

An Exploration of Enterprise ESG Practice Paths Based on Fintech Innovation

Zekai Mo

school of Hong Kong Baptist University, Hong Kong SAR, China

Abstract

With the deepening global adoption of sustainable development, environmental, social, and governance (ESG) considerations have become core dimensions for measuring a company's overall value. The rapid evolution of Fintech offers new avenues for companies to overcome bottlenecks in ESG practice. This article explores the inherent connection between Fintech innovation and corporate ESG practices. Through literature analysis and logical deduction, it identifies pain points in corporate ESG practices, such as irregular data collection, opaque information disclosure, and inefficient performance evaluation. The article then analyzes these issues from the perspectives of technology, implementation, and risk. The study finds that Fintech tools such as big data, blockchain, and artificial intelligence can play a key role in ESG data integration, credible disclosure, and intelligent assessment, respectively. Companies must integrate Fintech into the entire ESG governance process through a comprehensive approach of "technology adaptation - architecture optimization - collaborative collaboration." At the same time, they must mitigate risks such as data security and insufficient technological adaptability. This article aims to provide theoretical guidance for companies leveraging Fintech to improve the quality of their ESG practices, helping them achieve the dual goals of sustainable development and value enhancement.

Keywords

Fintech Innovation; Enterprise ESG; Practical Path; Data Governance; Green Finance.

1. Introduction

In recent years, global attention to corporate sustainability has continued to rise. ESG has not only become a crucial basis for investors to assess corporate risk and value, but also a key tool for my country to implement its "dual carbon" goals and achieve high-quality economic development. From a policy perspective, Chinese regulators have gradually improved ESG information disclosure rules, requiring companies to more systematically disclose environmental impacts, fulfillment of social responsibilities, and optimization of governance structures. From a market perspective, consumers and investors have significantly increased their attention to corporate ESG performance, forcing companies to shift ESG concepts from a "compliance requirement" to a "strategic core." However, Chinese companies currently face multiple challenges in implementing ESG data. First, ESG data covers multiple dimensions, including environmental energy consumption, supply chain responsibility, and employee rights. Traditional manual data collection methods are inefficient and fragmented, making them difficult to meet the needs of quantitative assessment. Second, some companies face issues such as "selective disclosure" and "data non-traceability" in ESG information disclosure, resulting in insufficient transparency. Furthermore, ESG performance evaluation requires dynamic analysis based on multi-dimensional indicators, and traditional assessment models struggle to cope with complex data processing requirements.

The rise of FinTech innovations provides technical support for addressing these pain points. Big data can integrate and cleanse ESG data from multiple sources, blockchain can ensure the credibility and traceability of information disclosure, and artificial intelligence can enhance the accuracy of ESG risk warnings and performance assessments. Based on this, this article explores specific ways in which FinTech innovations can empower corporate ESG practices. This not only enriches the theoretical application of ESG practices but also provides actionable guidance for companies to implement their ESG strategies. It holds significant theoretical and practical significance.

2. The Intrinsic Connection Between Fintech Innovation and Corporate ESG Practices

The compatibility of Fintech innovation with corporate ESG practices stems from their strong alignment across the three core requirements of "data-driven," "transparency and trustworthiness," and "risk management." This connection lays the logical foundation for Fintech's empowerment of ESG practices.

From a data perspective, the core prerequisite for ESG practices is "quantifiable data." Whether it's environmental aspects like carbon emissions and water consumption, or social aspects like employee compensation and benefits and supply chain social responsibility, they all require multi-source, real-time, and accurate data. Fintech's big data technology, with its ability to process unstructured data and integrate internal and external data sources, can break down data silos within a company. It can also connect with external data platforms like government environmental protection departments and industry associations, providing a comprehensive data foundation for quantifying ESG indicators. For example, integrating production system energy consumption data with emission monitoring data from environmental protection departments through big data technology enables dynamic updating of environmental indicators, addressing the "lag" and "fragmentation" issues inherent in traditional data collection.

