How ESG Performance Affects Corporate Financial Outcomes: The Case of Alibaba

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Abstract. With the global rise on ESG (Environmental, Social, and Governance) concepts, exploring the specific impact of ESG practices on corporate performance has become increasingly significant. This paper uses Alibaba as a case study, drawing on its 2022–2024 ESG reports and financial data to analyze how ESG practices influence its business performance. The research is undertaken from three perspectives, environmental protection, social responsibility, and corporate governance. By analyzing cost optimization, market expansion, and risk reduction, this study evaluates how Alibaba's ESG practices affect profitability, operational efficiency, debt-paying capacity, and growth ability. The findings illustrate that effective ESG practices not only help companies manage risks and reduce costs, but also improve corporate image and attract sustainable investment. This research aims to reveal the relationship between ESG and financial performance, enrich relevant theoretical understanding, and provide practical insights for companies to optimize ESG strategies and for investors to make informed decisions.

Keywords: ESG, Corporate Performance, Sustainability, Alibaba.

1 Introduction

Driven by global sustainable development, ESG (Environmental, Social, and Governance) evaluations have become key indicators for assessing a company's long-term value. Both domestic and international scholars are committed to exploring the relationship between ESG practices and financial performance, mainly from the following four perspectives. Firstly, effective ESG practices help companies enhance resource utilization efficiency, thereby optimizing cost structures and improving financial performance [1]. Secondly, offering green products enables companies to be more competitive and expand the green market, which contributes to better corporate performance [2]. Thirdly, strong ESG practices help enhance corporate reputation [3], attracting more investors and customers, which makes it easier for companies to obtain financing [4, 5] and access capital at lower costs [6, 7]. Lastly, companies with higher levels of ESG disclosure tend to face lower operational risks, effectively improving their financial performance [7]. However, existing literature mainly focuses on single ESG components or their short-term effects, lacking systematic analysis of how overall ESG performance influences corporate outcomes through multi-dimensional pathways.

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To fill this research gap, this study selects Alibaba, a leading technology company in China, as a case study, which is based on its 2022 to 2024 ESG reports and its financial data from 2019 to 2024. The analysis focuses on its ESG practices across three dimensions: environmental protection, social responsibility, and corporate governance. This research aims to focus the core question of “How do ESG practices specifically impact corporate performance”, thereby revealing the internal relationship between ESG performance and corporate value. The significance of this study is reflected on three levels: theoretically, it aims to enrich academic research on the comprehensive impact mechanism of ESG; practically, it provides actionable insights for Chinese companies to optimize ESG management and information disclosure; and for investors, it helps deepen their understanding of the relationship between ESG performance and long-term corporate value, thereby enhancing investment judgment and decision-making.

Alibaba Group was founded in 1999 in Hangzhou, China, and was listed on the New York Stock Exchange in 2014. It has now developed into a global leader in internet and technology, with core businesses covering e-commerce platforms, cloud computing, digital media and entertainment, as well as innovative ventures. Alibaba’s mission is “making it easy to do business anywhere,” emphasizing technology-driven and ecological synergy, gradually building a diversified operational system. In recent years, Alibaba has integrated the concept of sustainable development into its strategic planning, consistently publishing ESG reports and maintaining strong performance in international ESG ratings. In 2024, its MSCI ESG rating was BBB, reflecting an above-average level, while Sustainalytics assigned it a “Low Risk” rating of 18, indicating minimal environmental and governance risks and a low probability of default. This demonstrates the growing completeness and effectiveness of Alibaba’s ESG governance system. Alibaba actively innovates in environmental protection, social responsibility, and corporate governance. Through green operations, social welfare, and governance structure optimization, it showcases a leading example of digitalization and sustainability in China.

