

ESG Practice of Medical Device Companies and its Impact on Corporate Performance: Taking Mindray as an Example

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Abstract. In the context of China's "dual carbon" goal, the concept of Environment, Social and Governance (ESG) has attracted more and more attention, and enterprises have turned their attention to ESG in the process of thinking about how to transform to a new model of sustainable development. At the same time, with the aging population and the continuous progress of medical technology, the medical device industry shows a trend of rapid development. Researchers found that good ESG practices have a positive impact on enterprise performance. However, most of the studies are empirical studies based on big data samples, while there are few case studies on specific companies. As a leading enterprise in the medical device industry, Mindray has made continuous efforts in green development, social responsibility and corporate governance, and has achieved excellent performance in ESG transparency and ESG performance evaluation. Therefore, this study takes Mindray as the research object, adopts literature research method and case study method to analyze its ESG practice path and its impact on corporate performance. The study found that Mindray Medical's ESG practices performed well, and its good ESG practices had a positive impact on both its non-financial performance and financial performance, which was conducive to its sustainable and healthy development.

1 Introduction

Sustainable development has always been an important concept of China's development. The proposal of China's "dual carbon" goal points out the development direction for enterprises, promotes enterprises to accelerate the transformation of development mode, integrate the concept of green, environmental protection and low-carbon into business activities, and promote the sustainable development of enterprises. Therefore, more and more enterprises are turning their attention to Environment, Social and Governance (ESG). ESG is short for environment, society and governance. It is a corporate governance evaluation system that takes into account economic benefits, environmental and social impacts. It is an important standard to measure whether an enterprise has environmental awareness and can undertake social responsibilities. In the research on ESG and enterprise green development, Wang found that the improvement of enterprise ESG performance can effectively convey positive signals, strengthen risk smoothing ability, and stimulate the vitality of green innovation, so as to improve the level of low-carbon and green transformation of enterprises [1]. Yu kai found that ESG performance has a positive impact on corporate green innovation and total factor productivity, which can promote the green development of enterprises by improving the external information environment [2]. In the research on the impact of ESG performance on corporate reputation, Li and Cui found that the

improvement of ESG performance can send positive signals to different stakeholders, thus enhancing the image and status of enterprises in various market players and affecting corporate reputation [3]. Li et al. found that good ESG performance can improve corporate reputation and ease financing constraints, enhance the cohesion of enterprises to customers or suppliers, and thus enhance the discourse power in the supply chain [4]. In the study on the relationship between ESG and corporate investment and financing, Yang et al. found that the improvement of corporate ESG performance can reduce inefficient investment behaviour and reduce the cost of equity capital [5]. Fang found that the overall ESG performance of enterprises was conducive to alleviating the green financing constraints of enterprises [6]. Mahmood found that ESG performance can promote the acquisition of commercial credit financing (CCF) by promoting green innovation, improving social reputation and reducing operational risks [7]. In terms of corporate financial risks, S. Muttanachai and L. D. Jin both found that the improvement of ESG performance can reduce corporate financial risks, improve financial conditions and constrain financial irregularities [8, 9]. From a comprehensive perspective, Liu found that ESG performance can promote the improvement of corporate financial performance by reducing corporate financing constraints [10]. Kim and Li, & Peng all found that there is a positive correlation between ESG disclosure and enterprise performance [11, 12]. ESG performance has a positive impact on the profitability of enterprises, and

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the impact is more significant for enterprises with larger scale [13]. Kaiser found that good ESG performance can increase the value of enterprises [14]. To sum up, the disclosure and performance improvement of ESG can promote the green and sustainable development of enterprises, and play a positive role in promoting the reputation of enterprises. At the same time, the improvement of ESG performance can effectively promote the improvement of corporate financing efficiency, reduce financial risks and financing costs, and have a significant positive role in promoting corporate financial performance.

As a leading enterprise in the medical device industry, Mindray actively implements ESG strategy, integrates sustainable development management into its daily management structure, and establishes a comprehensive sustainable development management system. Mindray has been awarded the title of "2022 ESG TOP20 Competitiveness of China's Listed Pharmaceutical Companies". Therefore, this paper takes Mindray as the research object to analyse its ESG practice path and the impact of its ESG performance on corporate performance.

This paper uses two research methods: literature research and case study. The literature research method is adopted to sort out the literature from all aspects of the impact of ESG practices on enterprise performance, laying a theoretical foundation for the research of this paper. At the same time, the single case study method is used to discuss the impact of Mindray Medical ESG practice path and enterprise performance.

