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Does ESG Disclosure foster business performance in the fashion industry? Assessing the impact through the Fashion Transparency Index

Francesca Igini[1], Arturo Cafaro[2]

[1] Francesca Igini, Sapienza University of Rome, Faculty of Economics, Department of Management, francesca.igini@uniroma1.it

[2] Arturo Cafaro, Sapienza University of Rome, Faculty of Economics, Department of Management, arturo.cafaro@uniroma1.it

Abstract

This study investigates the influence of ESG disclosure on financial and operational performance in the fashion industry, using the 2023 Fashion Transparency Index Score as a measure of transparency processed by the NGO "Fashion Revolution" as a tool that can be used by consumers to make more conscious decisions. The aim of the paper is to investigate if the index is a useful service to companies in terms of financial and operational performances. It underscores the integration of transparency into corporate strategy, highlighting its significance for reputation. This work contributes to the extensive discussion on ESG disclosure's role in promoting sustainable, responsible business practices in the fashion industry. The work explores the hypothesis of a positive link between the Fashion Transparency Index score and financial and operational performance across a diverse sample of 65 companies, spanning varied geographic and industry segments. Nevertheless, the multivariate linear regression analysis indicates non-significant relationship, implying limited influence on financial performance (ROE). Likewise, operational performance shows no significant correlation with the transparency score. These findings underscore the need for supplementary control variables or an alternative independent variable to enhance the model's predictive accuracy and resilience beyond existing literature.

Keywords: ESG Disclosure; Transparency; Fashion; Corporate performance
Paper type: Research paper

1. Introduction

For long, companies have prioritized the goal of maximizing profits, often neglecting Environmental, Social, and Governance (ESG) responsibilities. This approach considered these responsibilities as irrelevant to business performance, perceiving them almost exclusively as increased burdens that drive up costs (Billio et al.,2021). Nowdays, issues related to ESG issues, have become prominent across all sectors, thanks to the growing interest by institutions, and subsequently investors, both domestically and internationally (Zhao et al. 2018). Therefore, the practice of ESG Disclosure has become imperative, evolving from an initial voluntary action by companies to a regulated practice. As an example, European Union (EU) Directive 2014/95/EU requires companies of significance, i.e., those that are large and in the public interest, to publish an annual non-financial statement that contains a minimum set of information related to ESG aspects. In the United States, the growing importance of the issue has led the International Integrated Reporting Council, UN (Global Compact) and the Global Reporting Initiative to formulate guidelines to improve ESG reporting practices (2018) and to adopt the Sustainability Accounting Standards Board (SASB) standards, a San Francisco-based organization that aims to develop accounting standards for sustainability in addition to the accounting standards developed by the Financial Accounting Standards Board. The growing emphasis on Environmental, Social, and Governance (ESG) responsibilities signifies a notable departure from the traditional profit-maximization paradigm. This shift underscores the critical importance of transparency and accountability within corporate operations, propelled by increasingly stringent regulatory requirements and evolving investor expectations. In Fact, recent research has thus overturned old perspectives on sustainability, showing that companies that invest in ESG practices and disclose informations can achieve an increase in their market value, gaining a competitive advantage and improving financial returns (Zhao et al.,2018). Studies also indicates that ESG disclosure positively influences sustainable growth in companies, particularly in reducing financing constraints and enhancing human capital, with a more pronounced effect in non-environmentally sensitive industries and times of heightened external environmental uncertainty (Liu & Lin, 2022). The literature is studded with studies analysing the impacts of ESG disclosure in different sectors, such as banking nevertheless about transparency on fashion ESG actions, the literature shows a Gap. The fashion industry's significant environmental footprint, including carbon emissions, plastic-based fiber production, and textile waste, underscores the urgency for sustainable practices and ESG initiatives (Wang et al., 2023). Additionally, there is inconsistent evidence on the relationship between ESG scores and firm performance, with studies showing both positive and negative correlations (Halid et al. 2023). So, in a context where sustainability has become a criterion of choice for consumers and an important driver for corporate reputation, understanding how fashion brands address and communicate their environmental and social impacts becomes a key element. Aiming to fill this gap, this paper explores the implications of ESG disclosure on the financial and operational performance of companies in the fashion industry. The research aims to answer a crucial question:

RQ.1 Does ESG Disclosure foster business performance in the fashion industry?

