The Impact of ESG Disclosure on the Financial Performance of the Textile and Apparel Industry: Evidence from Bosideng International Holdings Limited

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Abstract. Green productivity, as an important new type of productive force, requires enterprises to seize the opportunities of green development while accepting the challenges brought by low-carbon requirements. The performance of Environmental, Social and Governance (ESG) is gradually becoming a key indicator for measuring enterprises. As a labor-intensive traditional industry, the textile and garment industry is an important industrial pillar in most countries in the world. It is of great significance to run ESG concept through its management. This article takes Bosideng International Holdings Limited as a case study, starting from the perspective of management accounting and combining the ESG management concept. It demonstrates the impact of ESG management on corporate financial performance from three dimensions: environmental protection, social value creation, and enterprise management. Based on the findings of this study, it is concluded that, in the short term, ESG management may lead to a deceleration in profit growth for enterprises' financial performance. However, from a long-term perspective of corporate development, ESG management positively influences the financial performance of enterprises.

Keywords: ESG Management, Financial Performance, Bosideng.

1 Introduction

Since the advent of the industrial society, the demand for fossil fuels has been constantly rising. The extensive use of fossil fuels has accelerated global warming, triggered the occurrence of numerous extreme weather events, and consequently led to frequent climate incidents that threaten human survival and development. Promoting the construction of a community with a shared future for mankind and promoting the harmonious coexistence between man and nature have become the inevitable development direction of the world economic trend in the new era. The textile and apparel industry, ranking as the world's second most polluting sector, contributes a staggering 1.2 billion tons of carbon emissions, accounting for 10% of global emissions. Consequently, textile and apparel enterprises are urged to prioritize the management and development of Environmental, Social, and Governance (ESG) practices. As a highly polluting industry and a significant pillar of the national economy, the ESG performance

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of the textile and garment industry will have a more pronounced impact on enterprises. At the same time, it will affect the financial performance of enterprises through multiple indicators such as investment, sales, and risks, and thereby influence the manifestation of enterprise value. This article will take Bosideng International Holdings Limited as a case for study. Bosideng International Holdings Limited was established in 1976 and got listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. It is a renowned multi-brand comprehensive apparel operation group that takes the lead in the industry, specializing in the development and management of down jacket brand portfolios. Bosden International Holding Co., Ltd., founded in 1976 and listed on the main board of the stock exchange of Hong Kong in 2007, is a well-known multi brand comprehensive clothing business group that focuses on the development and management of down jacket brand portfolio and leads the development of the industry. Seven ESG reports have been disclosed to date, indicating a steady upward trend in the company's ESG ratings.

The existing related research indicates that the ESG concept has a positive effect on the management and innovation of polluting industries. Chen Hong and Zhang Lingxiao empirically verified that the excellent performance of ESG performance of enterprises can significantly improve the enterprise value, and also showed that the improvement of enterprise value by ESG management is more obvious in high pollution industries [1]. In her empirical study of heavily polluting enterprises, Zhou Jiaolan validated that high-quality environmental information disclosure can enhance corporate green innovation performance, with media attention positively mediating the relationship between the two [2]. Researchers like Li Jinglin discovered through heterogeneity analysis that ESG performance has a more significant promoting effect on enterprises with lower performance levels and those that are highly environmentally sensitive. The novel sustainable concept has presented challenges to the financing competition among enterprises [3]. Yang Jie and Ding Jie verified that ESG performance can improve the efficiency of labor investment and play a more significant role in labor-intensive enterprises [4]. Research by Xi Jingjie and Liu Yanbo has demonstrated that the ESG advantages of enterprises can effectively reduce debt financing costs and mitigate risk levels [5]. Rao Jing et al. through their analysis of the relationship between ESG performance and the risk of stock price crashes, discovered that ESG performance can mitigate the risk of stock price crashes through the "information path" of reducing information asymmetry and the "confidence path" of enhancing investor confidence [6]. Through continuous exploration in academia, it is found that robust ESG information disclosure will have a positive effect on the financial performance of enterprises. Fang Xianming and Hu Ding have demonstrated that superior ESG performance can enhance both the quantity and quality of corporate innovation outputs, thereby facilitating high-quality corporate development [7]. Feng Yukun and Long Suying found that there is a positive linear relationship between the degree of ESG implementation by enterprises and the financial performance of enterprises [8]. Wang Yongde et al. believe that ESG performance can inhibit short-term performance and promote long-term performance [9]. Qin Ying and Li Shiyu's research suggests that both environmentally beneficial and management-driven approaches can enhance corporate financial performance [10].