This study aims to directly reflect the relationship and influence between the two through case analysis of ESG practice paths and benefits of specific medical device enterprises, fill the gap of specific case studies of ESG implementation of medical device enterprises, and provide certain theoretical basis for enterprise management to practice ESG concepts.

2 Mindray ESG practice case

2.1 Introduction to Mindray

Shenzhen Mindray Bio-Medical Electronics Co., Ltd. was formally established on January 25, 1999, listed on the GEM of Shenzhen Stock Exchange in October 2018 (A-share: 300760), and has been continuously disclosing social responsibility reports since 2018. The company is mainly engaged in the research and development, manufacturing, marketing and service of medical devices, always customer demand-oriented, committed to providing quality products and services for global medical institutions. The company integrates innovation, closely responds to clinical needs, and supports medical institutions to provide quality medical services, thus helping to improve medical conditions and reduce medical costs around the world. After years of development, the company has become the largest medical equipment and solution provider in China and the world's leading. Headquartered in Shenzhen, China, the company has subsidiaries in about 40 countries, and

has established a R&D (Researching and Development) innovation platform based on global resource allocation, forming a huge global R&D, marketing and service network. Mindray always adheres to the core values of "customer-oriented, people-oriented, rigorous and pragmatic, and proactive", keeps in mind the corporate mission of "popularizing high-end technology and enabling more people to share quality life care", and firmly roots the concept of sustainable development in every link of the value chain of business activities. Through the deep integration of its own business with the sustainable development goals, committed to making lasting contributions to a quality and healthy future.

2.2 Mindray ESG management

Mindray has integrated sustainability management into its daily management structure and established a comprehensive sustainability management system including the board of directors, the strategy and sustainability committee, and the ESG executive committee. In order to coordinate all business and functional departments to jointly promote the implementation of the company's sustainable development strategy and policy, the company has set up six sub-committees in the ESG executive committee to standardize corporate governance, innovation-driven future, collaborative development of business chain, promote green development, sustainable workplace and common prosperity, rooted in the six areas of Mindray's sustainable development strategy. The concept of sustainable development will be firmly rooted in the whole value chain of business activities, and actively practice social responsibility.

Under the guidance of the strategy and sustainability committee of the board of directors, the ESG executive committee and the ESG system management team continue to pay attention to ESG-related risks of the group and formulate reasonable ESG risk mitigation plans to ensure that the company actively fulfils corporate social responsibilities in operation and is committed to achieving sustainable development goals. In the process of daily business operation and management, the company implements the responsibility of sustainable development management from top to bottom, and actively fulfils corporate social responsibility. At the same time, performance indicators such as carbon emission, quality management, product safety, human capital development and technological innovation will be set up, and these ESG performance indicators will be linked to the remuneration of relevant directors and senior management.

2.3 ESG practice of Mindray

(1) Environmental dimension: Mindray adheres to the strategic layout of green manufacturing, integrates the green concept into production and operation, and adheres to the road of innovative green medical treatment. In the process of product research and development, it practices the concept of energy-saving and recyclable design and

development, improve the added value of products through green product patents, and protect the environment with innovative technologies. At the same time, it actively practices carbon emission and energy management, water resources management, pollution discharge and noise management, sticks to the bottom line of compliance, adopts a series of emission reduction measures, conducts regular environmental monitoring, promotes pollutant reduction and promotes green development.

(2) Social dimension: Mindray has established an integrated supply chain architecture suitable for the company and a customer demand-oriented product delivery system, focusing on improving the management ability of product quality and safety, and actively carrying out customer service collaborative management, timely understanding and meeting customer needs, and improving customer satisfaction. In addition, Mindray implements the whole life cycle management of suppliers, improves the communication and cooperation between upstream and downstream suppliers, improves the efficiency of problem solving, and wins the trust of relevant stakeholders. At the same time, Mindray adheres to the management of responsible marketing, and takes effective measures to crack down on counterfeit products, maintain the image of the enterprise, and improve the brand reputation. In addition, Mindray adheres to the talent development concept of "making Mindray a lifelong university for employees", establishes a sound talent training system, and adheres to diversity and equal opportunity, protects the rights and interests of employees, and undertakes social responsibilities.

(3) Governance dimension: Mindray has continuously improved its governance structure, established a professional ESG executive committee and ESG system management group, and provided training on ESG-related topics and sharing of excellent ESG management practice cases of global peers for board members, so as to strengthen their professional ability in ESG governance. At the same time, the company pays attention to improving internal and external risk management capabilities, establishes an effective business ethics and compliance governance structure, which is supervised and reviewed by the board of directors, and sets up a compliance committee as the discussion and decision-making body for business ethics and compliance business management. In addition, it pays attention to the maintenance and management of investor relations, takes the initiative to carry out investor relations management activities, listens to investors' opinions and suggestions, and timely responds to investors' demands.

