responsibility for environmental protection, determine their credit rating and make it open to the public for public supervision and application by relevant departments, financial institutions and other institutions. Based on the contents of this paper and the development of enterprise environmental credit evaluation, the author analyzes the subject and scope of the evaluation.

### **3.1. The evaluation subject is single and the ability is backward**

The main body of evaluation refers to the enterprise environmental credit evaluation system in our country according to the relevant legal provisions, in accordance with the evaluation standards of enterprise environmental behavior in a period of time to make a credit evaluation, and the evaluation results will be open to the public with legal obligations to perform the evaluation function of the department. At present, the main body of environmental credit evaluation in our country is the evaluation system which takes the environmental protection department as the core and other main bodies as the supplement. In this paper, involved in the

evaluation of the main body, including government departments, independent third-party evaluation agencies and financial institutions and other subjects, the former two-oriented.

At present, in China's provinces of environmental credit assessment of enterprises, mainly by the government-led. Local environmental protection departments, in accordance with the relevant laws and regulations of the state, formulate local documents, regulations and implementation rules to assess the environmental behavior of enterprises, draw conclusions on the environmental credit assessment of enterprises and track the application of the assessment results. This causes our country enterprise environment management pattern to have the very strong administrative color all the time. Taking Anhui province as an example, the work of environmental credit assessment for enterprises consists of a total of seven stages, including the issuance of plans, self-examination reports, preliminary examination of results, reexamination of results, publication of results, determination of results, and release of information, only the "Self-examination report" is a self-examination and up-reporting process carried out by enterprises in accordance with the notice of the regional and municipal environmental protection bureaus. The other provincial environmental protection departments are responsible. From the perspective of environmental value theory, the receiver (public) directly affected by environmental pollution has been in a passive and neglected position in such a mode of environmental management.

At the same time, this kind of enterprise environmental credit evaluation model also aggravates the task of government departments. The assessment of enterprise environmental credit involves various fields. The government can not and can not master the professional knowledge in different fields to assess the enterprise environmental work of different nature one by one, therefore, it makes the most concrete and true evaluation conclusion according to each enterprise's environmental protection credit behavior and the situation. Moreover, the Environmental Protection Department of a district and a city carries out data collection, research and comparison on the environmental behavior of hundreds of different enterprises at different levels and progress.

To sum up, the evaluation mode of enterprise environmental credit led by government department is single and backward.

### **3.2. The application of ratings is small**

Specifically, environmental information disclosure and sharing restrictions are serious. First, the coverage of environmental information disclosure is narrow. In our country, the principle of combination of compulsory and voluntary disclosure of environmental information of enterprises is carried out, and the subject of compulsory disclosure of environmental information is limited to key polluting enterprises such as state-controlled and provincial-controlled enterprises, for other enterprises generally adopt the principle of voluntary disclosure, which makes a large number of enterprises do not enter the scope of the information base, the information base is also difficult to cover all types of market operators. Second, the lack of an effective monitoring mechanism. The government is the main body of environmental information disclosure, and most of the information of environmental credit is in the hands of the government and relevant departments, the government and relevant departments have absolute say over the timing, scope and extent of the release of environmental protection information, but the government is also an economic person in a sense, and also has self-interest, therefore, it lacks the intrinsic motivation to publish the environmental credit information in detail, especially the information which may bring the negative influence to the government image. It is difficult for the dishonest behavior of enterprises to become public information, which makes the probability of dishonest enterprises to be dishonest again greatly increased.

## 4. China's Enterprise Environmental Credit Assessment System to Improve The Methods

### 4.1. Third-party credit evaluation services to improve

Based on the development of the third party evaluation agencies in our country, the author believes that the government's support and guidance are still needed to make them fully developed, these include: (1) as soon as possible to formulate and issue relevant documents to determine the legal rights and obligations of third-party evaluation services, (2) the third party evaluation organization should undertake the responsibility of environmental credit evaluation on the premise of complying with the laws and regulations. The third party credit rating agencies should be supervised and supervised by the government while the third party credit rating agencies should be guided and safeguarded by the government. The institution shall strictly select staff members and establish staff files. In the evaluation work, there shall be no falsification or divulging of work information.

### 4.2. Promote commercial banks to participate in corporate environmental credit assessment

The author believes that the reason for promoting commercial banks to participate in enterprise environmental credit evaluation is that one of the main characteristics of enterprise environmental credit regulation is the diversity of participants, the commercial bank is an indispensable core subject to participate in the enterprise environmental credit regulation. However, in the context of the transformation of environmental governance model, there is a lag in the legislation of environmental credit regulation for enterprises in China, and there is a lack of explicit provisions on the legal liability of commercial banks to participate in environmental credit regulation for enterprises, moreover, the legal accountability mechanism has not been established, and the relevant legal provisions and provisions are not clear enough, which restricts the implementation and promotion of enterprise environmental credit regulation. In order to promote the development of enterprise environmental credit evaluation system, it is necessary to clarify the legal responsibility of commercial banks participating in the regulation of enterprise environmental credit, and establish a perfect legal accountability system, a complete legal liability system should be established to ensure the effective operation of the environmental credit regulation mechanism.

## 5. Conclusion

With the development of enterprise environmental credit evaluation system, it is necessary to define the concept of enterprise environmental credit and enterprise environmental credit evaluation system. It is very helpful to clarify the defects of China's enterprise environmental credit assessment system and to promote China's enterprise environmental credit assessment system. It is an important way to perfect China's enterprise environmental credit assessment system to perfect the third-party credit assessment service institutions and promote commercial banks to participate in enterprise environmental credit assessment.

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