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Research on the Financial Risks of Cross-border E-commerce Enterprises under ESG Information Disclosure

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Abstract

With growing global awareness of ESG (environmental, social, and governance) and increasing regulatory scrutiny, cross-border e-commerce companies face unique financial and ESG risks due to their cross-border operations. ESG risks for cross-border e-commerce are closely linked to financial risks. First, multinational regulations require companies to enhance ESG transparency, including compliance requirements such as the EU's Sustainable Finance Disclosure Regulation. Second, complex supply chains, controversial data privacy issues, and cultural differences increase potential risks. This article, focusing on the industry benchmark Anker, analyzes how its ESG disclosures impact its financial risks through a comprehensive case study and literature review. It also analyzes Anker's financial performance, including its solvency, profitability, and cash flow, to identify its financial risks. From an ESG perspective, it then reveals the transmission pathways and offers optimization recommendations.

Keywords

ESG, cross-border e-commerce, financial risk, Anker.

1. Introduction

Today, cross-border e-commerce has become one of the main drivers of global trade growth. The scale of China's cross-border e-commerce imports and exports has been growing rapidly in recent years. In 2024, the total import and export volume reached 2.63 trillion yuan, a year-on-year increase of 10.8%. Over the past five years, this trade volume has grown more than tenfold. The number of cross-border e-commerce companies has exceeded 120,000, and over 30,000 trademarks have been registered worldwide, demonstrating the industry's active players and its trend towards branding. At the same time, compliance pressures within the cross-border e-commerce industry continue to increase, and policies and regulations in different countries and regions have a significant impact on its development. Compliance, digitalization, and refinement are the future development directions for cross-border e-commerce companies. Sellers must constantly monitor compliance in areas such as finance, taxation, and intellectual property.

Corporate governance issues like climate change and social inequality intensify, ESG (Environmental, Social, and Governance) has become a key focus for global corporate sustainability. Currently, ESG research has largely focused on traditional manufacturing or

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energy sectors, with insufficient research examining the relationship between ESG practices and financial risk in emerging industries like cross-border e-commerce. This study introduces the ESG framework to the cross-border e-commerce sector, exploring how ESG disclosure impacts financial risk through pathways such as supply chain management, brand reputation, and compliance costs, and examining their relevance. Furthermore, international ESG research often uses European and American companies as samples. Chinese cross-border e-commerce companies, with their global operations, have unique ESG practices. As an industry leader, Anker can provide a representative example for ESG research on emerging market companies, promoting the integration of theoretical universality with specificity.

2. Analysis of Anker's ESG Practices

2.1. Anker Company Profile

Anker Innovations is a leading cross-border e-commerce company specializing in digital 3C products, including brands such as Anker, eufy, and Soundcore. In 2024, the company achieved operating revenue of 9.648 billion yuan, a year-on-year increase of 36.55%. North America contributed 48% of this revenue, with Amazon accounting for 52.26%. Its direct-to-consumer (DTC) model uses its own overseas warehouses to shorten logistics cycles, and its supply chain covers major markets such as Europe, the US, and Southeast Asia. In the first half of 2024, its independent website revenue increased by 102.85% year-on-year, demonstrating successful channel diversification. Anker will strive to become the world's leading smart hardware brand. On the product front, Anker is continuously increasing its R&D investment to produce more innovative and practical smart hardware products, such as smart home appliances. On the market, Anker is further strengthening its global market presence to enhance its brand awareness and market influence. Regarding social welfare, Anker consistently participates in various charitable and environmental initiatives, striving to contribute more to sustainable social development.

In terms of revenue structure, according to the first half of 2024 financial report, Anker's charging products generated 4.975 billion yuan in revenue, accounting for 51.56% of total revenue, while smart home and audio-visual products accounted for 24.46% and 23.93%, respectively. In terms of R&D capabilities, as of June 2024, the company had obtained a total of 1,902 patents, and its R&D expenses increased by 33.46% year-on-year to 800 million yuan. The company focused on investing in cutting-edge technologies such as multimodal AI perception and distributed learning systems to support product innovation.

2.2. Analysis of ESG Practices

2.2.1 Current Status of ESG Information Disclosure and Rating Performance

Anker is a leading company in China's cross-border e-commerce sector. The quality of its ESG management and information disclosure is crucial to the company's financial risk. The Wind ESG Rating (2024) shows that Anker's overall rating is A, with scores of 78/100 for the environmental dimension and 65/100 for the social dimension. However, its governance score is only 52/100, far below the industry average of 65/100. This is primarily due to governance deficiencies and negative social controversies. According to the MSCIESG Rating

(2024), Anker's "Data Security" score is 2.7/10, dragging down its overall social dimension.