2.4 Mindray ESG rating

The higher the ESG rating is, the smaller the potential ESG risk of the enterprise is, the better the ESG performance of the company is, the higher the transparency of key ESG data disclosure is, and the higher the sustainable development ability is. Different institutions score the performance of enterprises in various indicators through indicators at all levels. In all scoring types, the ESG score of Mindray is generally higher than that of most peer enterprises, and the rating is almost above A, especially in the rating of China Securities Index and China Securities Index, which both reach AAA. This means that Mindray pays more attention to ESG practices than its peers, and has excellent ESG performance, less potential ESG risks, and higher sustainable development ability, which is more likely to be favoured by investors.

3 The impact of Mindray ESG practice on corporate performance

3.1 Impact of ESG practice on non-financial performance

Based on the fact that Mindray main production base is the Guang Ming production plant, this paper takes the Guang Ming production plant as the object to analyze the changes of its main environmental performance indicators. Mindray adheres to the principle of energy saving and consumption reduction, low carbon and environmental protection, and is committed to building a sustainable green and environmental protection enterprise. Taking green development as a key part of the company's high-quality development in the new era, Mindray complies with national and local laws and regulations on environmental protection and emission indicators, and effectively protects and improves the environment by relying on the company's advanced technology and scientific management means. Reduce negative impact on the environment. As shown in Table 1, the emission concentration of each major pollutant of Mindray showed a decreasing trend during the period from 2018 to 2022, and all met the emission standards. At the same time, Mindray has achieved 100% wastewater and waste gas discharge standards from 2018 to 2022. It can be seen that Mindray has been effective in environmental protection.

Table 1. Main environmental performance indicators of Mindray.

Main environmental performance indicators	2018	2019	2020	2021	2022
Chemical oxygen demand emission concentration (mg/L)	109	52	40.6	26.24	14.833
Five days biochemical oxygen demand emission concentration (mg/L)	50.6	11.4	14.21	4.9	5.375

Ammonia nitrogen emission concentration (mg/L)	1.88	1.45	6.51	0.644	0.186
Total phosphorus emission concentration (mg/L)	0.65	0.42	0.118	0.220	0.015
Emission concentration of anionic surfactant (mg/L)	0.79	0.4	0.158	0.2	0.13

3.2 Improvement of corporate reputation

In recent years, Mindray has always adhered to the practice of social responsibility, stayed true to the original aspiration of "becoming the core force to protect human health", and made efforts to sustainable development in all aspects. It adheres to integrated innovation, complies with the needs of the era of low-carbon development and green development, manages and monitors business links, so as to reduce the negative impact on the environment and move forward to a low-carbon circular economy. At the same time, it adheres to customer-oriented, deeply cultivates the field of medical devices, and wins the respect and trust of global

customers. In addition, it adheres to the development concept of serving the society, actively returns to the society, practices social responsibility and shapes a responsible corporate image while becoming bigger and stronger. With the gradual deepening of Mindray ESG practice, the improvement of the quantity and quality of accumulated honours obtained by the company has brought about a promotion effect on the reputation of the enterprise. As shown in Table 2, these are the major honours Mindray has received since 2018. These honours convey the positive side of Mindray to investors and the public, reflect the company's good performance and operating conditions, and thus increase the company's visibility and enhance its brand reputation.

Table 2. Honors Received by Mindray from 2018 to 2022.

2018	"Top 10 New Media Communication Rankings for Healthy China Brands" and "Annual Responsibility Brand for Healthy China" titles
2019	Ranked 415th among the Top 500 Chinese Manufacturing Enterprises in 2019, The first Deloitte China "Private Enterprise Excellent Management Company" award
2020	Ranked 331th among the Top 500 Chinese Manufacturing Enterprises in 2020, International Humanitarian Assistance Contribution Award, National (China) Product and Service Quality Integrity Demonstration Enterprise
2021	Ranked 305th among the Top 500 Chinese Manufacturing Enterprises in 2021, Outstanding ESG case in China, Most Social Responsibility Award, The 12th China Listed Companies Investor Relations Forum Tian ma Award for Best Investor Relations of Chinese Listed Companies
2022	Ranked 312th among the Top 500 Chinese Manufacturing Enterprises in 2021,2022 Top 20 ESG Competitiveness of China's Listed Pharmaceutical Companies,2021-2022 Best ESG Award,2022 Corporate Excellence in Social Responsibility Award,2022 Ivy Spring Award Smart Medical Enterprise of the Year

Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. 2018-2022 Social Responsibility Report

3.3 Innovation performance

Innovation is the endogenous driving force of enterprises, which can enhance the core competitiveness of enterprises, promote the sustainable and healthy development of enterprises, and achieve greater revenue and market share. This paper selects four indicators of Mindray's R&D investment from 2018 to 2022, the total number of R&D personnel, the proportion of R&D personnel and the cumulative number of patents applied to reflect the innovation performance of the enterprise. Mindray adheres to customer demand-oriented, integrated innovation, independent research and development to master the core technology, committed to the development of market-leading products, to create

excellent core competitiveness. As can be seen from Table 3, Mindray's R&D investment increased year by year from 2018 to 2022, insisting on maintaining high R&D investment on the basis of high quality. R&D team is an important guarantee for enterprise innovation ability, which can provide strong innovation power and R&D strength guarantee for enterprises. Mindray attaches great importance to the cultivation of R&D talents. The total number of R&D personnel in the enterprise increases year by year, and the proportion of R&D personnel is relatively stable at about 24%. At the same time, the cumulative number of patents applied by enterprises is also gradually increasing, with a steady annual increase, which indicates that Mindray has stable professional experimental ability, internal control and management ability, and good innovation ability.

Table 3. Innovation Performance of Mindray Medical from 2018 to 2022.

Year	R&D investment (RMB billion)	Total number of R&D personnel	R&D personnel proportion	Accumulated number of patent applications
2018	1.42	2258	24.45%	-

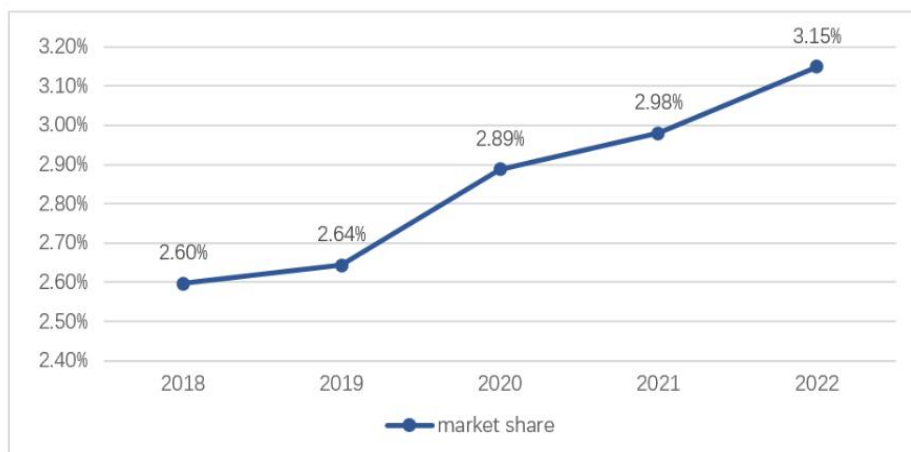
2019	1.65	2508	25.50%	4873
2020	2.10	3070	25.94%	6412
2021	2.73	3492	23.78%	7418
2022	3.19	3927	24.40%	8670

Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

3.4 Increase in market share

Market share is also the market share, which refers to the proportion of the sales volume of a certain category in the market of similar products of a certain enterprise. The higher the market share is, the stronger the competitiveness of the enterprise is. This paper selects the ratio of Mindray's total medical device revenue

(CNY 100 million) to the medical device market size (CNY 100 million) to represent Mindray's market share in the medical device industry. It can be seen from Figure 1 that since 2018, the market share of Mindray has gradually increased, from 2.60% in 2018 to 3.15% in 2022. It can be seen that since Mindray carried out ESG practice, the profitability and sustainable development ability of Mindray have been gradually improved, which is conducive to expanding its popularity and influence.



Source: Frost&sullivan and Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

Fig. 1. Mindray's market share from 2018 to 2022 (Picture/Photo credit: Original).