This paper will analyze the influence of ESG management on corporate financial performance through three dimensions: environmental protection, corporate governance, and social value creation. From the perspective of management accounting, combined with relevant professional knowledge, this paper studies the impact of ESG management on corporate profitability, solvency and growth ability. Compared to other enterprises in the textile and apparel industry, down jacket manufacturers have higher requirements for materials and technology. In the economic market led by the younger consumer demographic, in addition to the basic demands for comfort and functionality, there is also an expressed need for down jackets to embody a sense of fashion and other diversified requirements. This implies that down jacket enterprises must make greater management innovations in areas such as research and development and material management. In the existing studies, the achievements regarding the relationship between ESG information disclosure and financial performance of down jacket enterprises are relatively scarce. Based on this, this article takes Bosideng International Holdings Limited as an example to explore the influence of ESG information disclosure on the financial performance of the textile and apparel industry, which possesses certain theoretical value.

2 The ESG Management and Performance of Bosideng

2.1 Natural Conservation

In terms of product management, Bosideng adopts a two-pronged approach, focusing on both innovative research and development and raw material management. Adopt two modes of independent research and development and cooperative development to improve product quality and reduce environmental pollution caused by material application. Establishment of raw material management standards exceeding national benchmarks, encompassing a comprehensive management system for procurement and supplier selection processes. Promote the sustainable development of the industry by means of responsible procurement, pay attention to animal welfare, and ensure that the sources of raw materials conform to ethical and environmental protection requirements. Carry out activities such as the cultivation and supervision of strategic suppliers. Take chemical management as an important part of the sustainable development strategy, formulate standard operating procedures for chemical testing, strictly abide by relevant national standards and regulations, ensure the safety and environmental protection of products and the use of chemicals meet the standards, and ensure product quality and consumer safety. Continuous innovation research and development, along with the ongoing refinement of management systems, both contribute to increased financial expenditures for enterprises, thereby impacting their financial performance. However, actively fulfilling environmental responsibilities, shouldering the related public opinion pressure, and enhancing brand awareness can more effectively attract investors, boost sales performance, and exert a positive influence on financial performance.

Bosden has formulated the environmental policy, covering compliance with laws and regulations, pollution prevention, energy conservation and emission reduction, environmental protection and continuous improvement, and ensured the effective implementation of the policy by establishing a management system, formulating objectives and measures, conducting training and supervision. Bosideng actively addresses climate change by calculating carbon emissions across its value chain, implementing energy conservation and emission reduction initiatives, promoting the use of innovative eco-friendly fabrics to reduce carbon emissions, and participating in carbon neutrality forest projects, thereby contributing to the achievement of carbon neutrality goals. From the observation of the state of short-term financial performance, enterprises' assumption of environmental responsibilities requires a certain investment of funds, which may increase the operating costs of enterprises. Through energy conservation, emission reduction and optimization of resource utilization, Bosideng can, at the same time, reduce its operating costs. From the perspective of long-term development of enterprises, actively undertaking environmental responsibility helps to improve the brand image and reputation of enterprises, enhance consumers' recognition and loyalty to enterprises, so as to promote product sales and improve market share.

2.2 Corporate Management

In the aspect of corporate governance, a rather complete ESG governance framework has been established, clarifying the responsibilities of the board of directors and related departments, ensuring the validity of ESG decision-making and execution, and safeguarding the effective progress of ESG work. Through multiple channels of communication with stakeholders, their demands are understood and responded to. The extensive participation of stakeholders enables the enterprise to have a better understanding of the needs of all parties. Communicate with stakeholders through a variety of channels, identify issues important to enterprises and stakeholders, combine ESG management with sustainable development goals, and clarify the responsibilities and action direction of enterprises. Implementing relevant policies and measures to ensure the ethical and compliant conduct of commercial activities.

It has performed well in safeguarding and promoting the rights and interests of internal employees, offering favorable welfare policies, training systems and incentive measures, and enjoys a high level of employee satisfaction. Protect the rights and interests of employees from compliance employment, welfare care, training and development, health and safety, anti-corruption and other aspects. Concentrating on employee recruitment and development, adhering to the principle of fairness, and attracting diverse talents. Offering a variety of training programs to assist employees in enhancing their skills and achieving career progression. Providing abundant welfare and care measures, creating a safe and healthy working environment, enhancing the quality of life of employees, intensifying communication and care for employees, and augmenting their sense of belonging and happiness.

