Tsingtao Beer ESG Performance and Its Impact on Corporate Performance

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Abstract. This study explores the relationship between ESG (Environmental, Social, and Governance) information and corporate financial performance, using Tsingtao Beer as a case study. The aim is to research how a company's performance in these areas impacts its financial health. The ESG investment concept has rapidly gained attention and application in the investment community as the global emphasis on sustainable development continues to grow. When making investment decisions, it is important to evaluate a company's commitment to environmental protection, social responsibility, and governance structure, in addition to its financial performance. This comprehensive approach promotes sustainable development across society and the economy, providing investors with a more complete basis for evaluating companies. Research shows that companies that value ESG are able to tell investors more clearly about their situation, which makes them more transparent. This helps investors make better decisions and improves the company's reputation and market image, attracting more money and customers. Companies that excel in ESG demonstrate effectiveness in dealing with environmental issues, social responsibility, and good governance. These factors are key to long-term stability. Therefore, companies that prioritize ESG responsibility not only improve their investments but also achieve sustainable development and contribute to social and economic progress.

Keywords: ESG; Sustainability; Corporate Performance; Tsingtao Beer.

1. Introduction

In recent years, the ESG (Environmental, Social, and Governance) investment concept has gained widespread attention and application globally due to the increasing global emphasis on sustainable development [1]. The ESG concept emphasizes that when making investment decisions, it is important to consider not only a company's financial performance but also its performance in terms of environmental protection, social responsibility, and governance [2]. Also, the concept promotes sustainable development in the investment field. It guides capital flows to enterprises that excel in environmental protection, social contribution, and good governance. This promotes the sustainable development of society and the economy [2]. Major economies worldwide have developed and improved standards, policies, and regulatory frameworks for ESG disclosure to promote and regulate corporate ESG progress. China is also gradually enhancing its policy and institutional guidance on corporate ESG disclosure [3].

Some studies have found that corporations who fulfil their ESG responsibilities actively manage environmental risks, assume social responsibility, and strengthen internal governance [4]. Other research has demonstrated that companies that actively fulfil their ESG responsibilities can provide more information about their corporate characteristics to outside investors. This helps investors to better understand their business decisions and development status, thereby increasing the transparency of corporate information [5]. Investors can better oversee management's use of authority to engage in speculative behaviors in enterprises with high information transparency. This, in turn, enhances the level of real investment [6].

On 15 July 1993, Tsingtao Beer stocks (HK0168) were successfully listed on the Hong Kong Stock Exchange, a milestone event that marked Tsingtao Beer as the first mainland Chinese company to be listed overseas. Just one month later, on 27 August, Tsingtao Beer (600600) was successfully listed on the Shanghai Stock Exchange, a feat that made it the first Chinese company to be listed on both

stock exchanges, demonstrating Tsingtao Beer's outstanding strength and influence. In this report, we will study the ESG of Tsingtao Brewery in recent years [7].

2. Tsingtao Beer ESG Rating and Information Disclosure

Tsingtao Beer dates back to August 1903. Since then, Tsingtao Beer has become one of the manufacturers with a deep history in the Chinese beer manufacturing industry.

2.1. Overall ESG rating

Table 1 shows Tsingtao Beer's ESG rating according to CSI. In Q4 2023, Tsingtao Beer's ESG rating was BBB, which ranks 14th out of 246 companies in the Food, Beverage & Tobacco industry. Only 1.1% of the companies in this industry have an ESG rating of A, which is higher than Tsingtao Beer's. This indicates that Tsingtao Beer's ESG performance is superior to that of its industry peers. Tsingtao Beer has a total environmental rating of 78.58 (BB), a social rating of 87.99 (A), and a governance rating of 87.34 (A) from specific environmental, social, and governance perspectives.

CSI rates Tsingtao Beer BBB for all three quarters in 2023, placing it in a leading position in the industry. CSI maintained its head position in the Food, Beverage & Tobacco industry with a BBB rating for social responsibility in 2023. Additionally, CSI's rating for governance of Tsingtao Beer also remained stable at BBB.

Table 1. Tsingtao Beer's ESG rating.

Dimensionality	Score	Grade
2023Q4	-	BBB
2023Q3	-	BBB
2023Q2	-	BBB
Environmental	78.58	BB
Social	87.99	A
Governance	87.34	A

2.2. Specific ESG performance

2.2.1. Environmental

Tsingtao Beer's 2022 ESG Report highlights the company's efforts and achievements in environmental protection, the details of its environmental dimensions are shown in Table 2. The Company follows China's environmental regulations and strengthens its environmental management through ISO 14001 certification, with 96% of its factories certified. The company has invested nearly RMB 100 million in green technology improvements, such as solar power generation and wastewater treatment, to promote sustainable development.