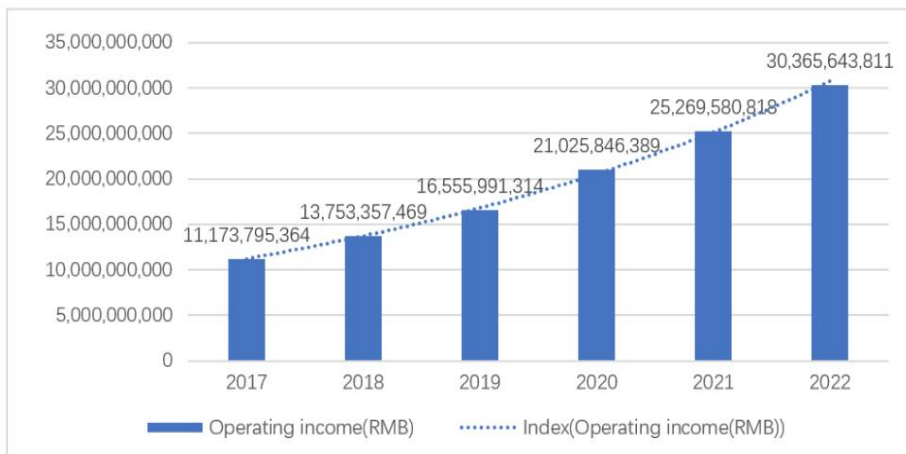
4 Impact of ESG practice on financial performance

4.1 Growth analysis

Mindray attaches great importance to the deep integration of long-term development strategy and sustainable development concept of the group, and promotes long-term development of the enterprise through active ESG practice. Mindray conducts supplier life cycle management, promotes communication and collaboration with suppliers, and takes the initiative to carry out a series of investor relations management activities to enhance stakeholder confidence. At the same time, Mindray insists on innovating green healthcare, improving product research and development capabilities and product quality, coupled with its efficient internal governance and risk management, which effectively reduces the governance cost of the

enterprise and promotes long-term sustainable development. In addition, Mindray has established a product delivery system based on customer needs. It pays attention to product quality and safety management while fully considering customer needs, and wins customer trust, thus promoting the development of the company. In addition, Mindray also implements responsible marketing management to combat counterfeit products, maintain brand image and enhance brand reputation, thus promoting the development of the enterprise. It can be seen that Mindray's ESG practice has contributed to the improvement of the company's growth ability in all aspects.

Operating income is the main operating results of an enterprise, which can intuitively reflect the development ability and growth rate of an enterprise, and reflect the change of enterprise scale. As can be seen from Figure 2, the operating revenue of Mindray has grown steadily in the past six years, showing a continuous upward trend, increasing by nearly three times from 2017 to 2022.

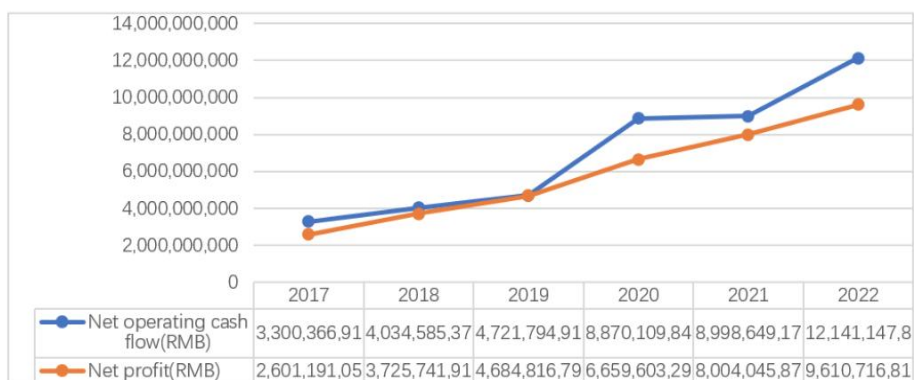


Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

Fig. 2. Mindray’s operating income trend from 2017 to 2022 (Picture/Photo credit: Original).

The difference between operating cash net flow and net profit can reveal the quality of net profit and reflect the health of enterprise development. First, as shown in Figure 3, the difference between Mindray's net operating cash flow and net profit is very small, and the two indicators are almost the same, indicating that Mindray's net profit earning ability is good, profitability is good,

and it has real growth. At the same time, it can also be seen from Figure 3 that Mindray's net operating cash flow and net profit are gradually increasing from 2017 to 2022, reflecting its healthy development. The changing trend of the above indicators shows that Mindray's development ability and health are gradually improved after ESG practice, and it has a good growth ability.



Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

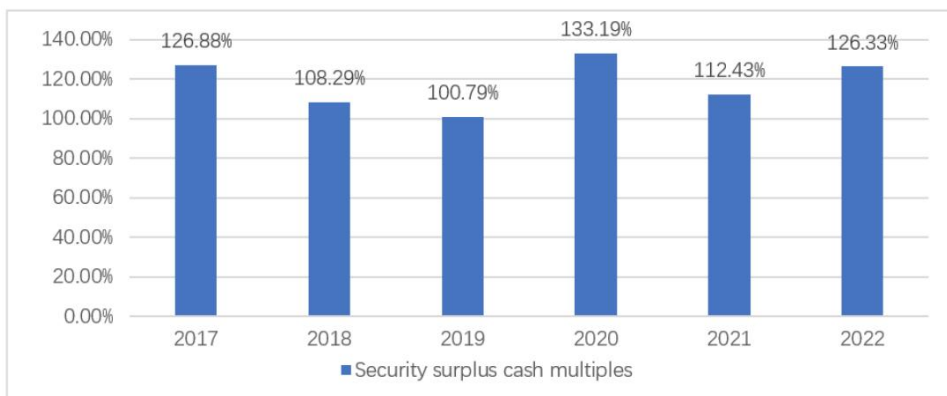
Fig. 3. Comparison of Mindray’s net operating cashflow and net profit (Picture/Photo credit: Original).

4.2 Profitability analysis

Good ESG performance can enhance the image of the enterprise, thus enhancing the market share of the enterprise, improving the product profit margin, and further enhancing the profitability of the enterprise. Through ESG practices such as good product quality, supplier life cycle management and investor relationship management, Mindray sends positive signals to different stakeholders, generates social publicity effect among consumers and investors, improves its reputation and brand influence, and promotes sales volume. At the same time, Mindray adheres to green innovation, actively adjusts the energy structure, reduces energy consumption, reduces the cost of environmental regulation, obtains

more new market opportunities, and improves profitability. In addition, Mindray's transparent ESG disclosure regularly reduces the cost for investors to search for corporate information, thus relieving the pressure of financing constraints, enabling enterprises to have more funds to invest in innovation projects, improve innovation performance, enhance their core competitiveness to a certain extent, and increase profitability.

Profitability refers to the comprehensive ability of an enterprise to obtain profits and realize capital appreciation. In this paper, the profitability of Mindray is analysed by the three indicators of earnings cash guarantee multiple, net profit margin on sales and return on assets (ROA). The following is Mindray's profitability analysis.



Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

Fig. 4. Trend of Mindray's Security Surplus Cash multiples.

Surplus cash guarantee multiple is the ratio of net operating cash flow to net profit in a certain period of time, which reflects the guarantee degree of cash income in the net profit of an enterprise. As shown in Figure 4, Mindray maintained a relatively stable trend of earnings cash guarantee multiple from 2017 to 2022. The average

earnings cash guarantee multiple for six years was 117.98%, and both the annual earnings cash guarantee multiple and the average earnings cash guarantee multiple were greater than 100%, indicating that the company's net profit was guaranteed by cash. The company's earnings are of good quality.

Table 4. Comparison of Mindray's profitability analysis indicators.

Year	Sales net profit ratio (%)	Industry average sales net profit ratio (%)	Return on asset (%)	Industry average return on asset (%)
2017	23.28	13.40	18.98	6.52
2018	27.09	15.69	20.66	7.88
2019	28.30	15.73	19.83	8.06
2020	31.67	27.75	22.60	15.87
2021	31.67	27.27	22.42	15.08
2022	31.65	24.48	22.65	13.49

Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

The net profit margin of sales is the proportion of the net profit in the operating income of the enterprise in the operating activities, which can reflect the change of the profit status of the enterprise and the operating efficiency of the enterprise. As can be seen from Table 4, the net profit margin on sales of Mindray keeps an increasing trend, and from 2017 to 2022, the net profit margin on sales is higher than the average value of the industry every year, reflecting Mindray's performance in the whole industry and is in the forefront.

Return on assets (ROA) is the ratio of a company's net profit to its total assets, which reflects the efficiency and ability of a company in using its total assets to create profits. As can be seen from Table 4, from 2017 to 2022, Mindray's return on assets has never been lower than 18%, and the value is relatively stable, and the return on assets has been higher than the average level of the industry for six years, perhaps this is the benefit brought by its ESG practice. This means Mindray has better

financial stability and can effectively use assets to create profits.

The above indicators show that Mindray has high profitability, which is higher than the average level of the industry due to its ESG practices.