2 Alibaba’s Environmental ESG Practices and its Impact Path on Financial Performance

2.1 Environmental Practices

Alibaba actively promotes its carbon neutrality strategy by enhancing the application of green technologies, increasing the proportion of clean energy usage, and improving its green supply chain, in order to address the challenges caused by climate change. According to Table 1, in terms of greenhouse gas reduction, Alibaba has significantly decreased its emissions across operations and value chains through low-carbon cloud computing, low-carbon logistics, and energy-saving technologies. Additionally, by using digital technologies and business innovations, its ecological emission reductions increased by 45.5% year-on-year in 2024. In terms of energy structure optimization, the proportion of clean energy usage in Alibaba increased by 11.8% year-on-year in

2024. Through green and low-carbon technological innovations, its data center's Power Usage Effectiveness (PUE) was reduced to 1.200 in 2024, reflecting the company's optimized practices in minimizing energy waste. Furthermore, in 2024, Alibaba reduced its packaging material usage by 101,000 tons and reused 47.558 million old cartons, demonstrating its effective packaging management and contribution to sustainable development.

Table 1. Environmental Protection Indicators of Alibaba (2022–2024) [8].

Indicators	2022	2023	2024
Greenhouse Gas Emissions Reduction in Operations (10,000 tons CO2e)	62.0	141.9	232.0
Greenhouse Gas Emissions Reduction in Value Chain (10,000 tons CO2e)	-	40.0	92.4
Scope 3+ Greenhouse Gas Emissions Reduction (10,000 tons CO2e)	-	2,290.7	3,333.8
Total Energy Consumption (MWh)	8,786,584	8,899,025	9,438,867
Direct Energy Consumption (MWh)	1,721,483	1,761,167	1,049,769
Renewable Energy Consumption (MWh)	480,456	1,113,602	2,025,337
Clean Power Usage Ratio (%)	-	27.2	39.0
Data Center's Power Usage Effectiveness (PUE)	1.247	1.215	1.200

2.2 Impact Pathways on Financial Performance

Impact on Corporate Costs. In the long term, strong environmental performance can help Alibaba improve resource utilization efficiency and reduce corporate costs. However, the promotion of energy structure transformation requires substantial investments in technology R&D and renewable energy procurement, which can increase cost burdens in the short term. As shown in Table 1, Alibaba has continuously advanced energy-saving and emission-reduction efforts in its data centers, effectively reducing electricity expenses and equipment maintenance costs. In terms of green energy structure transformation, although business expansion has led to an overall increase in energy consumption, Alibaba's reliance on direct energy consumption has significantly decreased. The company increasingly relies on external power purchases and aligns with renewable energy transitions. The proportion of renewable energy usage rose from less than 5% to 21.5%. Alibaba's investments in energy structure optimization contribute to enhanced operational efficiency and sustainable competitive advantage in the long run. In terms of packaging management, the company promotes green packaging and logistics by encouraging the reuse of packaging materials and optimizing packing algorithms. These efforts have reduced resource waste and helped lower costs for the company.

Expanding the Green Market. Under the trend of green transformation and the context of the "Dual Carbon" policy, Alibaba has effectively expanded its green market and diversified its revenue streams by developing green products. On the consumer side, advocating for green consumption enables companies to be more competitive and enhance corporate performance [2]. Alibaba has built a complete green consumption ecosystem, with its "88 Carbon Account" platform allowing users to earn carbon credits through sustainable purchases. Furthermore, it introduced a low-carbon product system that includes goods characterized by energy-saving and low-carbon manufacturing. According to statistics, global demand for sustainable products has grown significantly, with the search volume for related keywords increasing by 88% year-on-year in 2023. This mechanism has enhanced user participation in environmental protection, increased platform activity, and boosted the trading frequency of green products. On the enterprise market side, Alibaba Cloud has introduced various services centered on green digital transformation. Its "Carbon Neutrality Platform" and "Energy Consumption Manager" products support corporate clients in monitoring and managing carbon emissions. These solutions have been well received by clients in industries such as manufacturing, energy, and urban management, directly fostering transaction volumes and increasing revenue from cloud computing services.