Through multivariate linear regression analysis, the study quantifies the influence of ESG disclosure on the financial and operational performance of fashion companies.

Using the Fashion Transparency Index score as a measure of disclosure, the paper examines its impact on financial (ROE) and operational (ROA) performance in 2023. This research highlights not only the need for further study in this area, but also aims to stimulate a more extensive discussion on the importance of ESG disclosure in the fashion industry.

The paper is structured as follows: Section 2 presents a review of the literature; in Section 3, the methodology and data sample are shown. In Section 4, the Findings of the analysis are presented. Section 5 presents the Discussion. Section 6 presents the Conclusions, implications for management, research limitations and suggests possible lines for future research on this topic.

2. Literature review

With the publication of the report "Who Cares Wins" by the UN Global Compact Initiative (UN, 2004), the birth of the term ESG is made official. This document aimed to consolidate the three fundamental principles of ethical finance: Environmental, Social, and Governance. The Environmental aspect of ESG, as outlined by S&P Global, evaluates a company's performance as a steward of the physical environment. This includes assessing efforts related to environmental protection by measuring factors such as greenhouse gas emissions, energy efficiency, and overall resource management. Companies are scrutinized on their ability to minimize their environmental footprint, adopt sustainable practices, and effectively manage natural resources. This pillar is critical for understanding how businesses contribute to environmental sustainability and combat climate change. The Social pillar of ESG covers a broad range of issues related to labor relations and product responsibility. This includes supply chain management, community investment, labor practices, and human rights policies. It assesses how companies manage relationships with their employees, suppliers, customers, and the communities where they operate. The effectiveness of health and safety policies in protecting workers from accidents is also a crucial component. This pillar ensures that businesses operate in a socially responsible manner, promoting fairness, equity, and ethical treatment of all stakeholders. Companies are evaluated on their ability to foster positive labor relations, uphold human rights, and contribute to the well-being of the communities in which they operate (Alsayegh et al., 2020). The Governance aspect, represented by the "G" in ESG, focuses on the governance components of a company's decision-making processes. This includes the independence of the board of directors, executive compensation, anti-competitive practices, and shareholder rights. Governance also encompasses how well a company adheres to regulations and ethical standards, ensuring transparency and accountability. Companies are assessed on their governance structures and practices, including how they handle conflicts of interest, their level of transparency in operations, and their commitment to ethical business practices. This pillar is essential for maintaining trust and integrity within the business environment, as it addresses how companies are managed and controlled, and how they interact with regulators, shareholders, and other stakeholders (Billio et al., 2021).