A good corporate governance structure can enhance the transparency and accountability of enterprises and enhance the trust of investors and stakeholders. Bosideng has established a comprehensive ESG governance framework to ensure effective oversight and management of ESG-related matters, enabling the identification and mitigation of ESG risks, enhancing corporate reputation and investor confidence, and reducing potential financial losses. A favorable employee management policy is capable of increasing employee satisfaction and loyalty, thereby enhancing productivity and innovation capacity. Bosden attracts and retains excellent talents, improves the competitiveness of the enterprise, reduces the turnover rate of employees, and reduces the cost of recruiting and training new employees through management measures to protect the rights and interests of employees and welfare.

2.3 Social Value Creation

Through extensive public welfare donations, Bosideng has exerted significant social value in domains such as anti-epidemic efforts, poverty alleviation, and education, ameliorated the living conditions of community residents, elevated the overall development level of the community, and manifested a pronounced sense of social responsibility. A series of community investment activities have been carried out, involving many areas of social issues, covering a wide range of different beneficiary groups, with high social participation and influence.

The positive engagement of Bosideng in community investments has enhanced brand awareness and reputation, attracting more consumers to purchase its products, which in turn has driven the growth of financial performance. The proactive community investment behavior has forged a favorable relationship between Bosideng and the community, mitigated external resistance in the enterprise's operation, obtained community conveniences, and reduced operational costs. The public welfare activities organized by bosden were recognized and supported by the local government, which indirectly improved the financial performance of the enterprise. The implementation of community investment initiatives necessitates the allocation of certain financial and resource inputs, which, in the short term, escalates operational costs for enterprises and exerts a certain degree of pressure on their profitability. In the long run, the positive effects of the investment in creating social value, such as brand value promotion and market expansion, usually exceed the impact of the increase in short-term costs on the financial performance of enterprises

3 The Impact of Bosideng's ESG Information Disclosure on Financial Performance

3.1 Profitability

As depicted in Table 1, during the period from 2019 to 2023, both the operating income and net profit of Bosideng exhibited a sustained growth trend. The operating income was 12.1905 billion yuan in the fiscal year of 2019-2020 and 17.551 billion yuan in the fiscal year of 2022-2023, with a compound annual growth rate of 13.3%. The net profit is about 1.2 billion yuan in 2019-2020 fiscal year and 2.424 billion yuan in 2022-2023 fiscal year, with a compound annual growth rate of about 26.3%. The operating profit margin in 2019/20 fiscal year was about 13.1%, and that in 2022-2023 fiscal year was about 16.97%, an increase of 3.87%. In the face of sustained escalation in operating costs, Bosideng's ability to maintain an upward trajectory in profits underscores the company's exceptional performance in cost control, product pricing, and operational management. This proficiency enables Bosideng to effectively convert its revenue into profit, thereby exhibiting a commendable quality of profitability.

It can be observed from the data in Table 1 that the favorable ESG information disclosure of Bosideng is capable of attracting more long-term investors and offering stable financial support for the enterprise's development. ESG information disclosure helps bosden show its positive measures in environmental protection, social responsibility and corporate governance. These measures, communicated to the market and consumers through ESG information disclosure, contribute to enhancing the brand's image and reputation. They strengthen consumers' identification and loyalty towards the brand, thereby promoting product sales and improving profitability.

Table 1. Profitability analysis table.

Time	Operating income (billion yuan)	Operating costs (billion yuan)	Total operating costs (billion yuan)	Operating profit margin (%)
2019-2020 Financial year	121.905	54.819	51.294	13.1
2020-2021 Financial year	135.166	64.714	57.811	14.06
2021-2022 Financial year	162.14	76.45	69.4	17.87
2022-2023 Financial year	175.51	87.68	75.94	16.97

3.2 Debt-paying Ability

As presented in Table 2, Bosideng's current ratio was stable at approximately 2.66 during the fiscal years from 2019-2020 to 2022-2023. This suggests that Bosideng's short-term solvency performed relatively stable in the challenging external environment. There were ample current assets that could be realized in a short period to repay current liabilities, and the rights and interests of creditors were relatively stable safeguarded. Bosden's quick ratio was 1.90 in the 2019-2020 fiscal year, and slightly decreased to 1.81 in the 2020-2021 fiscal year, and increased to 1.95 in the 2021/22 fiscal year. Bosideng's quick ratio has consistently remained at a relatively favorable level, indicating a high quality of current assets and superior liquidity and convertibility of its assets. The cash ratio stood at 0.78 in the fiscal year 2019-2020 and rose to 0.85 in the fiscal year 2022-2023. It shows that bosden has a large amount of cash and cash equivalents, and its ability to cover current liabilities is gradually enhanced. Bosideng's debt-to-asset ratio exhibited a continuous upward trend from 2019 to 2023, yet it remained below 40% throughout this period. This indicates a robust financial resilience, minimal long-term debt repayment pressure, and a low level of financial risk for Bosideng.