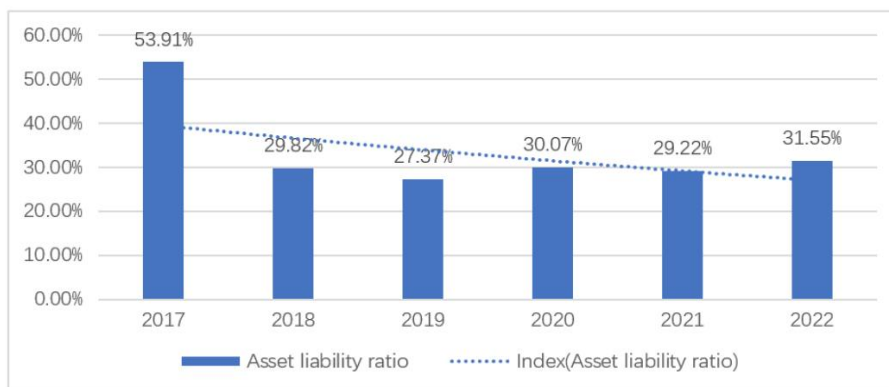
4.3 Solvency analysis

From the above analysis of profitability and growth capacity, it can be seen that Mindray's good ESG performance has increased the sales volume of its products, increased its market share in the medical device industry, reduced financing constraints, gained the trust of relevant stakeholders and the support and subsidy of the government, and alleviated the problem of information asymmetry. In addition, Mindray's supplier life cycle management enhances the cooperation between upstream and downstream enterprises, making the collection of receivables easier, thus helping to improve the solvency of enterprises. At the same time,

Mindray, on the one hand, formulated a reasonable ESG risk mitigation plan, constantly improved the internal business environment of the enterprise, and reduced the occurrence of financial risks from the source. On the other hand, it pays attention to the training of employees, emphasizes diversification and equal opportunity, improves the satisfaction of employees, reduces the quit rate, reduces the cost caused by personnel turnover, so as to avoid the occurrence of financial risks caused by

excessive human expenditure, and further improves the solvency of enterprises.

Debt paying ability refers to the ability of an enterprise to repay its debts when due, which can be reflected by the financial status of the enterprise. This paper will analyse the solvency of Mindray from four perspectives: asset-liability ratio, current ratio, quick ratio and equity ratio.



Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

Fig. 5. Trend of Mindray's Asset Liability Ratio (Picture/Photo credit: Original).

The asset-liability ratio refers to the ratio between total liabilities and total assets; generally speaking, the asset-liability ratio is between 40% and 60%, which is a reasonable range. As shown in Figure 5, the asset-liability ratio of Mindray in 2017 was 53.91%, higher than that of the following years, but still less than 60%, which is within a reasonable range. With the deepening

of ESG practice, the asset-liability ratio of enterprises shows a downward trend. It can be seen that with the continuous promotion of ESG practice, the asset-liability ratio of Mindray gradually decreases and remains in the ideal range, indicating that Mindray has almost no debt repayment risk and debt repayment is guaranteed.



Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

Fig. 6. Mindray's solvency analysis (Picture/Photo credit: Original).

Current ratio is the ratio of current assets to current liabilities, which can measure the short-term solvency of an enterprise. Generally speaking, it can be seen from Figure 6 that the liquidity ratio of Mindray in 2017 was 1.38%, which was slightly low and the risk of debt repayment was high. However, since 2018, it has been higher than 2 for five consecutive years, indicating strong short-term debt paying ability and resistance to risks. This is because the effect of ESG practices has a certain lag, but it also shows that the impact of ESG practices on the solvency of enterprises is long-term.

Quick ratio is the ratio of quick assets to current liabilities of an enterprise. If the quick-freezing ratio of an enterprise can be maintained at about 1, it can be said that the short-term solvency of the enterprise is reliably guaranteed. As can be seen from Figure 6, Mindray's quick ratio is all greater than 1, and in the period from 2018 to 2022, its quick ratio is all greater than 2, which indicates that Mindray's working capital is very restructured and it has strong solvency. And with the continuous advancement of ESG practice, Mindray shows stronger solvency.

Equity ratio refers to the ratio between total liabilities and shareholders' equity of an enterprise, which can measure the long-term solvency of an enterprise and reflect the stability of the basic financial structure. As shown in Figure 6, Mindray's equity ratio shows a downward trend and is stable at less than 0.5 between 2018 and 2022. Generally speaking, an equity ratio of 1 can indicate that the long-term debt paying ability of the enterprise is guaranteed, while the equity ratio of Mindray in the past five years is less than 0.5, which is enough to show that its basic financial structure is stable and its debt paying ability is strong.

To sum up, Mindray has very low leverage risk and excellent performance in debt repayment and risk resistance.

4.4 Operating capacity analysis

The first is the internal governance of the enterprise. Mindray adheres to compliance operation, establishes an effective internal management framework and sets up

three lines of defence of compliance management on a global scale, so as to promote the improvement of internal governance capacity and thus improve operational capacity. At the same time, Mindray's supplier life cycle management and business chain collaborative management promote the management of the supply chain and its business process management, thus improving its operational capabilities. In addition, as mentioned above, Mindray's ESG practices effectively reduce financial risks, thus further improving its operating capacity.