From a trust perspective, the core goal of ESG disclosure is to "enhance transparency" to meet the needs of investors and regulators in assessing corporate sustainability risks. Blockchain technology's decentralized and tamper-proof nature allows the entire process of enterprise ESG data entry, processing, and disclosure to be on-chain, ensuring the authenticity and traceability of data from generation to dissemination, and preventing information fabrication such as "greenwashing." This trusted disclosure mechanism can both reduce information asymmetry between companies and stakeholders and enhance market recognition of a company's ESG performance[1].

From an efficiency perspective, ESG performance assessment and risk management require dynamic and intelligent approaches. Traditional ESG assessments rely on manual analysis, which is not only time-consuming and labor-intensive but also susceptible to subjective factors. Artificial intelligence technology, however, can significantly improve the efficiency and accuracy of ESG management by building ESG assessment models, automatically identifying key indicators, analyzing data correlations, and providing real-time early warnings for environmental and social risks. For example, AI algorithms can predict future carbon emission trends based on historical energy consumption data and production plans, providing decision support for companies formulating emission reduction plans.

3. Current Pain Points in Corporate ESG Practices and the Necessity of Fintech Intervention

Currently, corporate ESG practices are still in their infancy, with significant pain points in four key areas: data management, information disclosure, performance evaluation, and resource integration. Fintech intervention can address these issues, becoming an essential tool for upgrading ESG practices.

In data management, companies face the triple challenges of data collection, integration, and verification. On the one hand, ESG... Data is scattered across multiple departments, such as production, human resources, and finance, with inconsistent data standards across departments, leading to high data integration costs. Furthermore, some data must be provided by external partners, making it difficult to obtain. Furthermore, traditional manual verification methods struggle to identify data falsification or errors, impacting the accuracy of ESG data. Fintech can leverage big data to unify data standards, automate the collection of multi-source data, and leverage blockchain technology to achieve data traceability and verification, addressing data management pain points at the source.

In the information disclosure process, "lack of transparency and standardization" are major issues. To avoid negative criticism, some companies only disclose positive ESG information, omitting details such as environmental violations and employee rights issues. Furthermore, ESG disclosure formats and indicators vary across companies, making it difficult for stakeholders to compare them horizontally. Fintech can leverage blockchain to build a unified ESG information disclosure platform, mandating that data be disclosed "on-chain" to ensure the integrity and standardization of disclosed information. Furthermore, smart contract technology can set disclosure thresholds, automatically triggering alerts when companies fail to disclose key information as required, improving disclosure compliance[2].

In performance evaluation, "low efficiency and high subjectivity" hinder ESG performance. Management effectiveness. Traditional ESG assessments require manual processing of massive amounts of data, resulting in lengthy analysis cycles. The weighting of assessment indicators is susceptible to subjective factors, making it difficult to objectively reflect a company's ESG performance. Artificial intelligence technology can build standardized ESG assessment models, automatically match industry indicator systems, calculate performance scores in real time, and generate visual reports, improving assessment efficiency while reducing subjective interference.

In the resource matching phase, the difficulty and high cost of green financing are major obstacles to corporate ESG implementation. Companies require substantial capital to launch green projects, but financial institutions struggle to accurately assess the ESG value and risks of these projects, leading to slow green financing approvals and high interest rates. Fintech can analyze the environmental benefits and expected returns of green projects through big data, providing financial institutions with accurate risk assessments. It can also build a platform for connecting green projects with investors, reducing information asymmetry between the two financing parties and helping companies secure low-cost green funding.

4. Core Technology Dimensions of Fintech Innovation Empowering Corporate ESG Practices

For Fintech to empower corporate ESG practices, it must be implemented through specific technical tools. Big data, blockchain, artificial intelligence, and the Internet of Things are core technology dimensions. Each technology plays a different role in the ESG governance process, forming a "data collection - processing - Big data technology supports the entire ESG data chain from disclosure to assessment.

Big data technology is a fundamental tool for ESG data management. Its core role is to address the fragmentation of ESG data. First, data mining integrates internal production, human resources, and financial data, breaking down departmental data silos. Second, data crawling connects to external public data to supplement the company's ESG data dimensions. Furthermore, big data cleansing and analysis can identify abnormal data, providing initial data support for ESG risk early warning. For example, by analyzing deviations between real-time energy consumption data and historical data in a production workshop, energy waste caused by equipment failure can be promptly identified, helping companies optimize environmental management.