3 Alibaba's Social ESG Practices and its Impact Path on Financial Performance

3.1 Social Practices

Alibaba has continuously advanced its efforts in employee development, community welfare, and digital inclusion, demonstrating a strong commitment to corporate social responsibility. According to Table 2, in terms of protecting employee rights, Alibaba has consistently optimized its workforce structure, maintaining a nearly equal gender ratio and steadily increasing the proportion of female board members. The company also prioritizes the physical and mental well-being of its employees, with workplace satisfaction levels increasing year by year. Additionally, Alibaba places great importance on emergency response training, achieving minimal work-related deaths and injury rates in recent years. In terms of inclusive consumption, Alibaba has enhanced product accessibility through barrier-free and age-friendly design optimizations, ensuring better access to its services for all users. In terms of public welfare, Alibaba encourages its employees to participate in volunteer services and utilizes its digital platforms to enhance social mobilization capabilities. In terms of digital inclusion and rural revitalization, Alibaba fosters the digital transformation of rural economies through its "Digital Agriculture" initiative. Additionally, it promotes rural talent development through the "Retain, Cultivate, and Attract" strategy, ensuring sustainable development in rural communities.

Table 2. Social Responsibility Indicators of Alibaba (2022–2024) [8].

Indicators	2022	2023	2024
Workplace Satisfaction Rate (%)	-	91.0	93.6
Female Employee Ratio (%)	49.5	49.1	47.2
Female Board Member Ratio (%)	20.0	30.0	30.0

Number of “First Responder Heroes” (persons)	1,700	5,732	7,600
Work-related Death Rate (%)	0	0.0009	0.0021
Injury Rate (Number of Injuries per Million Working Hours)	0.11	0.09	0.16
Total Volunteer Hours of Full-time Employees (hours)	-	250,144	262,276

3.2 Impact Pathways on Financial Performance

Strengthening Corporate Image. A positive brand image significantly influences customer satisfaction, promotes brand loyalty, and thereby enhances corporate performance [3]. Alibaba continuously invests in multi-level public welfare projects to strengthen public trust and its brand image, which indirectly drives growth in corporate performance. Firstly, Alibaba’s public welfare platform has deepened public engagement across multiple areas, including educational support, medical assistance, rural revitalization, and environmental protection. These efforts have expanded the influence of its charitable activities, increasing public recognition and support for its corporate social responsibility, thereby building a positive brand image and enhancing user trust. Secondly, the company has consistently promoted rural revitalization projects, shaping its image as a responsible large-scale internet enterprise. Initiatives such as “Taobao Village Live Streaming” have boosted rural economic development, Cainiao’s construction of county-level distribution centers has improved the downward efficiency of rural logistics, and the “Youth Cloud Scholarship Program” has focused on improving technological education in underdeveloped regions. These initiatives have received widespread praise from the government and mainstream media, further reinforcing Alibaba’s positive public image.

Attracting Green Capital. Strong ESG practices enhance a company’s green image, attracting more investors and making it easier to obtain financing [4, 5]. Companies with high levels of ESG disclosure typically possess lower debt financing costs, which helps them access capital markets more efficiently and strengthens financial flexibility [6][7]. Firstly, Alibaba committed to achieving carbon neutrality in its operations by 2030. Through green energy transformation and the exploration of sustainable technologies, the company is gradually reducing its carbon emissions. These environmental commitments and actions have increased Alibaba’s transparency and credibility in ESG practices, attracting the attention of green capital. In 2021, Alibaba issued sustainability bonds, raising approximately $987 million for various ESG-related projects, including energy efficiency and low-carbon logistics, contributing to the optimization of its capital structure. Secondly, Alibaba has received positive evaluations from major international ESG rating agencies in 2024. These high ratings have not only boosted its reputation and credibility in capital markets, but also laid the foundation for attracting green investments. Strong ESG ratings significantly reduce the company’s financing costs, as rating agencies and financial institutions increasingly emphasize non-financial performance when assessing corporate creditworthiness [9]. Through high-quality information disclosure and continuous environmental improvements, Alibaba has gained stronger bargaining power in negotiating bank loan interest rates, issuing green bonds, and obtaining sustainability-linked loans.

4 Alibaba's Governance ESG Practices and its Impact Path on Financial Performance

4.1 Governance Practices

Alibaba places high importance on corporate governance, data security, and privacy protection, adhering strictly to business ethics. In terms of governance structure, Alibaba's Board of Directors consists of 10 members, with independent directors accounting for 60%, which facilitates scientific and rational decision-making. For data security and privacy protection, Alibaba has established strict audit mechanisms, conducting at least one data security and Internet security audit for each business unit annually. The company also continuously promotes employee training, achieving a 100% pass rate in its data security compliance examinations for the past three years. Regarding business ethics, Alibaba maintains a zero-tolerance policy towards corruption, regularly conducting assessments and audits to prevent and manage corruption risks through training and whistleblowing mechanisms. In 2024, employee satisfaction with the company's integrity and work environment increased to 4.46 out of 5. Moreover, Alibaba actively promotes fair competition, optimizing platform rules to ensure that merchants have equal access to resources. The company also provides relevant training to enhance awareness of fair competition.