The report details water consumption and wastewater discharge, showing the company's progress in water conservation and environmental protection. Tsingtao Beer is also committed to climate risk management, focusing on greenhouse gas emissions and aiming to improve energy efficiency for green production. Tsingtao Beer is also committed to climate risk management, focusing on emissions, and aims to improve efficiency in green production. In addition, the company adopts the 3Rs principle in managing waste and packaging materials and promotes sustainable packaging and plastic reduction measures, such as thinning plastic film and optimising packaging design to reduce environmental impact.

Table 2. Environmental.

General disclosure level	Concrete content
Exhaust and greenhouse gas emissions, discharges to water and land, generation of hazardous and non-hazardous waste, etc.	(1) Types of emissions and related emission data (2) Total direct and indirect greenhouse gas emissions and intensity (3) Total amount and density of hazardous waste generated (4) Total amount and intensity of non-hazardous waste generated (5) Emission targets set and steps taken to achieve these targets

	(6) Methods for dealing with hazardous and non-hazardous wastes and a description of the waste reduction targets set and the steps taken to achieve them
Policies for the efficient use of resources	(1) Total direct and/or indirect energy consumption and intensity by type (2) Total water consumption and intensity (3) Energy efficiency targets set and steps to achieve the targets (4) How many packaging materials were used for manufactured products totally and what was the quantity per unit of production
Policies to reduce the issuer's substantial influence on the environment and natural resources	Describe the significant impacts of business activities on the environment and natural resources and the actions to manage those impacts.
Policies for addressing key climate-related issues affecting the issuer	Explanation of major climate-related issues that have impacted and could impact the issuer, along with measures taken to address these concerns

(Source: Tsingtao Beer ESG Report)

2.2.2. Social

The disclosure content of Tsingtao Beer's social dimension ESG report is shown in Table 3. According to Tsingtao Beer's ESG Report 2022, the company places significant emphasis on communicating and cooperating with its suppliers and regularly organises various kinds of supplier meetings with the aim of growing together with suppliers and building a supply chain platform that is highly efficient, synergistic and mutually beneficial.

In recent years, the Company has cooperated with suppliers to build Qingdao Dahua and aroma flower planting bases, conducted research on variety purification and optimisation, provided suppliers with a large amount of funds to support suppliers' raw material procurement, and cooperated with suppliers to actively explore the application and promotion of new materials, technologies, and processes, fully respecting and supporting each and every supplier to achieve the win-win goal.

Meanwhile, Tsingtao Beer has always shown love and given back to society through practical actions, and constantly strives to grow with public welfare. In 2022 June, Tsingtao Beer held a beer festival in Dingxi, with the aim of promoting rural revitalisation, cultural and economic development, as well as caring for the underprivileged and supporting the public welfare of education through donations and the establishment of scholarships, among other behaviours.

Table 3. Social.

General disclosure level	Concrete content
Policies used for managing environmental and social risks in the supply chain	(1) Number of suppliers according to region (2) Selecting suppliers involves different approaches. The number of suppliers subject to these approaches should be taken into account. Implementing and overseeing these practices requires specific techniques (3) How to identify environmental and social risks at each stage of a supplier's journey, and how to implement and monitor these practices (4) Increased use of environmentally friendly products and services in the selection of suppliers and implementation of relevant monitoring methods
Policies for community participation, understanding community needs, and ensuring that community interests are taken into account in operational activities	(1) Focused areas of contribution (e.g. education, environmental issues, labour needs, health, culture, sports) (2) Resources used in the area of concentration (e.g., money or time)

(Source: Tsingtao Beer ESG Report)

2.2.3. Governance

The disclosure content of Tsingtao Beer's governance dimension ESG report is shown in Table 4. In its ESG report, Tsingtao Beer highlights the importance of the employee’s health and safety.

Tsingtao Beer has established a dedicated safety management department, invested in the health of its employees and conducted a variety of safety education activities. The company is committed to creating a working environment of equality, respect, and diversity, ensuring equal opportunities for all employees through a fair talent management system. In addition, the company analyses the needs of its employees, pays attention to their well-being, establishes a "Care Fund" and carries out a number of caring activities to improve the well-being of its employees and create an atmosphere of love in the company.

Table 4. Governance.