Blockchain technology is a "trust guarantor" for ESG information disclosure. Its "immutable" nature ensures the authenticity of ESG data from generation to disclosure. When companies enter ESG data into the blockchain, a unique hash value is generated. Any modification will result in a change in the hash value, and modification records are traceable, effectively preventing data falsification. Furthermore, the decentralized nature of blockchain enables the establishment of multi-party ESG data. The information sharing platform allows companies, regulators, and investors to access disclosed data in real time, reducing information asymmetry. For example, in supply chain ESG management, core companies can upload upstream suppliers' environmental data to the blockchain, allowing downstream companies and investors to query suppliers' ESG performance through the blockchain, thereby improving the overall ESG performance of the supply chain.

Artificial intelligence technology is the "smart engine" for ESG performance assessment and risk management. In performance assessment, AI can build dynamic assessment models based on industry ESG standards, automatically extract key indicators, and combine machine learning algorithms to optimize indicator weights to generate objective performance scores. In risk management, AI can analyze ESG data in real time, identify potential risks, and trigger early warning mechanisms[3]. For example, AI algorithms can predict a company's probability of future environmental violations based on historical environmental violation data and real-time emissions data, helping companies formulate remediation plans in advance.

Internet of Things technology is the "real-time interface" for ESG data collection. Using sensors, smart devices, and other hardware, it enables automated, real-time collection of ESG data, addressing the lag inherent in traditional manual data collection. For example, in environmental management, companies can install energy consumption sensors and air quality sensors in production workshops to collect real-time energy consumption and pollutant emission data and automatically transmit this data to an ESG data platform. In social responsibility management, the Internet of Things can monitor the temperature and humidity of employees' work environments and the use of safety equipment in real time, ensuring that employee rights and interests are effectively protected.

5. Designing an Implementation Path for Enterprise ESG Practices Based on Fintech Innovation

Fintech innovations empowering enterprise ESG practices require designing an implementation path from three levels: "technical adaptation - architectural optimization - collaborative linkage." This ensures that technical tools are effectively integrated with the company's ESG strategy, governance structure, and external environment, avoiding "formalistic" technology application.

First, technical adaptation: Selecting precise technical tools based on the company's ESG needs. Different companies have different ESG pain points and strategic priorities, requiring targeted fintech tool selection. For example, environmentally sensitive companies' core needs are accurate environmental data collection and risk warnings, so they can prioritize deploying IoT

+ AI. Supply chain-driven companies' core needs are transparent supply chain ESG information, so they can prioritize building a blockchain supply chain ESG platform. Small and medium-sized enterprises' core needs are reducing ESG risks. To reduce management costs, companies can choose lightweight big data ESG data integration tools to avoid high technical investment. At the same time, companies need to assess the technical maturity and their own technical capabilities. For tools with high technical complexity, collaboration with fintech companies can reduce implementation difficulties[4].

Second, architectural optimization: integrating fintech into the company's ESG governance system. Companies need to optimize both organizational structure and process design. First, establish a cross-departmental ESG and fintech team, comprised of ESG management, technical personnel, and financial personnel, responsible for coordinating the synergy between technology application and ESG practices. Secondly, restructure the ESG management process, integrating fintech tools into the entire "data collection - processing - disclosure - evaluation - improvement" process. For example, data collection can be automated through the Internet of Things and big data, data processing can be cleansed and analyzed through AI, information disclosure can be trusted through blockchain, and performance evaluation can be generated through AI. Finally, ESG improvement plans can be formulated based on the evaluation results, forming a closed-loop management system. Furthermore, companies need to establish an ESG Data governance systems clarify data standards and the division of responsibilities to ensure that technology applications are institutionally supported.

