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Strategic ESG Priorities and Materiality Assessments: Evidence From Hong Kong Listed Fashion and Textile Firms

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ABSTRACT

Firms increasingly rely on ESG materiality assessments to prioritise sustainability issues under heightened stakeholder scrutiny. Yet the strategic consequences of materiality beyond firm-level disclosure remain underexplored. This study examines how materiality assessments shape ESG prioritisation at the industry level using sustainability disclosures from 44 Hong Kong-listed fashion and textile firms. Applying a standardised ESG taxonomy and percentile-based normalisation, we aggregate firm-level materiality matrices into a comparable sector benchmark. The findings reveal systematic convergence around a narrow set of social issues, particularly supply chain and labour-related topics, alongside weaker and more dispersed prioritisation of environmental and governance concerns. Although internal and stakeholder assessments are moderately aligned, environmental challenges occupy less prominent positions in the aggregated matrix. These results suggest that materiality assessments function as sector-level attention-structuring mechanisms that stabilise governable risks while constraining the strategic visibility of diffuse environmental impacts.

1 | Introduction

Firms operating in sustainability-intensive industries face an expanding and increasingly fragmented set of environmental, social and governance (ESG) demands, driven by regulatory expansion and heightened stakeholder scrutiny (Mio et al. 2020; Thorisdottir et al. 2025). As the scope of ESG issues widens, managers must make strategic choices about which sustainability concerns to prioritise, despite constraints on organisational resources and managerial attention (Garst et al. 2022; Madison and Schiehl 2021). These prioritisation decisions are inherently strategic, shaping risk management, resource allocation and how firms signal strategic intent to investors, regulators and other stakeholders (Calabrese et al. 2019; Geldres-Weiss et al. 2021). In this context, ESG materiality assessments have emerged as a dominant mechanism through which firms structure sustainability priorities and

justify strategic focus. The fashion and textile industry provides a particularly salient context for examining ESG prioritisation. Widely recognised as one of the most environmentally and socially impactful global industries, the sector accounts for an estimated 8%–10% of global greenhouse gas emissions and generates substantial water pollution, microplastic leakage and textile waste (Kim et al. 2021; Niinimäki et al. 2020; Xie et al. 2021). These impacts have intensified regulatory, investor and civil society pressure on fashion firms to demonstrate credible ESG strategies through sustainability reporting (Mellick et al. 2025; Thorisdottir et al. 2025). These pressures increasingly relate to the strategic transition towards circular business models in the fashion and textile sector. From a business strategy perspective, circular fashion represents not only a sustainability response but also a source of competitive differentiation, as evidence of a circular premium suggests that consumers are increasingly willing to pay for products aligned

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with environmental responsibility (Cascavilla et al. 2026; Toth-Peter et al. 2025). Realising this premium, however, requires credible information about product origins, material composition, durability and end-of-life options. In this context, digital product passports have emerged as enabling mechanisms that support circular business models by strengthening material transparency across supply chains, facilitating repair and reuse practices and improving recycling and recovery pathways (Colasante et al. 2025; D'Adamo et al. 2025). These developments signal a shift in how environmental sustainability becomes embedded in competitive positioning and value chain coordination. They also heighten the strategic relevance of materiality assessments, as such assessments influence whether transition-related issues associated with circularity, supply chain transparency and resource recovery are elevated within firms' ESG agendas or remain peripheral. This raises a critical strategic question: whether prevailing materiality practices meaningfully support strategic ESG decision-making or whether they channel managerial attention towards a limited and potentially incomplete set of issues.

Materiality assessments are intended to identify ESG topics perceived as consequential for business performance and salient to stakeholder concerns, thereby guiding strategic prioritisation under conditions of complexity (Calabrese et al. 2019; Hsu et al. 2013). The materiality matrix, as the primary output of this process, visually maps the relative importance of ESG issues from business and stakeholder perspectives and is widely treated as a strategic decision-support tool (Geldres-Weiss et al. 2021). Prior research links alignment between business priorities and stakeholder expectations to improved sustainability performance, organisational efficiency, risk mitigation and long-term value creation (Chau et al. 2025; Guidry and Patten 2010). At the same time, materiality assessments capture perceived importance rather than objective sustainability impact and are shaped by institutional pressures, reporting frameworks and managerial interpretation (Mio et al. 2020; Morr s Ribera 2017). As a result, materiality processes may not only enable strategic focus but also constrain it by filtering attention away from less visible or less contested ESG risks.