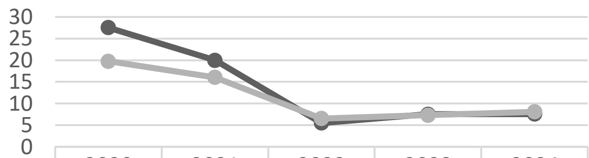
4.2 Impact Pathway on Financial Performance - Reducing Corporate Risk

Companies with high levels of ESG disclosure typically bear lower operational risks, effectively enhancing financial performance [7]. Firstly, Alibaba significantly improved corporate transparency by optimizing its governance structure. It introduced the "Plan-Do-Check-Act (PDCA)" cycle management mechanism to systematically enhance the standardization and completeness of ESG information disclosure. Additionally, Alibaba strengthened its anti-corruption policies and compliance systems, enhancing the efficiency of internal controls and the execution of transparent management. Secondly, Alibaba highlights data compliance and technology ethics by establishing a "Technology Ethics Committee" to guide the compliant application of cutting-edge technologies like artificial intelligence and big data. This ensures a balance between technological innovation and ethical responsibility. These measures not only increase user trust in platform services but also help the company operate steadily in an environment of stricter technology laws, thereby supporting the stable growth of its core platform business. Finally, Alibaba has implemented systematic reforms in supply chain governance. The company requires its suppliers to disclose their ESG performance data during collaboration. Furthermore, it established sustainable development standards within the supply chain, encouraging improvements in labor rights, environmental protection, and regulatory compliance. These measures effectively prevent reputational risks associated with labor disputes and environmental violations, enhancing the resilience and transparency of its supply chain.

5 Analysis of the Impact of Alibaba's ESG Practices on Financial Performance

5.1 Profitability

According to Figure 1, Alibaba's profitability showed a trend of decline followed by recovery from 2020 to 2024. The significant decline in the early stages was partly caused by the external economic environment, increased market competition, and stricter regulatory measures in the Internet industry. Additionally, it was closely related to the short-term cost increases caused by Alibaba's active implementation of its ESG strategy. In recent years, Alibaba has made substantial progress in environmental protection by promoting green logistics, setting carbon neutrality goals, and implementing circular economy packaging initiatives. In terms of social responsibility, it has increased investments in rural revitalization and public welfare projects. For corporate governance, Alibaba has enhanced transparency and optimized its governance structure to improve long-term operational efficiency. Although these ESG initiatives led to higher operating costs in the short term, they have contributed to enhancing Alibaba's brand image, reducing operational risks, and strengthening business resilience in the long run. The signs of recovery in profitability in 2023 indicate that Alibaba's ESG strategies are gradually showing positive effects in promoting sustainable long-term growth. This initial recovery provides evidence of the effectiveness and sustainability of Alibaba's ESG practices.

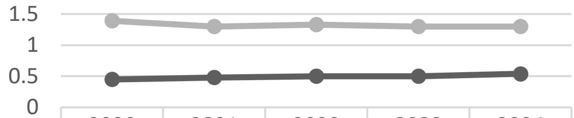


	2020	2021	2022	2023	2024
Net Profit Margin (%)	27.54	19.98	5.52	7.55	7.58
Return on Equity (ROE) (%)	19.76	16.03	6.53	7.33	8.08

Fig. 1. Changes in Alibaba's Profitability [10].

