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The Impact of Xiaomi's ESG Information Disclosure on Enterprise Performance

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Abstract. Under the guidance of global sustainable development and domestic policies, ESG information disclosure has become an important standard for listed companies to measure comprehensive development strength. This article takes Xiaomi Group, listed on the Hong Kong Stock Exchange, as a research case and sorts out the development process and practical characteristics of its ESG information disclosure. Relying on GRI, ISSB international standards, and regulatory guidelines of the Hong Kong Stock Exchange, Xiaomi has built a standardised disclosure system that covers all dimensions of environment, society, and governance, taking into account the development of globalisation and localisation. This article analyses the two dimensions of financial and non-financial performance, and finds that ESG information disclosure has a significant two-way impact: in the long run, it can reduce information asymmetry, alleviate financing constraints, and help enterprises grow revenue and profits, but in the short term, it will increase operation and management costs, and there is a significant lag in income; at the same time, it can optimise supply chain management. Protect rights and interests, improve brand credibility, and shape the soft competitive advantage of enterprises. The conclusion of this research has limitations in its promotion. In this regard, this article suggests that science and technology manufacturing enterprises implement substantive ESG management and avoid formal disclosure. In the future, the research sample can be expanded to deepen the research on the impact mechanism of ESG disclosure on enterprise performance.

Keywords: ESG Information Disclosure, Xiaomi Group, Enterprise Performance, Sustainable Development

1. Introduction

Now that global sustainable development is constantly being promoted, major enterprises also pay more and more attention to the standards of social judgment of enterprises for sustainable development. In addition to the familiar annual income and profit financial indicators of enterprises, it is also a set of three parts from environmental protection practice, social responsibility performance level, and internal governance mechanism of the company. It judges the development of an enterprise. In terms of policy, there are many documents in China that encourage listed companies to take the initiative to disclose ESG-related information. In the past, some heavy industrial enterprises paid more attention to environmental pollution and how to protect the

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environment. Xiaomi, as a new energy company, has performed well in environmental protection, so it pays more attention to social responsibility and governance. Now more and more enterprises are starting to use the ESG system and publish reports [1]. They take the initiative to let the public and society know and show their company's business, which is a very good way to make consumers feel more at ease. Xiaomi Group is now a well-known Internet intelligent enterprise in China. The main sales part is mobile phones, smart furniture, etc. Xiaomi is listed on the Hong Kong Stock Exchange and has released Xiaomi's ESG report to the public for many years in a row. The public can see the results of its energy-saving and emission reduction, user data privacy protection, employee rights and interests protection, and social contribution. Xiaomi is an Internet technology enterprise, so in its ESG report, it can be seen that data security, product design, etc., are important; as the ESG report of Xiaomi Group, a well-known domestic enterprise, has a very strong reference value for other enterprises to learn from.

For Xiaomi, the starting point of ESG is the following parts. First, it is a necessary obligation for listed companies on the Hong Kong Stock Exchange to complete the disclosure of ESG reports [1]. Second, this can show their social responsibility to investors and consumers. At present, some literature has discussed ESG information disclosure and enterprise performance. Public literature mentions that ESG information disclosure can send positive signals to the market, and because it can create a good reputation for the public and social security, this can make consumers feel more at ease, thus promoting enterprises. Business performance has improved, but at the same time, it has some controversy. ESG reports may consume the manpower costs of enterprises, and the time, energy and money of writing ESG reports may be lost. It is not worth studying. However, Xiaomi is a representative well-known enterprise in the electronic intelligent industry. For the active disclosure of ESG information in the past few years, from the first year to the complete report, I think its change process is very worth studying. The above is the academic background part. I will take Xiaomi Group as a case study to sort out the development process of Xiaomi ESG information disclosure, and analyse the impact of ESG disclosure from the perspective of financial performance and non-financial performance.

Xiaomi Group was founded in April 2010 and officially listed on the Hong Kong Stock Exchange in July 2018. This entity represents a consumer electronics and intelligent manufacturing firm utilising smart technology, intelligent hardware, and IoT Internet of Things platforms as its primary focus. The firm maintains the product philosophy of "touching people, generous price." Its mission is to "make friends with users and become the coolest company in the hearts of users" to establish a comprehensive business framework and product sector spanning hundreds of countries and territories globally. Xiaomi remains dedicated to perpetual innovation and persistently seeks the pinnacle of user experience to ensure that every individual worldwide can experience the superior quality of life facilitated by technological advancements.

