

Discussion on Text Narrative Features of Corporate ESG Disclosure in the Context of Sustainability Report Development

Ziyi Zhao

School of business, Monash uni, Melbourne, VIC 3145, Australia

Abstract

The development of the world's sustainable disclosure system is promoting changes in corporate ESG reporting. In June 2023, the International Sustainability Standards Board issued the two core standards IFRS S1 and IFRS S2; in April 2024, the three main stock exchanges in the Chinese mainland released guidelines for sustainable development reporting of listed companies that are in good alignment with the ISSB Standards. ESG disclosure has moved from voluntary choice to institutionalised regulation. Based on the key nodes of the sustainable reporting system, this paper studies the text practice of ESG disclosure from three aspects: narrative framework, narrative strategy and narrative function. Based on the above results, institutional regulations lead to the convergence of narrative frameworks, but enterprises still achieve differentiation through tone adjustment, readability modification and rhetorical selection within the same framework. At the same time, the function of ESG reports is changing from single-information disclosure to a multi-faceted response of compliance, value communication and impression management. This paper will also investigate the mechanism of influence for regulatory pressure, corporate ESG performance and third-party verification, and believes that the tension between narrative convergence and strategy differentiation is the key to understanding the current features of ESG disclosure texts.

Keywords

Sustainable Development Report, ESG Disclosure, Text Narrative, Impression Management, Institutional Convergence.

1. Introduction

The Dissemination of Non-Financial Information by Enterprises is Changing. In June 2023, the International Sustainability Standards Board (ISSB) released IFRS S1 and IFRS S2 to develop a unified system of sustainable information disclosure around the world. Domestic institutional construction has also accelerated. On April 12, 2024, the three main stock exchanges, under the leadership of the China Securities Regulatory Commission (CSRC), issued guidelines for listed companies' sustainable development reports and established a disclosure system covering 21 issues in the three areas of environment, society and governance for the A-share market. According to the regulations, some of the listed companies are required to submit the first disclosure of their 2025 sustainability reports by April 30, 2026. According to a report by Economic Information Daily in May 2026, as of April 2026, 2,720 A-share listed companies had published their 2025 sustainability reports, and the disclosure rate was 49%. In 2024, there were 1,869 such cases and the rate had risen to 34.7% over the past two years [1].

With an expansion in the scope of disclosure, a new problem has emerged: ESG reports are no longer just collections of data but well-organised narrative documents. The authors present the company's own position, actions and achievements for the stakeholders in the chapter arrangement, wording and rhetoric. ESG reports serve as compliance documents and narrative works. Most existing research focuses on quantitative indicators and disclosure ratios, but has

not systematically explored the narrative text approach. How Do the Systems Influence Narrative Selection? How do enterprises use text strategies to achieve all sorts of expressions in response to uniform norms? Why are the strategies not the same? The above questions aim to evaluate the quality of information disclosure and, at the same time, to learn more about the operating effect of the sustainable reporting system [2].

Based on the above, this paper will take a narrative approach to study the textual features and generation mechanisms of enterprise ESG information disclosure under institutional changes. First, this paper introduces the development of the system; next, it explores the necessary attributes of ESG reports from the perspectives of narrative structure, narrative techniques and narrative purposes; then, it investigates the main factors affecting these attributes; finally, it puts forward some practical suggestions.

2. The Evolution of Sustainable Information Disclosure System and the New Context of Textual Narration

The analysis of the narrative features in enterprise ESG report disclosures should be based on the institutional environment as the analytical foundation [3]. In recent years, the world's sustainable information disclosure rules have moved from voluntary and decentralized to unified and mandatory, directly changing the production mode of enterprise ESG reports.