Non-financial reporting takes on the role of a strategic tool designed to mitigate pressure from interest groups in a changing regulatory environment that is expected to become more stringent in the future (Brammer & Pavelin, 2008). It also represents a response to stakeholder expectations (Aluchna et al, 2022). Consistent with this paradigm shift, research has increasingly focused on analyzing the impact of ESG disclosure on certain corporate performance indicators. Various evidence indicates that companies with higher ESG performance tend to record improvements in their overall financial status, reduce business risks, and have fewer financial irregularities (Liu et al, 2023), leading to the view that careful and responsible management of environmental, social, and governance issues can reflect positively on a company's financial condition. Transparency plays a key role in both mitigating profitability decline and having a lasting positive effect on company performance in the long run (Brogi & Lagasio,2019). ESG disclosure, however, is crucial not only in mitigating weaknesses, but also in noting the effectiveness of ESG operations and policies, convincing investors of the appropriateness of the company's commitment to these aspects as well (Fatemi et al., 2018). Firms that provide high-quality nonfinancial information are also those that manifest greater efficiency in cost recovery and better quality of profits (Rezaee & Tuo, 2017). A crucial aspect to highlight is the positive correlation between robust ESG performance and improvement in several indicators, both in terms of accounting and market valuation (Elmghaamez et al., 2023). Transparency regarding ESG actions practiced by companies is also found to have positive impacts on indicators such as ROA (return on assets) and ROE (return on equity) (Bullay, 2018) and EBIT (Earnings Before Interest and Taxes) (Carnini Pulino et al. 2020), demonstrating, once again, the crucial role it plays in achieving higher corporate performance. This positive relationship has also been found with reference to companies operating in developing countries (Bose et al., 2017; Wong et al., 2021). Higher ESG scores of companies are often associated with positive impacts in terms of operational performance (Aybars et al., 2019). There also appears to be a positive correlation between ESG disclosure and the cost of debt; in fact, companies characterized by greater transparency in disclosure benefit by accessing external financial resources on more favorable terms (Raimo et al., 2021). In addition, the value of ESG performance and its disclosure may contribute to the improvement of a company's market status (Zhou et al.,2022). However, it is interesting to note that despite the growing importance of ESG transparency, some companies with high levels of disclosure may not achieve commensurate financial returns (Khandelwal et al.,2023). This suggests the presence of complex challenges or dynamics that require further investigation. The analysis conducted through on the relevant literature leads to one conclusion: ESG disclosure turns out to be associated with improved corporate performance. This convergence across academic investigations underscores that transparency and effective disclosure of non-financial activities, particularly those related to Environment, Social and Governance (ESG), bring tangible and positive benefits on several fronts. The fashion industry, which is significantly involved in global economic and social dynamics, is no exception to environmental scrutiny. In fact, this sector has a substantial environmental impact, ranking as the second largest polluter globally after the oil industry. The fashion industry generates several negative environmental consequences due to its noteworthy carbon dioxide emissions, extensive consumption of oil, and production of textile waste (Gupta et al., 2022; Raj et al., 2022; Qiu, 2023). These environmental impacts are substantial and multifaceted. For instance, the carbon emissions from the production and transportation of garments contribute significantly to global greenhouse gas emissions, exacerbating climate change. Moreover, the extensive use of synthetic fibers derived from petroleum, such as polyester, leads to increased oil consumption, further straining non-renewable resources and contributing to environmental pollution. According to a study conducted by the UN

Environment Program, there has been a 60% increase in the consumption of purchased clothing per average user in recent years. This increase reflects a shift towards fast fashion, characterized by the rapid production and consumption of low-cost clothing, which often leads to a throwaway culture. Additionally, the average lifespan of each product has been reduced by at least half, highlighting the trend towards disposable fashion and the lack of durability in many modern garments. This surge in consumption and production is characterized by the extensive use of natural resources, fuels, and chemicals, further exacerbating the environmental impact of the fashion industry (Parisi et al., 2015). The use of water in textile production, for example, is immense, contributing to water scarcity in many regions. The discharge of untreated dyes and chemicals into water bodies leads to severe water pollution, affecting aquatic life and human health. Therefore, the fashion industry significantly affects the environment negatively. The pervasive environmental degradation associated with fashion calls for urgent attention and action. However, awareness and concern for sustainability are growing rapidly within the fashion industry. Stakeholders, including consumers, brands, and policymakers, are increasingly recognizing the negative impacts the industry can have on the environment and society (Mandarić et al., 2021). This growing awareness is driving a shift towards more sustainable practices, as brands seek to mitigate their environmental footprint and respond to consumer demand for more ethical products. To foster ethical and sustainable consumption, it is crucial to ensure transparency and disseminate information regarding the environmental and social impacts of fashion products (Mohammed, 2023). Transparency in the fashion supply chain allows consumers to make informed decisions, holding brands accountable for their practices. In recent years, major brands, both luxury and fast fashion, are moving towards more sustainable practices, prioritizing transparency (Jestratijevic et al., 2024). Initiatives such as the use of sustainable materials, fair labor practices, and the implementation of recycling programs are becoming more common. These efforts not only improve the sustainability of the fashion industry but also enhance brand reputation and consumer loyalty. In the fashion industry, the measurement of Environmental, Social, and Governance (ESG) impacts and appropriate reporting are becoming increasingly relevant. ESG metrics provide a framework for assessing the sustainability and ethical performance of companies, guiding investment decisions and corporate strategies. Consequently, further studies are essential to understand the current state of the art in the industry regarding these issues (Thorisdottir & Johannsdottir, 2019). Research in this area can identify best practices, highlight areas for improvement, and drive innovation in sustainable fashion. So, according to the literature, the fashion industry impacts the environment significantly, but there are a growing movement toward more sustainable and transparent practices. However, more research and effort are needed to further understand and improve these practices.