In this part of sales, Xiaomi has built a new omni-channel retail system that combines online self-operated malls and offline Xiaomi home stores. Online Xiaomi self-operated malls directly sell products to consumers, which eliminates multiple layers of marketing links. At the same time, the offline expansion of Xiaomi Home's store pricing is the same as that of online. Consumers can choose to buy online, have it delivered by mail to their home, or buy offline. Xiaomi supports the construction of warehouses and third-party logistics to complete the warehousing and distribution of goods, so as to improve the efficiency of goods and control costs. This channel model has become one of the important foundations for Xiaomi's market expansion. Xiaomi adheres to a technology-driven innovation strategy, places research and development innovation in an important position in enterprise management, and continues to increase technology research and development around

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mobile phone intelligent hardware, artificial intelligence cars, etc. Through product update iterations and innovative technology, it has stronger market competitiveness, which constitutes Xiaomi's core business model. Self-employed City, logistics, and technology. These three strategies have effectively affected Xiaomi's consumption, helping Xiaomi expand its user scale and influence, and can also compress costs and innovate products to attract consumers to buy.

2. Xiaomi ESG disclosure practice

As a global technology enterprise, Xiaomi relies on a complete governance system and sustainable development strategy to complete the distribution of the industrial chain. These parts have built a complete ESG information disclosure system and content. Unlike the degree of disclosure of other small and medium-sized enterprises, Xiaomi's ESG disclosure is very standardised and comprehensive, and it takes into account many systematic features.

First, the disclosure framework is standardised and meets the double disclosure standard. Xiaomi's ESG disclosure refers to the international GRI and ISSB sustainable disclosure standards, and follows the ESG disclosure guidelines for listed companies on the Hong Kong Stock Exchange [2]. It takes into account the information needs of international investors and domestic regulatory compliance requirements. Xiaomi distinguishes between compulsory disclosure matters and voluntary value-added disclosure, including: environmental emissions, corporate governance, basic employee rights and interests and other hard indicators are within the scope of normalised compulsory disclosure; combined with mobile phones, smart cars and other core businesses, Xiaomi voluntarily discloses low-carbon research and development, green supply chain, and other characteristic sustainable achievements to improve the value of the report.

Second, the disclosure dimension is fully covered, and the industrial chain is relatively comprehensive. In the environmental dimension, the low-carbon concept runs through the whole life cycle of the product. The scope of disclosure covers product low-carbon design, packaging plastic reduction, waste recycling, production energy consumption and carbon emissions; the social dimension includes employee protection, supply chain labour audit, user privacy and security, and the implementation of public welfare projects; the governance dimension continues to publicise the structure of the board of directors, internal control system, anti-fraud mechanism, and investor protection. Wait for the governance information.

Third, the disclosure mechanism is dynamically quantified and continuously updated every year. Xiaomi independently releases sustainable development reports every year, with ESG-related chapters in the annual report. The report adheres to the principle of presenting quantitative data as the main content and qualitative text as the supplement, and continues to disclose relevant information indicators such as carbon emissions, environmental protection input, supply chain audit quantity, employee training, and public welfare input. With the launch of the new business sector of smart cars, Xiaomi synchronously supplements the ESG content corresponding to the low-carbon management of power batteries, the carbon footprint of the whole vehicle, and other businesses in the ESG report.

Fourth, the perspective of disclosure is both globalisation and localisation. For the domestic market, Xiaomi's ESG-related practices are in line with the orientation of domestic sustainable development policies, showing the practical achievements of manufacturing upgrading and rural revitalisation; facing the overseas business of hundreds of countries and regions around the world, Xiaomi discloses overseas supply chain management, cross-border environmental protection, and user data in accordance with local laws and regulations. Privacy protection and other contents meet the requirements of overseas business compliance.

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Then, only non-financial reports were available to the public for a long time. However, no data were released on carbon emissions or labour conditions in the supply chain at that time. At that time, the company had not established an all-weather ESG disclosure system. Starting in 2020, Xiaomi published its first comprehensive sustainability report and has since begun to strengthen the disclosure of ESG information. Based on the GRI Standards. The three components of the Sustainability Report are Environment, Society and Governance. Quantify the reduction in carbon emissions and packaging waste, and increase the number of audits for off-site suppliers. The scope of disclosure also covers the management of the supply chain and the environmental impact of products at all stages of the life cycle. As a result, the earlier promotional function of sustainability reports has been gradually replaced by an essential management tool for implementing the Group's sustainability strategy.