With the enhancement of enterprises' environmental awareness, investors and creditors consider that Bosideng possesses a strong sense of social responsibility and sustainable development capacity. This will attract more investors and creditors, broaden financing channels and reduce financing costs. Lower financing costs help the company better repay its debts and enhance its solvency.

Table 2. Analysis table of debt paying ability.

Time	Current ratio	Quick ratio	Cash ratio	Asset-liability ratio (%)
2019-2020 Financial year	2.66	1.9	0.78	24
2020-2021 Financial year	2.58	1.81	0.75	26.94
2021-2022 Financial year	2.67	1.95	0.84	29.74
2022-2023 Financial year	2.66	1.93	0.85	30.82

3.3 Growth Capability

As indicated in Table 3, the growth rate of Bosideng's net assets witnessed a negative growth since the fiscal year 2021-2022. The growth rate of its total assets remained negative from the fiscal year 2019-2020 to 2021/22, but began to increase positively in the fiscal year 2022-2023. It can be seen that in the process of pursuing the "double carbon" goal, bosden is faced with large operational challenges in the short term and bears certain financial pressure. However, the total assets exhibit a consistent and steady growth, indicating that Bosideng is capable of maintaining a sustainable fashion trajectory, adhering to green development, and fostering social value creation through prudent ESG management. This approach enables a harmonious balance between economic growth and ESG advancement, thereby cultivating a sustainable, eco-friendly textile and apparel enterprise.

Table 3. Analysis of growth capability.

Time	Net profit growth rate (%)	Total assets (billion yuan)	Growth rate of total assets (%)
2019-2020 Financial year	22.6	126.89	25.52
2020-2021 Financial year	42.44	110.16	5.89
2021-2022 Financial year	20.66	120.98	9.82
2022-2023 Financial year	17.56	133.83	10.62

4 Conclusion

Under the continuous guidance of the concept of sustainable development, the economic development of the textile and apparel industry will accelerate its integration with the construction of ecological civilization. The attention that all sectors of society pay to the ESG performance of enterprises keeps increasing, and the requirements for ESG management of enterprises are becoming increasingly demanding. For enterprises, the development of ESG will bring the challenge of increasing the cost of management expenditure such as personnel control, chemical management and public welfare activities, which will slow down the growth of profits. However, superior ESG performance is increasingly being recognized as a crucial benchmark by stakeholders for assessing corporate value. Enterprises with higher sustainability values are preferentially considered by investors, thereby enhancing investment efficiency. Simultaneously, the establishment of a positive corporate image attracts a greater number of consumers who prioritize spiritual satisfaction, ultimately leading to improved corporate performance. From the perspective of management accounting in this paper, it is pointed out that ESG information disclosure exerts an influence on Bosideng's financial performance in terms of the three dimensions of environmental protection, corporate governance, and social value creation. Through ESG management of basic operation activities, bosden has improved the control ability and anti-risk ability of the enterprise, fulfilled its social responsibility to consumers, and reflected the stability of enterprise operation; Through vigorously carrying out public welfare support activities, it has actively created social value and assumed the responsibility of protecting the environment. Both of them have a positive effect on the financial performance of enterprises at the same time. Promoting sustainable development within China's textile and apparel industry necessitates the enhancement of industry-wide green awareness, fostering a natural inclination towards sustainability, and increasing environmental protection investments. It is crucial to refine the ESG management framework, prioritizing human-centric approaches to safeguard the rights and interests of stakeholders. Additionally, creating social value through corporate actions, giving back to society, and augmenting brand influence are essential components of this strategy. All in all, in the context of promoting green and low-carbon targets, the textile and garment industry should adhere to the long-term exploration of the path of sustainable fashion development, realize a high degree of coordination between economic benefit growth and ESG development, and accomplish the new historical mission.

This study only studies the impact of ESG information disclosure on the financial performance of the textile and clothing industry through a single case of bosden, which is lack of objectivity. In the future, the author will collect more cases and data to make relevant research and elaboration according to new trends and policies.

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