2. Methodology and Data Sample

With the aim of filling the literature gap that emerged from the literature review, a linear regression analysis was conducted to quantify the impacts of ESG Disclosure on fashion companies. This statistical method of data analysis is employed with the aim of exploring relationships between variables, aiming to understand the causal effect of one variable on another (Sykes, 1993). Linear regression is a robust analytical technique used to model the relationship between a dependent variable and one or more independent variables, allowing researchers to infer potential causal links and predict outcomes based on existing data. The hypotheses formulated in this study overview that a higher transparency score is positively associated with firm financial performance (Hypothesis 1) and firm operational performance (Hypothesis 2). These hypotheses are grounded in the theoretical framework suggesting that increased transparency, as reflected in ESG disclosures, enhances stakeholder trust and operational efficiencies, which in turn should lead to improved financial metrics such as Return on Equity (ROE) and operational indicators like productivity and sustainability performance.

The initial sample consists of the 251 companies in the fashion industry, previously examined in the context of the Fashion Transparency Index. The Fashion Transparency Index is a measure of transparency compiled by the NGO "Fashion Revolution" as a tool that can be employed by consumers to make more conscious decisions. This index represents the first global ranking of the most influential fashion brands. The Index evaluates several criteria, including policy and commitments, governance, traceability, and remediation efforts, providing a comprehensive transparency score for each company. Following the identification of the initial sample, a search was conducted in corporate financial statements for the years 2022-2023. This step was crucial for ensuring that the financial and operational performance data required for the regression analysis were both current and publicly available. The search focused on retrieving relevant financial metrics such as revenue, profit margins, ROE, and other operational indicators that align with the hypotheses. To ensure the accuracy and reliability of the data collected, the sample was restricted to companies where data of interest were publicly available. This restriction aimed to exclude firms with incomplete or inaccessible financial disclosures, which could compromise the integrity of the analysis. Consequently, the final sample consisted of 65 companies, reflecting those with comprehensive and transparent financial reporting. The final sample has a diverse geographic distribution, with 57% of the companies located in North America, 37% in Europe, and the remaining 6% in Asia. This geographic diversity ensures that the study captures a wide range of business practices, regulatory environments, and market conditions, which is crucial for generalizing the findings across the global fashion industry. The geographic distribution also allows for the examination of regional differences in the impact of ESG disclosures on financial and operational performance.

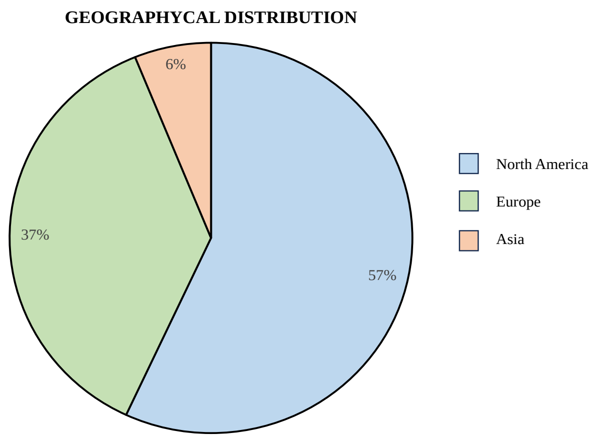

Figure 1: Author's own elaboration

Furthermore, in terms of industry segmentation, 58% of the companies belong to the Fast Fashion segment, 20% to the Luxury segment, and 22% to the Retail segment. This diverse sample configuration allows for a more comprehensive understanding of transparency and sustainable practices within the fashion industry. By analyzing companies across these varied segments, the study can uncover segment-specific trends and challenges, providing a more accurate and detailed picture of the industry's commitment to sustainability and ESG disclosures.