3. The impact of ESG disclosure on corporate performance

3.1. Financial performance.

ESG disclosure will change the financial situation of Xiaomi Group. On the one hand, there will be some long-term financial benefits; on the other hand, there will be some short-term costs [3]. Over time, high-quality ESG disclosures will reduce information asymmetry between the company and investors in the capital market and thus ease financing difficulties [4]. With the increase in importance of ESG performance for investors, more and more companies have started to issue standardised disclosures [5] and improve their sustainability management. This will help Xiaomi raise long-term funds and reduce the cost of capital. With more stable access to relatively low-cost funds, the company will be able to continue investing in technological R&D and market expansion to create revenue opportunities and improve profitability [6]. Xiaomi's continued disclosure of environmental and social responsibility information may also attract institutional investors who focus on sustainability and provide a stable source of funds for the company's development. However, the financial benefits of ESG disclosures are not all positive in the short run. The implementation of ESG-related measures will be costly and thus reduce current financial performance. Disclosure of environmental requirements may need to be implemented, along with supply chain audits and increased employee benefits. Collection and organisation of ESG data, as well as third-party audits, are also added to the management costs. These expenses will increase the company's operating costs and, without a corresponding rise in revenue, will reduce operating profit. This problem is especially relevant to technology manufacturing enterprises such as Xiaomi, which need to make continuous and large-scale capital investments for business operations and development. Another reason is that there is a delay in the financial benefits of ESG investments [3]. The expenses of implementing ESG initiatives are generally shown in the financial statements relatively promptly, but the corresponding benefits may take longer to be realised [7]. However, good ESG management will help reduce the risk of unforeseen losses for Xiaomi in the future, such as environmental fines or labour disputes. A high degree of sustainability will also boost the company's brand value [4] and enhance the stability of its supply chain for continuous production and operation. Although these advantages may not be immediately shown in the financial results, they will gradually contribute to higher profitability and more stable long-term growth of revenue and profit.

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3.2. Analysis of non-financial performance

Generally, the various indices of a company's financial health include revenue, profit, financing costs, etc. Non-financial performance generally shows the long-term competitive advantages of a company, such as talent development, environmental responsibility, brand power and supply chain stability. The following are necessary conditions for the continuous development of a technology company over the long term. Disclosure of corporate social responsibility (CSR) information can help to improve stakeholder relations and support more effective human resources and environmental management [8]. Xiaomi Group is a typical case of the results that can be achieved by regular and standardised ESG disclosures. Such disclosures are not only for the purpose of capital market compliance. Xiaomi's ESG reports also list the results of labour audits, environmental entry standards for suppliers and compliance inspections in the supply chain. Increase the openness of these operations to motivate the upstream supplier to improve production processes, labour conditions and environmental management. It helps reduce compliance risks in the value chain and promotes greater stability of the supply chain [9]. Transparent and continuous ESG disclosure will also change the perception of the company by outsiders. Xiaomi can communicate its environmental and social responsibilities to show the public that it is responsible to them. It will increase the public's confidence and add to the value of intangible brand assets [10]. Generally speaking, Xiaomi's ESG disclosure can support the non-financial goals of talent management, environmental governance, brand reputation and supply chain stability. Together, these changes will help the company build some competitive advantages that are not easy to show in the financial statements but are necessary for long-term development.

4. Conclusion

This research focuses on Xiaomi Group, a prominent entity within the Chinese tech industry, as it analyses its ESG reporting practices within the framework of global ESG evolution and associated national regulations. Initially, the organisation is profiled, while subsequent chapters explore the chronological trajectory of its ESG disclosure mechanisms and the core characteristics of those documents. Since its listing in Hong Kong, Xiaomi has progressively expanded the breadth and coherence of its ESG disclosures by issuing holistic, independent sustainability documents. The current disclosures align with international frameworks such as GRI and ISSB, plus the Hong Kong Stock Exchange guidelines. These reports encompass every dimension of the environment and society, with their data being revised annually to reflect shifts in the global landscape and local requirements. Furthermore, the investigation will examine how ESG disclosures influence both financial and non-financial metrics for Xiaomi. The results of the changes in finances will vary over the short and long term. Over time, ESG disclosures will reduce information asymmetry and financing costs. It will help Xiaomi raise funds for R&D and market expansion to increase revenue and profit in the future. However, there will be some additional expenses for now. Expenditure on environmental renovation, inspection and reporting may reduce profit margins; the advantages of such efforts may not be fully realised for a long time. There are some defects in this case study. First, the research is only on Xiaomi and does not compare it with other companies in the same industry. It is not known whether the results can be applied to the whole consumer electronics industry. Second, the data are all from the company's published annual and ESG reports.

As the internal, non-public primary data are unavailable, some explanations of how ESG disclosure affects corporate performance have to be based on the information that can be obtained publicly. Xiaomi's present disclosure practices also need to be improved in the area of environmental

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data throughout its supply chain. Based on the above results, technology and manufacturing enterprises need to go beyond the minimum requirements for ESG disclosure. Provide more explicit quantitative indicators for the supply chain and integrate ESG management into the production and supply activities of the company in a more direct way. Although these changes will increase operating expenses in the short run, the company also needs to achieve its goal of long-term development. A relatively small proportion of these will help to enhance both financial and non-financial performance through ESG efforts. In the future, more companies from the same industry could be studied instead of just one case. By comparing the ESG disclosure and corporate performance of these companies, it may be possible to find similar patterns among them. It would also provide more data for the study of ESG disclosure and corporate performance.

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