In June 2023, the ISSB issued two benchmark documents at the international level [4]. IFRS S1 focuses on the effect of sustainability-related risks and opportunities on the future development of a company, and IFRS S2 specifically addresses climate risks. In December 2025, the ISSB issued supplementary revisions to the latter and clarified the scope of disclosure for Scope 3 Category 15 greenhouse gas emissions [5]. A typical feature of these standards is that a large number of the disclosure requirements need to be presented in narrative form, and the enterprise should describe its governance structure, strategic development process and risk management system. Both the ISSB Standards and the European Sustainability Reporting Standards (ESRS) have a large number of disclosure requirements in narrative form for text. Progress has been made at home recently as well. In April 2024, the nine guidelines for improving listed companies' sustainable information disclosure system were added to the national-level policy documents [6]. On April 12 of the same year, the three main stock exchanges issued guidelines for listed companies' sustainable development reports [7]. In January 2025, the first batch of Compilation Guidelines was issued, consisting of two parts: "General Requirements and Disclosure Framework" and "Responding to Climate Change" [7]; in September 2025, guidelines on the three issues of "Pollutant Emissions", "Energy Utilization" and "Water Resource Utilization" were released for public comment. The dual-layer institutional system has been established to some extent, and the guidelines serve as the mandatory foundation and the compilation guidelines provide operational references.

These institutional changes have altered the form of production for ESG report text [8]. The four components of the structure are used to organise the chapters and content of this system. The compilation rules specify how to identify risks, what data standards and disclosure norms to use for all subjects in the content. The enterprise's freedom of choice for the topic and expression is reduced. The number of participating enterprises in the main body of mandatory disclosure has increased from 1,869 in 2024 to 2,720 in 2025, and both the scale and professionalism of text production have also risen. The system will provide a format norm and restrict the choice of narrative mode. It is precisely because of this institutional intervention that the first change in the structural form of ESG reports has occurred.

3. The Structural Convergence Feature of ESG Information Disclosure Narrative

The first type of institutional convergence is a single system of narratives. With the implementation of ISSB Standards, ESRS and the guidelines for listed companies' sustainable development reports, the differences in the macro organizational form of ESG reports among enterprises are rapidly decreasing [9]. According to a report by China Securities Journal on May 11, 2026, a total of 427 A-share companies were required to issue mandatory ESG disclosures in 2025, and all of them reported that they had adopted the guidelines issued by the stock exchange in their reports [10]. It can be seen that the disclosure system built by the stock exchanges now serves as the foundation for A-share companies' ESG report preparation. Based on the actual disclosure conditions, Bi Xiaoying, the first-level inspector of the listed company department at the Shanghai Stock Exchange, reported at the 2025 Global Leaders of Sustainability Conference that among the companies that have released reports, 67.3% have established governance structures, 63.9% have disclosed strategic information, and 44.0% have formulated and disclosed quantitative sustainable goals. Standardisation of the narrative structure is now one of the indicators used to assess the quality of the reports [11].

Convergence is not merely a type of imitation; it also indicates the formation of institutional logic in the production of the text at a deeper level. Regulatory rules specify what information needs to be disclosed and how to present it, so the scope of autonomy for report writers has shrunk. The disclosure ecosystem of A-share has moved from "enterprise self-explanation" to the stage of "disclosing in accordance with regulatory requirements". During the voluntary disclosure period, the form of corporate social responsibility reports was not uniform; some were organised by social responsibility themes, some followed the thread of stakeholders, and some directly adopted GRI standards but made different selections. After applying the four-factor model, the ESG reports have taken a relatively uniform "narrative form". A suitable report should present the governance system, corresponding strategies, risk- and opportunity-handling processes, as well as the relevant objectives and indicators in that order.

There are both the merits and the deficiencies of structural convergence. It can be seen that the comparability of data has been improved; investors can find similar information in the same part of different companies' reports, reducing the cost of retrieval and the difficulty of cross-company comparison [12]. The problem is that convergence reduces the narrative difference to a problem at the level of language. When all the report frameworks are roughly the same, the only way to differentiate them is by altering words, tone, rhetoric and details. The standardisation of the structure actually makes language strategies more prominent; thus, the discussion of narrative strategy differentiation in the following section will be more meaningful.

4. Strategy Differentiation and Functional Integration of ESG Information Disclosure Narrative

Standardisation of structure increases the demand for language strategies. Although the four-factor theory has offered a structural basis, enterprises can still select different words at the language level to tell their stories. Even if the framework is the same, the expressions in the different ESG reports are still quite different, mainly in terms of tone, readability and rhetoric. Zhang Xiumin and others (2019) conducted research in the field of accounting in "Accounting Research" to find that the intensity of an optimistic tone and the overall tone are negatively correlated with the level of corporate social responsibility (CSR) implementation; however, certainty tone was positively correlated [13]. In other words, companies with good ESG performance are more likely to use specific language to present facts, and those with poor performance are more likely to use overly positive language.