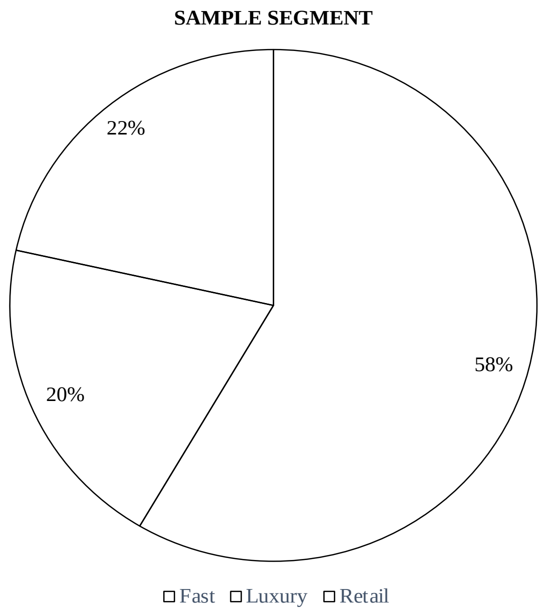

Figure 2: Author’s own elaboration

The Fast Fashion segment, comprising 58% of the sample, is characterized by its rapid production cycles, high turnover rates, and affordable pricing. This segment is known for its significant environmental impact due to the high volume of products manufactured and the frequent updating of collections (Joy et al, 2012). The inclusion of a substantial proportion of fast fashion companies in the sample is crucial for several reasons. Firstly, it allows the study to investigate how transparency practices in this segment, which is often scrutinized for its sustainability issues, influence financial and operational performance. Fast fashion brands are typically under intense public and regulatory pressure to improve their ESG practices (Auke & Siamaens, 2019), making this segment a critical area of focus for understanding the efficacy of transparency initiatives. The Luxury segment, representing 20% of the sample, operates on a different business model compared to fast fashion. Luxury brands emphasize exclusivity, high-quality materials, and craftsmanship, often resulting in higher price points and longer product lifecycles. This segment's approach to sustainability can differ significantly from that of fast fashion. For luxury brands, transparency and sustainability are increasingly becoming integral to their brand value and consumer appeal (Cavender, 2018). The study's inclusion of luxury companies allows for the exploration of how these brands leverage transparency in their marketing and operations to enhance their reputation and customer loyalty. It also provides insights into the specific challenges and opportunities luxury brands face in implementing sustainable practices, given their unique market positioning and consumer expectations. The Retail segment, accounting for 22% of the sample, includes companies that operate multi-brand stores or department stores, offering a range of fashion products from various brands. Retailers play a pivotal role in the fashion supply chain, acting as intermediaries between manufacturers and consumers (Wen, et al. 2019). Their position allows them to influence both upstream and downstream sustainability practices. By including retailers in the sample, the study can assess how transparency and ESG disclosures are managed in multi-brand environments and how these practices impact overall financial and operational performance. Retailers often face distinct challenges in ensuring transparency across diverse product lines and suppliers, making this segment's analysis critical for understanding broader industry dynamics. Through a review of the literature, the variables most relevant and responsive to the hypotheses were identified and selected. The independent variable, represented by the Fashion Transparency Index Score, was extracted from the Fashion Transparency Index, which measures transparency levels among major fashion brands across various dimensions like policy, governance, traceability, and remediation efforts. The dependent variables, reflecting corporate performance, were measured using operating performance (Return on Assets, ROA) and financial performance (Return on Equity, ROE) (Buallay, 2019). ROA assesses a company's efficiency in using its assets to generate earnings, while ROE evaluates profitability relative to shareholders' equity, indicating the company's effectiveness in generating returns on investments. To ensure robust analysis, two control variables were introduced to mitigate possible external influences. The firm size, quantified through the natural logarithm of the number of employees is measure that normalizes company size and addresses heteroscedasticity in regression analysis, acknowledging that larger firms may have more resources for transparency and sustainability initiatives (Jestratijevic et al., 2020). The second control variable, the leverage, represented by the debt-to-equity (D/E) ratio, indicates how much a company is financing its operations through debt versus equity. Including leverage helps account for financial risk associated with varying debt levels, ensuring a clearer analysis of transparency's impact on performance (Jestratijevic et al., 2024). The inclusion of these control variables aims to capture and adjust for any effects that might distort the analysis of the relationships between the dependent and independent variables, thus providing a more accurate view of the dynamics under consideration.