2.2.2 Key ESG Practices, Risk Events, and Impacts

First, the governance dimension. In 2019, Anker's IPO review was suspended by the China Securities Regulatory Commission (CSRC) due to the involvement of its auditing partner, Ruihua Certified Public Accountants, in the Kangdexin (Kangdexin) financial fraud case. The Ruihua incident exposed Anker's dependence on audit independence, raising market doubts about Anker's financial transparency. The IPO delay directly led to an increase of 120 million yuan in financing costs, a one-level downgrade in its credit rating, and a 0.5% increase in debt interest rates.

Second, the social dimension. In 2022, Anker's smart home brand, eufy, was sued by US consumers for a privacy breach related to its cameras. The lawsuit stemmed from the product's default cloud data synchronization feature, without clearly informing users of data storage rules. The lawsuit led to three months of negative social media activity, a 0.8-point drop in Amazon's consumer rating, and a 3% decrease in quarterly sales. The privacy breach directly exposed Anker's compliance shortcomings in the social dimension, weakening its brand trust premium. Electronic products rely on consumer perceptions of brand safety and reliability, and privacy risk incidents can lead to a rupture in consumer trust that is difficult to remediate through product feature innovation in the short term.

Third, the environmental dimension. Anker discloses direct and indirect carbon emissions data in its annual report, but not its supply chain carbon emissions data, significantly diverging from the requirements of the EU Corporate Sustainability Reporting Directive (CSRD). Anker's failure to disclose this data indicates a lack of supply chain carbon footprint management. If the EU carbon tariff policy is implemented, coupled with supply chain carbon data traceability obligations, Anker will face increased direct and indirect compliance costs. Currently, Anker is attempting to shorten its supply chain through localized production (such as bonded warehouses in Europe), thereby reducing transportation emissions and carbon tariff risks.

3. Analysis of Anker's financial capabilities

3.1. Debt - paying capacity analysis

Anker's financial performance is influenced by the characteristics of the consumer electronics industry and the macroeconomic situation. In the consumer electronics industry, a current ratio and quick ratio above 1 are often considered healthy financial conditions. As shown in the following table:

Table 1 : Anker's debt-paying ability indicators from 2019 to 2023

project	2019	2020	2021	2022	2023
Current ratio	2.81	4.84	3.83	3.26	2.68
Quick ratio	2.32	4.32	3.29	2.45	1.95

Data source: Anker's annual financial report

ISSN: 2790-170X Vol 3, No.1, 2025

In 2020, the current ratio and quick ratio soared to 4.84 and 4.32, respectively, far exceeding the conventional safety rnge (current ratio ≥ 2, quick ratio ≥ 1) . The trend is expected to return to normal in 2023. The company should continue to monitor its current and quick ratios to ensure its short-term debt repayment capacity is not affected by expansion or economic fluctuations. Going forward, it should improve inventory management to achieve a balance between short-term liabilities and asset growth, thereby maintaining a healthy financial position.

3.2. Operational Capability Analysis

According to Anker's cash flow statement data from 2019 to 2023, its cash liquidity showed significant phased characteristics, reflecting the company's dynamic balance and potential risks in business strategy adjustments, investment expansion and financing activities.

Table 2: Anker's liquidity indicators from 2019 to 2023

Project (Unit: 100 million yuan)	2019	2020	2021	2022	2023
Net cash flow from operating activities	3.83	1.88	4.49	14.24	14.30
Net cash flows from investing activities	0.81	-29.93	3.91	-18.92	-0.45
Net cash flows from financing activities	-1.36	26.97	-3.61	1.97	-0.61

Data source: Anker's annual financial report

The data indicate that Anker 's operating efficiency has been continuously improving, with stronger accounts receivable collection capabilities and increased profitability. Notably, large-scale investments have not simultaneously boosted their asset turnover rate (only 1.37 in 2023), suggesting that some investments may be inefficient or have a prolonged payback period.