Du Toit and Esterhuyse (2023) took a sample of 50 sustainable development reports from South African mining companies between 2016 and 2019 and used a computer-assisted narrative analysis tool to find that the readability of the reports was generally low, and optimism and commonality were the most frequently used tones [14]. Readability can be regarded as a measure of the quality of information disclosure and may also serve as an impression-management device for management. Complex sentence structures and an abundance of technical terms are not always required for precise expression; sometimes, they are employed to make the content more difficult to understand and reduce the need for external verification.

In terms of rhetorical strategies, Hu Kaibao and Sheng Dandan (2020), based on Fairclough's critical discourse analysis theory and using the corpus method, analyzed the language features of the English translation of Huawei's "Sustainable Development Report" and the corporate image it shaped from the perspectives of frequent words, key words, and modal verbs' application. The reasons for these language features include the environment policy, industry ecology and norms of discourse practice [15].

The division of narrative strategies is also in line with the trend of functional integration of ESG reports. Previously, the only reason for releasing a social responsibility report was to inform the public of non-financial data. As the reports have moved from voluntary to mandatory, their scope of application has expanded at all levels. First, they provide necessary information for investors; the Ministry of Finance's "Corporate Sustainability Disclosure Standards—Basic Standard (Trial)" specifies that this information should be reliable, relevant, comparable, verifiable, understandable and timely [16]. Second, they meet social expectations, and enterprises use narratives to show their behavior in the areas of environment, society and governance to maintain business legitimacy. Third, they serve impression management. Due to pressure from above, managers have changed the way they communicate and now only release some information or speak vaguely. The three factors are in opposition to each other, and thus the styles of ESG reports released by different companies vary accordingly.

5. Key Factors Affecting Narrative Characteristics

The transformation of narrative functions is closely related to the reasons for change. Why do these attributes appear at this time? Why have enterprises started to organise the differentiation of narrative strategies? The Effects of the above factors differ among enterprises. The first is the regulatory Environment. After the disclosure changed from voluntary to mandatory, the attributes of the report text also changed [17]. In the voluntary stage, enterprises independently determined whether to disclose, how detailed and in what style, and in the mandatory stage, the text structure, the scope of issues and the depth of disclosure were all subject to strict constraints. According to the rules, the board of directors will review the report and thus elevate the level of the report from departmental affairs to corporate governance decisions. Continuous follow-up on the compilation guidelines has reduced the flexibility of framework selection further. The two effects of regulatory pressure have been to increase the amount of information disclosed by enterprises and to change both the content and form of this disclosure.

The ESG performance of the company will also be part of the story. The high-performing enterprise has gathered rich data and statistics to support this claim. In the first year of mandatory disclosure, standards and indices for data were standardised to improve the comparability of reports. The more verifiable the indicators, the more reliable the text is. The weak-performing company may be overly optimistic in tone, use vague language, or lack focus to conceal its problems. Zhang Xiumin and others (2019) have also found that there is a correlation between rhetoric and actual results. Therefore, the features of the narrative are an

indirect indicator, and their reliability depends on whether the enterprise considers them supplementary or substitute information.

Third parties will also start to be involved. Add external audits as required by the Rules. This mechanism limits the space for narrative in two ways: enterprises need to provide more verifiable information, and the tone of verified reports is more cautious [18]. As this mechanism changes from promotion to normalisation, its restraining effect on narrative norms will gradually decrease.

Industry features and the ownership structure are also reasons. Environmentally sensitive enterprises focus on physical risks and transition risks; the financial industry focuses on the transparency of carbon footprint in investment and financing; the consumer and technology industries focus on supply chain responsibility and data security governance. Central state-owned enterprises have a relatively high rate of disclosure compared with private enterprises, and those that have obtained foreign ratings often adjust their narrative strategies accordingly.

6. Tension between Narrative Convergence and Strategy Differentiation

The combined force of these factors keeps the narrative of ESG disclosure in a state of conflict between two opposing forces: institutional rules pull it towards a unified system, but enterprises always wish to find their own expression paths within this system. Although they seem to be in opposition, they are actually interdependent and together form the current situation of ESG report narrative practices.