Dependent variables	
Return On Equity (ROE)	Net income/Average total equity
Return On Asset (ROA)	Net income/Acerage total assets
Indipendet Variables	
FTIS	Fashion transparency Index Score
Control variables	
Firm size	Natural logarithm of the number of employees
Leverage	Debt-to-Equity (D/E) ratio

Table 1: Author’s own elaboration

3. Findings

In the context of this research, Hypothesis 1 posits a positive relationship between the transparency score assigned by the Fashion Transparency Index to fashion companies and their financial performance. Examining the results of the linear regression reveals several insights.

Starting with the intercept, which represents the impact of the transparency index score on financial performance (ROE), it is observed to be 1.5725. However, this coefficient is not statistically significant. This suggests that, based on the statistical analysis conducted, the transparency index score does not significantly influence financial performance as measured by ROE.

Further analysis of the coefficient associated with the FTIS 2023 score shows it is also not statistically significant (p value = 0.3731). This implies that, when controlling for other variables, the score provided by the Fashion Transparency Index does not have a significant impact on the firm's financial performance. The non-significant p-value indicates that the relationship between transparency score and financial performance does not meet the conventional threshold for statistical significance.

In contrast, firm size demonstrates a statistically significant impact on financial performance, evidenced by a coefficient of 1.8017 with a p value of 0.0268. This finding indicates that, holding other variables constant, larger firms tend to exhibit improved financial performance. This relationship aligns with previous studies highlighting the advantages of economies of scale and market presence in enhancing financial outcomes (Alexopulos, 2010).

Finally, the coefficient associated with the debt-to-equity ratio is not statistically significant (p value = 0.9499). This suggests that the debt-to-equity ratio does not significantly impact the firm's financial performance under the controlled conditions of this study.

	Coefficients	*Standard Error*	*Stat t*	*P value*
Intercept	1,572537073	7,94830441	0,197845602	0,843823703
FTIS 2023	-0,045493937	0,05069931	-0,897328459	0,37307166
Firm Size	1,801660989	0,79401719	2,269045329	0,026814473
Leverage	0,077959229	1,23511693	0,063118906	0,949878196

Table 2: Author’s own elaboration

The coefficient of determination R square, which denotes the fraction of the variance in the dependent variable (ROE) explained by the independent variables, takes a value of 0.0878. This result suggests that only 8.78 percent of the observed variability in financial performance can be attributed to the influences of the independent variables considered in the regression model. Therefore, it is inferred that the current model reveals limited ability in capturing and explaining the heterogeneity of the data in the dependent variable. So, the observation of the regression statistics suggests that the current model is not satisfactory, thus be appropriate to identify additional variables to improve its predictive ability and overall robustness.

Regression	
R multiple	0,296367457
R squared	0,087833669
R squared corrected	0,04297303
Standard error	18,78096654
Remarks	65

Table 3: Author's own elaboration

The second hypothesis posits that a higher transparency score is positively associated with the operational performance of the companies considered. Analysis of the coefficients derived from the linear regression provides nuanced insights into this relationship. Starting with the intercept, which represents the effect of transparency score on operational performance, the coefficient is 4.9950, but it does not achieve statistical significance (p value = 0.1932). This suggests that, when all other variables are held constant, the transparency score alone does not exert a statistically significant impact on operational performance. Moving to the FTIS 2023 score, the associated coefficient is -0.0337, with a p value of 0.1690, indicating that the FTIS 2023 score also does not significantly influence operational performance. Similarly, firm size shows a coefficient of 0.5432, but it lacks statistical significance (p value = 0.1571), implying that firm size, under controlled conditions, does not have a significant effect on operating performance.

The debt-to-equity ratio exhibits a coefficient of -1.0895, with a p value of 0.0696, which approaches conventional levels of significance. While this coefficient does not meet the standard threshold for statistical significance, the proximity to significance suggests that the debt-to-equity ratio may have a notable impact on operational performance that requires careful consideration in interpretation.

Finally, the results indicate that, with the available data, it is not possible to say with certainty that a higher transparency score is positively associated with the operational performance of the companies considered. However, it is important to note that the variable Debt to equity ratio has a p value close to the significance threshold, suggesting the need for further investigation or consideration.