General disclosure level	Concrete content
Information on pay, dismissal, recruitment, promotion, working hours, leave, equality, diversity, anti-discrimination and other benefits policies and compliance with relevant legislation.	(1) Number of employees by gender, employment type and age group, and region totally (2) Employee turnover rate divided by gender, age group and region
Detailed information on policies to ensure a safe working environment, employee protection from occupational hazards, and regulatory compliance	(1) Number and rate of workers who have died due to their work in the last three years (2) Number of working days lost due to injuries related to work (3) Description of occupational health and safety measures adopted and methods of enforcement and monitoring.
Policy on upgrading knowledge and skills of employees	(1) Percentage of employees trained by gender and employee category (2) Average number of hours of training per employee by gender and employee category
Information on policies to prevent child labour or forced labour and compliance with relevant regulations	(1) Describe the measures taken to review recruitment practices to avoid child and forced labour. (2) Describe the steps taken to eliminate irregularities when they are detected.

(Source: Tsingtao Beer Environmental, Social and Governance Report)

3. The Impact of Tsingtao Beer's ESG Performance on Corporate Performance

A company's ESG performance has a direct impact on its public reputation and investment financing, which in turn affects its value and financial performance.

3.1. Solvency

Table 5 shows the changes in Tsingtao Beer's solvency between 2018 and 2022. The gearing ratio shows an overall slight upward trend over this five-year period, but declines after peaking in 2021, as shown in the table. The current and quick ratios also show slight fluctuations over the period, but remain stable overall. Total liabilities have increased over time, reflecting the continued expansion of the company's debt.

Overall, Tsingtao Beer has generally reduced its liabilities and maintained good solvency, despite fluctuations between 2018 and 2022.

Table 5. Changes in Tsingtao Beer's solvency in 2018-2022.

Year	Gearing (%)	Current ratio (%)	Quick ratio (%)	Total liabilities (hundred million)
2022	47.78	1.627	1.416	240.4
2021	48.90	1.586	1.395	227.7
2020	48.53	1.588	1.376	201.5
2019	46.63	1.573	1.334	174.0
2018	45.15	1.469	1.250	153.9

(Source: https://quote.eastmoney.com/sh600600.html)

3.2. Profitability

Table 6 shows the development of Tsingtao Beer's profitability. As can be seen from the data in Table 6, Tsingtao Beer's profitability indicators have shown a clear upward trend over the last five years. Return on net assets, return on net assets after extraordinary gains and losses, and return on total assets have all increased year on year, indicating that the company has achieved remarkable results in improving the efficiency of asset usage and profitability.

Overall, Tsingtao Beer's profitability has increased significantly over the past five years, which can be attributed to the company's continuous efforts to improve operational efficiency, cost control, and optimal product mix, as well as the positive impact of overall industry growth and market share expansion.

Table 6. Changes in Tsingtao Beer's profitability in 2018-2022.

Year	Return on net assets (weighted) (%)	Return on net assets (haircut/weighted) (%)	Return on total assets (weighted) (%)	gross margin (%)	net profit margin (%)
2022	15.30	13.23	7.85	36.85	11.83
2021	14.47	10.12	7.39	36.71	10.79
2020	11.13	9.18	5.90	35.33	8.38
2019	9.97	7.25	5.40	38.96	6.89
2018	8.10	6.00	4.80	37.70	5.87

(Source: https://quote.eastmoney.com/sh600600.html)

3.3. Operating ability

Table 7 shows the changes in Tsingtao Beer's operating capacity. According to Table 7, Tsingtao Beer's operational capacity indicators have shown a certain trend of change over the past five years. The total asset turnover ratio has been decreasing year by year, which may indicate that the company's asset utilisation efficiency has been decreasing. The inventory turnover ratio also showed fluctuation, but decreased slightly overall, reflecting the change in inventory management efficiency. The accounts receivable turnover ratio showed a significant decrease during the period under review, indicating a slowdown in the collection of accounts receivable and a possible relaxation of the customer credit policy.

Overall, Tsingtao Beer showed some changes in its operational capacity, with a decrease in asset and inventory turnover and a significant decrease in accounts receivable turnover, which may warrant attention. The company may need to further optimise asset utilisation and inventory management while reviewing its credit policy to maintain good collection efficiency.

Table 7. Changes in Tsingtao Beer's operating ability in 2018-2022.