Operating capacity refers to the ability of an enterprise to effectively manage and use assets, liabilities and funds in daily business activities. It reflects the operating efficiency and profitability of the enterprise, which is of great significance to the development of the enterprise and the acquisition of sustainable competitive advantage. This paper will discuss the operating capacity of Mindray from two perspectives of deposit operation cycle and accounts receivable turnover, and analyse the days of accounts receivable turnover and the average situation of the industry in which Mindray is located.

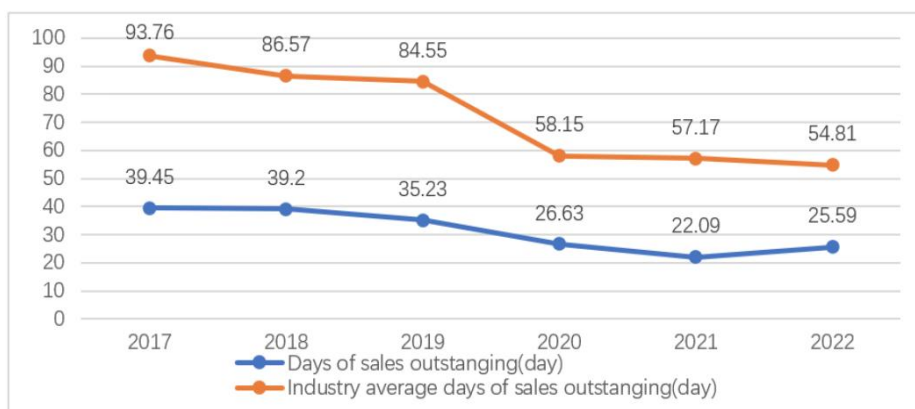


Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

Fig. 7. Mindray's operating cycle trend (Picture/Photo credit: Original).

The length of the operating cycle determines the demand for current assets of an enterprise, and the shorter operating cycle reflects the effective operation management. It can be seen from Figure 7 that the operating cycle of Mindray generally shows a downward

trend, which means that the capital turnover rate of Mindray is also improving, the capital turnover speed is improving, and the operating capacity of the enterprise is also constantly improving.



Source: Shenzhen Mindray Biomedical Electronics Co., Ltd. Annual Report 2018-2022

Fig. 8. Analysis of Mindray's operational capabilities (Picture/Photo credit: Original).

The shorter the accounts receivable turnover days, the higher the efficiency of the use of working capital of the enterprise. It can be seen from Figure 8 that Mindray's accounts receivable turnover days show a downward trend, and from 2017 to 2022, its turnover days are lower than the industry average accounts receivable turnover days, which shows that Mindray has a good fund recovery status and good asset flow. In general, it can be seen from the above indicators that Mindray's operating capacity is constantly improving with the in-depth development of ESG practice.

5 Conclusions

This paper selects Mindray as a case company, and studying its ESG practice path and its impact on corporate performance. According to research, Mindray's ESG practice has a good overall effect, and its ESG practice has a positive impact on both non-financial and financial performance of the enterprise. Through the good practice performance in the environment, society and governance, it has achieved good environmental benefits, created a responsible corporate image, increased brand awareness, improved corporate reputation, and promoted the improvement of innovation performance and market share. At the same time, the improvement of Mindray ESG practice enhances the confidence of relevant stakeholders, wins the trust of customers, improves brand reputation, and can effectively reduce governance costs, thus contributing to the improvement of enterprise growth ability and improving the profitability and operating capacity of the enterprise. In addition, Mindray's good ESG performance can reduce financing constraints, reduce financial risks, improve the equity governance structure, improve governance capacity, and thus improve the solvency and operational capacity of the enterprise.

For enterprises, they should actively respond to China's "dual carbon" policy, establish ESG management concept, and integrate ESG concept into all links of enterprise production and operation, so as to promote sustainable and healthy development of enterprises. Use ESG practice to promote the green transformation and upgrading of enterprises, improve the ability to fulfill social responsibility, improve governance and risk prevention ability, so as to improve the brand image, enhance the operation ability of enterprises, and promote sustainable and healthy development.

For external investors of enterprises, they should establish ESG investment concepts. When making investment decisions, the ESG performance of enterprises should be taken into consideration, the evaluation dimensions should be expanded, and both financial and non-financial performance of enterprises should be taken into account, so as to have a better understanding of the sustainable development ability of enterprises and improve the possibility of obtaining long-term investment returns.

For the government and other relevant departments, it is necessary to further improve the ESG information

disclosure mechanism and ESG evaluation system, so as to achieve a win-win situation between ESG governance and the "dual carbon" strategy and promote sustainable development.

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