	Coefficients	*Standard Error*	*Stat t*	*P value*
Intercept	4,995020535	3,796351555	1,31574235	0,19318418
FTIS 2023	-0,033709713	0,024215532	-1,3920699	0,168955957
Firm Size	0,543225128	0,379246721	1,43237923	0,157140105
Leverage	-1 089472755	0,058992935	-1 8467851	0,069630327

Table 4: Author's own elaboration

Even in this case, the R-square value (0.0949) appears to be low, indicating that about 9.5 percent of the variance is explained by the independent variables. The regression model shows a weak correlation between the variables involved and explains only a small percentage of the variance in the dependent variable. Again, additional variables should be explored to improve the predictive ability of the model.

Regression	
R multiple	0,30803097
R squared	0,094883078
R squared corrected	0,050369132
Standard error	8,970359951
Remarks	65

Table 5: Author's own elaboration

The findings of the study suggest that the score obtained from the Fashion Transparency Index does not emerge as an independent variable with a statistically significant impact on either Return on Equity (ROE) or Return on Assets (ROA). This lack of statistical significance indicates that, within the specific context of the fashion companies considered, the level of transparency as measured by the Fashion Transparency Index Score does not have a meaningful correlation with the financial metrics of ROE and ROA. The interpretation of this outcome requires a deeper analysis, aimed at finding additional factors, not covered in the regression model, that may be more impactful in determining financial and operational performance. This necessity arises from the recognition that corporate performance, especially in a multifaceted and dynamic industry like fashion, is influenced by a wide array of variables beyond those currently considered. These variables might include both quantitative and qualitative factors that interact in complex ways to shape overall business success.

4. Discussion

The initial hypotheses of this study posited that higher transparency, as assessed by the Fashion Transparency Index (FTI), would demonstrate a positive correlation with both financial and operational performance metrics within fashion companies. Hypothesis 1 specifically suggested a positive relationship between FTI scores and financial performance, measured by Return on Equity (ROE) and Return on Assets (ROA). This hypothesis aimed to investigate whether greater transparency, as reflected in higher FTI scores, could lead to improved financial metrics, indicating enhanced profitability and asset utilization efficiency.

Similarly, Hypothesis 2 proposed that a higher transparency score would positively impact operational performance. Operational performance encompasses various aspects such as productivity, cost efficiency, and overall operational effectiveness. This hypothesis aimed to explore whether transparency initiatives contribute to operational excellence in fashion companies, potentially enhancing their competitive edge.

However, the empirical findings of this research indicate that the FTI score does not exhibit a statistically significant impact on either ROE or ROA. The absence of a significant relationship between transparency levels and these financial performance metrics necessitates deeper consideration and analysis to uncover potential underlying factors influencing these outcomes.

Several motivations could explain the lack of a statistically significant relationship between the FTI scores and financial performance metrics. For example, financial performance, particularly in the fashion industry, is influenced by a multitude of factors beyond transparency. These can include market trends, consumer preferences, operational efficiency, cost management, and macroeconomic conditions. The regression model used did not consider all these variables, which could have a significant impact on ROE and ROA than transparency alone. In addition, while transparency is increasingly valued by consumers, to date it may not yet be as significant in terms of its impact on financial and operational performance. Other than by transparency (in this case measured by the Fashion Transparency Index) consumers' purchasing decisions can be influenced by a variety of factors, including price, quality, brand loyalty, and convenience. Therefore, transparency might contribute to brand value and reputation in the long term but may not have an immediate impact on financial and operational returns captured by ROE and ROA. Moreover, the operational performance might be better measured by other indicators not used in this study. The impact of transparency, also, might vary across different markets and regulatory environments. Measurements for companies operating where competitors must already adhere to high standards of transparency will only see the impact brought about by a high FTI score reduced. Conversely, in markets where transparency is less regulated, the FTI score might have a more pronounced effect.

Therefore, the findings of this study challenge the straightforward assumption that higher transparency, as measured by the Fashion Transparency Index, directly enhances financial and operational performance. The lack of significant correlation between FTI scores and ROE or ROA indicates that additional variables and more complex interactions must be considered. Future research should aim to integrate a broader range of variables and employ diverse methodologies to capture the impacts of transparency in the fashion industry. By doing so, can be gain a more comprehensive understanding of how transparency influences company performance and identify actionable insights for companies aiming to improve their transparency and overall sustainability practices.