3.3. Profitability Analysis

Anker's profitability is influenced by the characteristics of the consumer electronics industry and the macroeconomic landscape. In 2020, the COVID-19 pandemic disrupted global supply chains and reduced consumer demand, resulting in a decline in net profit margin and asset turnover. In 2023, market demand rebounded, and the company increased investment in new production lines. By adjusting its cost structure and improving asset utilization, the company’ s profit margins increased. Going forward, the company will continue to prioritize increasing net profit margins, improving asset efficiency, and maintaining its core competitiveness. Specific data is as follows:

Table 3: Anker's profitability indicators from 2020 to 2023

project	2019	2020	2021	2022	2023
Net sales margin (%)	10.84	9.15	7.81	8.03	9.22
Net assets return rate (%)	23.95	12.32	11.60	11.26	12.64

Data source: Anker's annual financial report

3.4. Growth Capacity Analysis

The debt-to-asset ratio and equity ratio are important financial indicators in financial report

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analysis, used to assess a company's asset structure and financial health. Table 4 shows that Anker's financial performance has fluctuated in recent years. The changing trends in Anker's debt-to-asset ratio and equity ratio indicate that its capital structure has undergone a process of adjustment from "deleveraging" to "debt expansion," reflecting the company's strategic balance between risk control and business development.

Table 4: Anker's asset structure indicators from 2020 to 2023

project	2019	2020	2021	2022	2023
debt-to-asset ratio	34.08	21.75	27.54	31.38	36.11
Shareholders' equity ratio	65.92	78.25	72.46	68.62	63.89

Data source: Anker's annual financial report

4. Anker's Financial Risk Analysis from an ESG Pers

4.1. Environmental dimension

In 2020, Anker raised 2.719 billion yuan, partially using proceeds to build overseas factories, reduce shipping time and logistics costs, and establish a sustainable supply chain management system and strengthen supplier environmental compliance requirements. Eight core suppliers achieved zero-carbon transformation, mitigating the impact of global supply chain disruptions in 2021-2022. Furthermore, the company's asset turnover rate increased from 1.35 to 1.37, and its net return rate rose from 11.26% to 12.64%, demonstrating continued room for improvement in resource efficiency and profitability.

4.2. Social Dimension

In 2021, the company transformed into an omni-channel sales model and built an "online + offline" sales network. In the online field, it expanded its business scope by relying on mainstream e-commerce platforms such as Amazon and Tmall. On the physical retail side, it strengthened strategic cooperation with large chain retailers such as Walmart and Best Buy. In 2023, the revenue of the six major brands increased by 112.59%, reflecting the role of social strategies in enhancing competitiveness (net profit margin increased from 7.81% to 9.22%). In the same year, overseas revenue accounted for 72%, and a total of 552 new jobs were created. At the same time, the ESG report mentioned community cooperation (such as donating emergency power to support disaster areas), strengthening social responsibility performance, and further enhancing the company's social image.

4.3. Governance Dimension

After releasing its first ESG report in 2022, Anker optimized its GRI index in 2023 to enhance information transparency and attract long-term investors. In 2020, the company raised 2.719 billion yuan through its IPO, gradually reducing its debt-to-asset ratio to 25.9%. From 2021 to 2023, investments in R&D and marketing pushed its debt-to-asset ratio to 36.11%, demonstrating the company's strategic willingness to leverage its business to expand.

Sustainalytics' risk rating data shows that Anker, which receives a "Low" ESG Risk Rating, leads the industry in environmental, social, and governance performance. In recent years, the company has made significant progress in its internal governance system, contributing to a net cash flow of 1.324 billion yuan.

5. Conclusion

In summary, the primary cause of a company's financial crisis is a rising debt-to-asset ratio. By 2023, Anker's debt-to-asset ratio had reached 36.11%, a significant increase from 21.75% in 2020. This indicates a decline in the company’s debt-paying capacity, a phenomenon that cannot be ignored. On an operational level, a massive cash outflow (reaching -29.93 billion yuan in 2020 and -18.92 billion yuan in 2022) would pose a significant challenge to its financial stability.

Based on the ESG framework, Anker faces challenges in managing its financial risks due to its lack of environmental compliance and inadequate governance structure. If it fails to proactively deploy green technology innovation, it could face challenges such as carbon tariffs. Therefore, Anker should transition from a management model reliant on single financial indicators to a comprehensive governance system. By integrating environmental responsibility into internal operations, fostering the co-creation of social value, and optimizing its governance structure, the company can mitigate financial risks while strengthening its brand's market competitiveness and ultimately building long-term value advantages.

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