The driving force for convergence comes from the standardized logic of the system [19]. After the ISSB Standards, ESRS and China's guidelines were released, and the four-factor framework spread rapidly. All of the reports had a similar structure; they showed how governance was organised, how the strategy responded, how risks and opportunities were managed, what the goals and indicators were, and the chapter order was almost the same. The first is that the information is repeated in the same chapter, so users do not have to look elsewhere for it, and cross-company comparisons are simple. The reply from the China Securities Regulatory Commission indicated that the guidelines were in good alignment with the ISSB Standards, met the foreign standard of the four-factor framework, and thus "improved the global comparability of data".

Structural Convergence does not necessarily mean content uniformity. Given the fixed framework, what varies among them is the choice of micro-level language: Is the tone firm or weak? Are the sentences simple or complex? Does the problem focus on disclosure or is it mentioned lightly? Some enterprises wish to present the facts in an absolute way, while others leave some room for interpretation; this difference is related to their ESG performance and also to the readers of the report. The edition for overseas investors will meet the requirements of foreign standards, and the one in China may focus more on domestic problems. The Management's Conception of the Reporting Function Also Differs. Some believe it is only to meet the requirements; others hope it will promote the brand.

The boundary of the two forces will not be fixed. With the refinement of compilation rules and the expansion of third-party verification, the space for enterprise freedom of expression has been gradually reduced [20]. The problems of ESG are getting more and more serious, and thus the demand for information from all sides is also rising. The company will issue a new plan.

The conflict between the system and the enterprise is the reason for the change in the narrative of ESG disclosure documents. As the system designers need to decide how much uniformity is necessary and how much differentiation is reasonable, they are constantly making trade-offs in practice.

7. Conclusion

Therefore, the form of ESG report text has been significantly altered by the sustainable reporting system. Given that the ISSB has issued two core guidelines and the three main exchanges in China have released the sustainable development guidelines, ESG disclosure is now a mandatory requirement rather than an option. At this time, the narrative of ESG reports has taken on three characteristics: the four-element framework is widely used, and the narrative structure tends to be standardised; however, despite the appearance of structural convergence, there are still significant differences in the tone, readability and rhetoric of enterprises; at the same time, the functional position is also shifting from information disclosure to an integrated approach of compliance response, value communication and impression management.

Several factors are changing at the same time. Regulatory pressure sets the limits; the ESG performance of the company affects the selection of narrative strategy, and the introduction of third-party verification may play a more significant role in standardising narrative practices. The combined effect of the three forces subjects the narrative of ESG report texts to a dual influence of institutional convergence and strategy differentiation, and the interaction between the two constitutes the core clue for understanding the current characteristics of ESG information texts.

Based on the above analysis, the following practical directions have been proposed. The tables of data in the ESG report are merely the beginning of a story. Only by judging the structure of the report is its quality not determined. Learners should be able to identify the mode of narration, distinguish between actual content and expressions for such content, and be wary of excessively optimistic or vague language. The enterprise's differentiated narratives should be based on actual performance, and rhetoric should not be used to compensate for a lack of substance.

The object of observation in this paper is the A-share market. It has not been determined whether the conclusion applies to other areas at present. As the sustainable reporting system continues to spread and develop, the narrative of ESG disclosure texts will also change, and there are still many problems to be solved.

References

- [1] Cheng, J. (2026, May 18). First year of mandatory sustainability reporting sees notable gains in both quantity and quality. *Economic Information Daily*. <http://jjckb.xinhuanet.com/20260518/6e8e3998ad1e4a509b2cf38fb087ace5/c.html>
- [2] Del Gesso, C., & Lodhi, R. N. (2025). Theories underlying environmental, social and governance (ESG) disclosure: A systematic review of accounting studies. *Journal of Accounting Literature*, 47(2), 433–461. <https://doi.org/10.1108/JAL-08-2023-0143>
- [3] Wukich, J. J., Neuman, E. L., & Fogarty, T. J. (2024). Show me? Inspire me? Make me? An institutional theory exploration of social and environmental reporting practices. *Journal of Accounting & Organizational Change*, 20(4), 673–701. <https://doi.org/10.1108/JAOC-01-2023-0013>
- [4] IFRS Foundation. (2023, June 26). ISSB issues inaugural global sustainability disclosure standards [Press release]. <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>
- [5] IFRS Foundation. (2025, December 11). ISSB issues targeted amendments to IFRS S2 to support implementation [Press release]. <https://www.ifrs.org/news-and-events/news/2025/12/issb-issues-targeted-amendments-ifrs-s2/>
- [6] State Council. (2024, April 12). State Council opinions on strengthening regulation, preventing risks, and promoting high-quality development of the capital market (Guo Fa [2024] No. 10). https://www.gov.cn/gongbao/2024/issue_11306/202404/content_6947724.html