5. Conclusion

Considerations relevant to companies operating in the fashion industry arise from the findings of this study. The initial hypothesis, which proposed a positive relationship between the transparency score measured by the Fashion Transparency Index and corporate performance, did not yield significant statistical confirmation in this analysis. Despite this, a comprehensive review of pertinent literature underscores the strategic significance of transparency in business operations.

Companies should view the transparency score not merely as a direct indicator of current corporate performance, but as a pivotal variable that can generate long-term value. Transparency emerges as a fundamental pillar capable of positively influencing perceptions among consumers, investors, and business partners alike. By enhancing transparency practices, companies can bolster trust, strengthen brand reputation, and foster deeper stakeholder engagement.

As previously highlighted, environmental issues are at the center of debates in the fashion industry, stimulating an increased focus on the accurate disclosure of sustainable and ethical practices adopted by companies. In this context, the implementation of a customized transparency strategy for the industry proves crucial to maintaining and enhancing corporate reputation. This strategy should be designed carefully to industry-specific dynamics, incorporating crucial information about the production chain, raw materials used, and measures taken to mitigate environmental impact. Moreover, a robust transparency strategy serves as a catalyst for continuous improvement within companies, encouraging innovation in sustainable technologies and operational efficiencies. By integrating transparency into core business strategies, fashion companies can navigate regulatory requirements more effectively, manage risks proactively, and capitalize on emerging opportunities in the evolving global marketplace.

Although the direct relationship between the Fashion Transparency Index Score and corporate performance is not supported by the results of the statistical survey conducted, transparency remains a crucial element that must be carefully integrated into corporate strategies, considering the specifics of the sector and projecting companies toward responsible and sustainable management.

The originality of the present study emerges through several distinctive features. First, its exclusive focus on the fashion industry is a point of differentiation from previous ESG studies that have addressed broader and more diverse contexts. This specific delimitation not only delineates a relatively unexplored field, but also reflects the specific challenges generated by the peculiar dynamics of the fashion industry. Moreover, the prospect of filling gaps in the scholarly literature and stimulating a broader discussion on the relevance of transparent disclosure in the fashion industry emphasizes the innovative scope of this study. In addition to constituting an empirical analysis, this paper serves as a guide to guide the future direction of research, serving as a catalyst to raise awareness about the importance of ESG disclosure in the specific field of fashion. The intent is to influence the path of future research by highlighting the need for specific insights in the fashion context and promoting greater awareness of ESG dynamics in the industry. However, this paper is not without limitations. The first point to note is the scarcity of data currently available. The analysis relies on a specific dataset, which, although it represents an international sample and several segments, may not be adequately representative of the entire fashion industry. The current scarcity of data could affect the accuracy of the results, making it crucial to recognize that more in-depth research with a larger sample could provide more robust and meaningful results. Also at present, the work focuses on a limited number of variables. The inclusion of more variables could qualify the analysis, providing a more valuable investigation into the relationships between transparency and financial and operational performance. The future intention is to implement the model with additional variables to make it completer and more accurate. The results from the linear regression analysis attest to the absence of a statistically significant impact of the transparency score, conforming to the Fashion Transparency Index, on the financial and operational performance of the fashion companies considered. Further investigation is proposed through the analysis of additional indicators or metrics of transparency assessment to explore possible underlying relationships that did not emerge with the use of the Fashion Transparency Index. A more accurate investigation, with the use of additional metrics, could prove essential to identify correlations between transparency in the fashion industry and the financial and operational variables of the companies examined. Additionally, this paper analyzes the Transparency Fashion Index exclusively from a business perspective to assess its impact on company performance. However, the Fashion Transparency

Index (FTI) also functions as a consumer tool, directing consumers towards making more informed and sustainable purchasing decisions. Beyond its role in corporate transparency and performance assessment, the FTI plays a crucial part in shaping consumer perceptions and behaviors in the fashion industry. By focusing on the consumer perspective, future studies could bridge the gap between corporate transparency practices and their market outcomes. This approach not only enriches our understanding of the role of transparency in driving sustainable consumer behavior but also informs strategies for fashion companies to enhance transparency initiatives effectively.

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