Third, collaboration and coordination: Building a tripartite collaboration mechanism among enterprises, financial institutions, and regulators. Fintech innovations empowering ESG practices require external collaborative support: First, enterprises and financial institutions collaborate, leveraging fintech to connect with green finance resources. For example, enterprises can disclose ESG data on green projects through blockchain. Financial institutions use this data to assess project risks and provide financing support such as green loans and green bonds. Meanwhile, enterprises can use big data to analyze the returns and risks of green projects and optimize project decisions. Second, enterprises and regulators collaborate to connect with regulatory ESG information platforms. Enterprises can use fintech tools to synchronize ESG data with regulatory platforms to improve disclosure compliance. Regulators can also use big data to analyze enterprises' ESG performance and formulate differentiated regulatory policies. Third, enterprises within an industry collaborate to build an industry ESG data sharing platform. By integrating industry ESG data through blockchain and big data technologies, industry ESG benchmarks can be formed to help enterprises identify their shortcomings and promote overall ESG standards in the industry.

6. Fintech Innovation Empowers Enterprises to Manage and Optimize ESG Practices: Risk Prevention and Control

While fintech innovation facilitates enterprise ESG practices, it also presents risks such as data security, insufficient technological adaptability, and inconsistent standards. This requires a coordinated effort through "risk prevention, technological iteration, and joint standard development" to promote high-quality integration of the two.

In terms of risk prevention and control, the focus should be on addressing data security and technological dependency. ESG data contains corporate and employee confidentiality, making it vulnerable to leaks in big data and IoT applications. Enterprises need to establish a data classification system, encrypt sensitive data, and implement security monitoring technologies to monitor data flows in real time. To address over-reliance on external technology, enterprises should clarify technology and data ownership in collaborative partnerships and cultivate internal teams to enhance their independent operational capabilities[5]. Furthermore, it is

important to avoid blindly introducing high-end technologies. For example, small and medium-sized enterprises can opt for lightweight solutions that avoid deploying complex blockchain platforms.

In terms of technological iteration, the ESG compatibility of fintech tools needs to be strengthened. Currently, some tools are misaligned with ESG requirements, such as general AI assessment models that struggle to align with industry indicators and blockchain operations that are complex. Fintech companies should collaborate with businesses and industry associations to develop customized tools: optimize AI models by industry and streamline blockchain processes; promote multi-technology integration to achieve an integrated approach for data collection, trusted disclosure, and intelligent assessment. Furthermore, cost control through SaaS services and pay-as-you-go models will help promote the widespread adoption of fintech across businesses of all sizes.

In terms of standardization, industry standards and regulatory rules need to be improved. My country lacks unified fintech ESG application standards, resulting in fragmented technology applications and data disparity among businesses. Industry associations should take the lead in developing application guidelines to clarify data standards, technical specifications, and disclosure formats. Regulators should accelerate the development of regulatory rules, clarify data security and disclosure requirements, prevent technology abuse and greenwashing, and introduce incentive policies to guide enterprise adoption. Furthermore, alignment with international standards and leveraging proven practices will help Chinese businesses align their ESG practices with global standards.

7. Conclusion

This article explores how fintech innovations empower corporate ESG practices and finds a natural connection between them. Big data addresses ESG data management challenges, blockchain ensures the credibility of information disclosure, artificial intelligence improves the efficiency of performance assessment and risk management, and the Internet of Things enables real-time data collection. These four technological tools together constitute the "technical support system" for ESG practices. Furthermore, companies must integrate fintech into the entire ESG governance process through a path of "technical adaptation - architectural optimization - collaborative collaboration." They must also address potential challenges through risk prevention and control, technological iteration, and the development of standards to truly realize the enabling value of fintech.

Currently, Chinese corporate ESG practices are shifting from a "compliance-driven" to a "value-driven" approach, and fintech innovation provides a key tool for this transformation. In the future, as technology matures and standards improve, fintech will play a role in more ESG scenarios, such as carbon footprint tracking, green finance product innovation, and supply chain ESG collaboration. However, this study is limited in that it lacks in-depth analysis of ESG practices within specific industries. Subsequent research could explore differentiated approaches to fintech empowering ESG, tailored to the specific characteristics of different industries.

Overall, fintech innovation is not only a tool for improving the effectiveness of corporate ESG practices but also an engine for driving sustainable development. Companies must fully recognize the value of fintech and incorporate it into their ESG strategic planning. They should also strengthen collaboration with financial institutions and regulators to jointly build an ESG ecosystem that integrates technology, institutions, and markets, contributing to the high-quality development of my country's economy and the achievement of global sustainable development goals.

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