Year	Total asset turnover (times)	Inventory turnover ratio (times)	Accounts receivable turnover ratio (times)	Net cash flow from operations/total operating income
2022	0.664	5.315	258.4	0.152
2021	0.685	5.637	241.3	0.200
2020	0.704	5.555	158.0	0.178
2019	0.784	5.856	143.3	0.144
2018	0.817	6.564	152.7	0.150

(Source: https://quote.eastmoney.com/sh600600.html)

3.4. Growth capacity

Table 8 shows the changes in Tsingtao Beer's growth capacity. As can be seen from the data in Table 8, Tsingtao Beer's year-on-year (yoy) growth rate of total operating revenue and year-on-year growth rate of net profit attributable to Tsingtao Beer showed a fluctuating trend over the past five years. In terms of the rolling year-on-year growth rate of total operating revenue, Tsingtao Beer shows slight fluctuations. It shows positive growth from 2018 to 2021 and negative growth in 2022. The

rolling year-on-year growth rate of attributable net profit also shows fluctuations, but overall shows a negative growth trend.

Overall, Tsingtao Beer has shown some volatility in its operating capacity over the past five years but has still managed to achieve better operating income and net profit growth overall. This may reflect the company's ability to adapt to market changes and competitive pressures, as well as its efforts to optimise its operating strategies and improve efficiency.

Table 8. Changes in Tsingtao Beer's growth ability in 2018-2022.

Year	yoy growth in total operating income (%)	yoy increase in attributable net profit (%)	Rolling yoy growth rate of total operating revenue (%)	Rolling yoy growth rate of attributable net profit (%)
2022	6.65	17.59	-1.03	-2.65
2021	8.67	43.34	0.19	11.34
2020	-0.80	18.86	0.91	-1.92
2019	5.30	30.23	0.55	-2.94
2018	1.13	12.60	0.16	-4.76

(Source: https://quote.eastmoney.com/sh600600.html)

By taking environmental measures and investing in green technologies, Tsingtao Beer has effectively reduced operating costs and improved energy efficiency, thereby increasing profitability [8]. At the same time, the company's proactive social responsibility and optimised governance structure have strengthened its brand value and market credibility, attracting more investors and consumers and contributing to sales growth and revenue improvement. Tsingtao Beer's ESG construction has not only brought the company a more robust and substantial financial performance but also promoted sustainable development [9, 10].

4. Conclusion

This study takes Tsingtao Beer's ESG disclosure from 2018 to 2022 as a case study, explores the relationship between ESG disclosure and financial indicators, and further analyses the impact of ESG disclosure on corporate performance. It shows that there is a positive relationship between corporate ESG disclosure and its financial performance, and that the construction of ESG can help improve and enhance corporate financial performance. Specifically for Tsingtao Beer, there are the following manifestations of the company's overall increase in debt-equity ratio and a decrease in 2022, indicating the adjustment of financial strategy. Profitability indicators increase, reflecting the results of asset utilisation and financial management optimisation. Total asset turnover and inventory turnover are decreasing, while accounts receivable turnover is decreasing significantly, which requires further optimisation. Operating income and net profit growth rates have been volatile but generally positive, reflecting the company's efforts to adapt to the market and optimise its business strategy.

Overall, under the ESG construction, Tsingtao Beer has improved its sense of corporate environmental responsibility by implementing environmental protection measures, which also meets consumer demand for green products and promotes the long-term development of the company. At the same time, the company's active commitment to social responsibility has also had a positive impact on enhancing consumer trust and loyalty. In terms of corporate governance, Tsingtao Beer focuses on improving the governance structure, which helps to enhance the management efficiency and decision-making quality of the company, thus promoting the healthy development of the company.

The recommendations for Tsingtao Beer's future development are as follows:

First, strengthen environmental protection and continue to invest in green technology renovation, such as increasing the use of renewable energy and upgrading wastewater treatment technology to further reduce environmental impact.

Secondly, to improve social responsibility practices, strengthen cooperation with suppliers, and promote the sustainable development of the entire supply chain, while increasing investment in social activities, especially in education and rural regeneration.

The Company will also continue to optimise its governance structure, continuously enhance the effectiveness of its corporate governance mechanism, strengthen its internal control system, increase the transparency of its business operations and ensure the fairness and efficiency of its decision-making process. Through these measures, the Company aims to enhance its management level and business performance and achieve sustainable development. In addition, in order to develop further, Tsingtao Beer should continue to expand its domestic and international markets and develop new products, especially low-alcohol and non-alcoholic beverages, as well as strengthen its brand promotion efforts and utilise digital marketing to enhance brand awareness and reputation.

Finally, the company should improve its production process and supply chain management to reduce costs and improve profitability, and follow industry trends and market changes to flexibly adjust its business strategies to cope with market risks.

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