- [7] China Securities Regulatory Commission. (2025, May 16). Reply to Proposal No. 01055 (Finance and Taxation Category 072) of the CPPCC National Committee. <https://www.csrc.gov.cn/csrc/c101983/c7617079/content.shtml>
- [8] Elmanaseer, M. I., & Gerged, A. M. (2025). How do institutional pressures reshape the association between corporate sustainability disclosure and firm value in emerging economies? The moderating role of the audit committee function. *Business Strategy and the Environment*, 34(6), 7253–7283. <https://doi.org/10.1002/bse.4340>
- [9] Vitale, G., Cupertino, S., Schiuma, G., & Troise, C. (2025). Investigating how mandatory sustainability reporting influences corporate governance effects on ESG performance: From obligation to impact for sustainable development. *Corporate Social Responsibility and Environmental Management*, 32(5), 6261–6282. <https://doi.org/10.1002/csr.70025>
- [10] Zheng, C. (2026, May 11). 427 firms pass first mandatory ESG disclosure, 18 debutants set new benchmark. *China Securities Journal*. <https://www.stcn.com/article/detail/3901735.html>
- [11] China Securities Regulatory Commission. (2025, October 23). CSRC: Do not blindly pursue the number of sustainability report disclosures, but consider the pace of expanding coverage comprehensively. <https://www.csrc.gov.cn/shanxi/c106408/c7590534/content.shtml>
- [12] De Villiers, C., & Alexander, D. (2014). The institutionalisation of corporate social responsibility reporting. *The British Accounting Review*, 46(2), 198–212. <https://doi.org/10.1016/j.bar.2014.03.001>
- [13] Zhang, X., Yang, L., Gao, Y., & Liu, X. (2019). What influences the use of rhetorical language in corporate social responsibility reports? *Accounting Research*, (6), 20–26.
- [14] Toit, E. D., & Esterhuysen, L. (2023). Playing to which audience? Textual analysis of standalone sustainability reports in the South African mining sector. *International Journal of Sustainable Society*, 15(3), 294–313.
- [15] Hu, K., & Sheng, D. (2020). A corpus-based study on the image of Huawei company in the English translation of Sustainable Development Report. *Journal of Foreign Languages*, 43(6), 94–106.
- [16] Dong, D. (2024, December 18). China issues basic standards for sustainable information disclosure to facilitate comprehensive green transformation of economic and social development. *Xinhua Finance*. <https://finance.sina.cn/2024-12-18/detail-inczwpwv7767300.d.html>
- [17] Iazzi, A., Papa, A., Palladino, R., & Lamusta, S. (2025). Evaluating companies' impression management tactics in mandatory sustainability reporting. *Business Strategy and the Environment*, 34(6), 6828–6848. <https://doi.org/10.1002/bse.4326>
- [18] Sun, Y., Zhao, D., & Cao, Y. (2024). The impact of ESG performance, reporting framework, and reporting assurance on the tone of ESG disclosures: Evidence from Chinese listed firms. *Journal of Cleaner Production*, 466, 142698. <https://doi.org/10.1016/j.jclepro.2024.142698>
- [19] Posadas, S. C., Ruiz-Blanco, S., Fernandez-Feijoo, B., & Tarquinio, L. (2023). Institutional isomorphism under the test of Non-financial Reporting Directive. Evidence from Italy and Spain. *Meditari Accountancy Research*, 31(7), 26–48. <https://doi.org/10.1108/medar-01-2023-0189>
- [20] Nicolo, G., Zampone, G., Sannino, G., & Polcini, P. T. (2025). Ready for change after the omnibus package? Early compliance with the European sustainability reporting standards and its key determinants in the new regulatory era. *Business Strategy and the Environment*, 34(7), 9040–9058. <https://doi.org/10.1002/bse.70054>