5.2 Operational Efficiency

According to Figure 2, Alibaba's operational efficiency showed a gradual improvement trend from 2020 to 2024. Specifically, the company's overall asset utilization efficiency increased, although the growth was relatively slow, while the turnover level of current assets remained stable. This indicates that as part of its ESG practices, Alibaba's active promotion of green transformation in its logistics and supply chain systems has helped reduce inventory backlogs, accelerate capital turnover, and lower operating costs. Meanwhile, improvements in corporate governance, such as stronger internal controls and risk management processes, have enhanced the efficiency and stability of its operations. According to the data, it is evident that although these ESG initiatives did not significantly boost asset turnover rates in the short term, they contributed to the long-term optimization of asset structures and operational models. This has gradually improved asset utilization efficiency, demonstrating the effectiveness and long-term value of ESG practices.

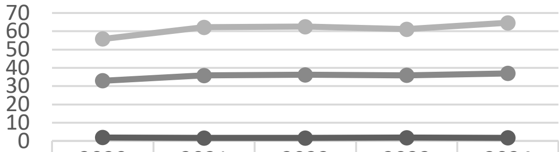


	2020	2021	2022	2023	2024
Total Asset Turnover (times)	0.45	0.48	0.5	0.5	0.54
Current Asset Turnover (times)	1.39	1.3	1.33	1.3	1.3

Fig. 2. Changes in Alibaba's Operational Efficiency [10].

5.3 Debt-paying Capacity

According to Figure 3, Alibaba's debt-paying capacity showed some fluctuations from 2020 to 2024. The proportion of current liabilities to total liabilities increased year by year, reflecting a greater reliance on short-term debt. However, since the current ratio remained relatively stable, the company was still able to effectively manage short-term debt risks. Additionally, its debt-to-asset ratio remained at a relatively low level overall, indicating strong long-term debt-paying capacity and low financial risk. In recent years, Alibaba has adopted positive and stable financial strategies as part of its ESG practices. These include strengthening risk control systems, promoting transparency in business governance, and actively implementing green finance and sustainable financing instruments. These measures not only helped Alibaba reduce financing costs and risks, but also enhanced the diversity of its financing channels and the rationality of its debt structure. Although the proportion of short-term debt has increased, Alibaba's overall debt-paying capacity remains strong. This verifies that Alibaba's ESG practices effectively support the company's long-term financial stability.



	2020	2021	2022	2023	2024
Current Ratio (times)	1.91	1.7	1.66	1.81	1.79
Current Liabilities to Total Liabilities (%)	55.82	62.21	62.57	61.15	64.63
Debt-to-Asset Ratio (%)	33	35.89	36.17	35.94	36.96

Fig. 3. Changes in Alibaba's Debt-Paying Capacity [10].

5.4 Growth Ability

As shown in Figure 4, Alibaba's growth ability fluctuated significantly over the period of 2020-2024. This is due to the fact that Alibaba emphasized ESG projects intensely in the past few years. Some of them involved the construction of green data centers, the utilization of new energy for logistics, participation in rural revitalization projects, and the support for small and medium-sized enterprises (SMEs). These initiatives have led to increased costs in the short term; however, they have also created new growth opportunities and enhanced brand value for the company in the long run. Moreover, the recovery trend of net profit growth since 2023 indicates that the impact of ESG practices on the company's long-term growth ability is gradually emerging. Therefore, combined with changes in financial data, this provides evidence that Alibaba's ESG practices are effective in promoting the company's sustainable long-term development.

	2020	2021	2022	2023	2024
Total Revenue Growth Rate (%)	35.26	40.72	18.93	1.83	8.34
Net Profit Attributable to Shareholders Growth Rate (%)	70.03	0.77	-58.66	16.92	9.93

Fig. 4. Changes in Alibaba's Growth Potential [10].

6 Conclusion

Against the context of increasing attention to ESG concepts in global capital markets, how companies enhance their financial performance through sustainable practices has become a key research focus. This paper takes Alibaba as a case study, drawing on its

2022–2024 ESG reports and financial data to explore the impact pathways and effects of ESG practices from three dimensions: environmental protection, social responsibility, and corporate governance. By constructing a path model and comparing financial indicators, this study systematically analyzes how Alibaba's ESG strategies contribute to cost reduction, enhanced market competitiveness, and the attraction of capital. The research not only enriches the theoretical framework of ESG impact mechanisms but also provides practical insights for Chinese companies to build high-quality ESG systems. Furthermore, it helps guide investors in more comprehensively assessing a company's long-term value, achieving a synergy between business growth and sustainable development.

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