The study is grounded in stakeholder theory, which conceptualises ESG prioritisation as a strategic process through which firms allocate attention and resources in response to stakeholder-defined expectations and perceived business relevance. From this perspective, materiality assessments function as attention-structuring mechanisms that shape which sustainability issues enter strategic decision-making and which remain marginalised. Despite the strategic role attributed to materiality assessments, existing research has predominantly examined materiality outcomes at the firm-level (Farooq et al. 2021; Mio et al. 2020). This firm-centric focus limits understanding of how ESG priorities aggregate across firms within an industry and obscures whether company-level priorities reflect broader patterns of strategic convergence or divergence. From a strategy perspective, this limitation is consequential, as industry-level ESG prioritisation shapes competitive norms, informs stakeholder expectations and influences how firms benchmark their strategic positioning relative to peers (Camp 2006). In the fashion and

textile sector, prior studies have largely focused on individual firms or on associations between disclosure practices and performance outcomes, with limited effort to synthesise firm-level materiality matrices into an interpretable industry-level benchmark (Eccles et al. 2012; Farooq et al. 2021).

Addressing this gap, the present study examines how ESG materiality assessments shape strategic priorities at the industry level in the fashion and textile sector. Drawing on sustainability disclosures from 44 publicly listed fashion and textile firms for the 2023–2024 reporting period, the study aggregates firm-level materiality matrices using a standardised ESG issue taxonomy and a percentile-based normalisation approach. This enables systematic comparison of ESG priorities across firms and the construction of an industry-level materiality benchmark. The analysis evaluates patterns of alignment and misalignment between business-identified priorities and stakeholder-emphasised issues and examines the strategic implications of observed prioritisation patterns for ESG strategy and sustainability governance.

This study contributes to the literature in three ways. First, it advances understanding of ESG materiality assessments as strategic prioritisation mechanisms by revealing industry-level patterns that are not observable at the firm-level (Geldres-Weiss et al. 2021; Madison and Schiehl 2021). Second, it establishes an industry-level benchmark that enables systematic assessment of strategic convergence, differentiation and potential blind spots in ESG prioritisation (Camp 2006). Third, it offers a transferable analytical approach for examining the strategic consequences of materiality-based prioritisation across sustainability-intensive industries, extending research on ESG strategy and sustainability governance beyond disclosure-centric analyses (Mio et al. 2020; Tasdemir et al. 2020).

The study is guided by the following research questions:

1. Which ESG topics emerge as strategically prioritised at the aggregated industry level in the fashion and textile sector?
2. To what extent do firm-level ESG priorities align or diverge from stakeholder-emphasised concerns?
3. How does an industry-level materiality benchmark inform the interpretation of individual firms' ESG prioritisation choices?
4. What strategic implications arise from patterns of alignment and misalignment in industry-level ESG prioritisation?

The remainder of the paper is structured as follows: Section 2 reviews the relevant literature on ESG materiality and strategic prioritisation. Section 3 outlines the data and methodology used to aggregate firm-level materiality matrices at the industry level. Section 4 presents the findings on industry-level ESG priorities and patterns of alignment and misalignment. Section 5 discusses the findings, and Section 6 concludes by outlining the study's contributions and implications for ESG strategy and sustainability governance.

2 | Literature Review

2.1 | Materiality in Sustainability Reporting: A Stakeholder Theory Perspective

Originating in financial reporting, materiality refers to information whose omission or misstatement could reasonably be expected to influence decision-making by report users (International Accounting Standards Board 2018). In this context, materiality functions as a relevance filter, distinguishing information that is consequential for evaluating organisational performance from that which is peripheral (Puroila and Mäkelä 2019). When extended to sustainability reporting, however, materiality expands beyond shareholder-centric decision usefulness to encompass a broader set of stakeholders affected by, or capable of affecting, organisational activities (Farooq et al. 2021).

From a stakeholder theory perspective, materiality reflects the idea that firms are accountable to multiple stakeholder groups with heterogeneous and sometimes competing interests (Clarkson 1995; Freeman 1984). Accordingly, sustainability materiality concerns the identification and prioritisation of ESG topics that are perceived as significant both for organisational decision-making and for stakeholder concerns (Farooq et al. 2021; Vosgrau et al. 2026). Rather than capturing objective sustainability impacts, materiality reflects judgements about relevance, salience and decision usefulness within specific organisational and institutional contexts (Edgley et al. 2015; Morros Ribera 2017). As such, materiality should be understood not merely as a technical reporting threshold, but as a social and organisational process through which corporate responsibilities are interpreted, negotiated and operationalised (Bowen and Aragon-Correa 2014; Cho, Laine, et al. 2015). This prioritisation logic gives materiality clear strategic significance, not only as a disclosure filter but also as a mechanism that directs managerial attention and shapes strategic sustainability decision-making. By defining which ESG issues warrant attention, measurement and disclosure, materiality shapes how firms allocate resources, manage risks and communicate strategic intent to stakeholders (Eccles and Krzus 2019; Giacomini et al. 2025; Gulko et al. 2024; Menichini et al. 2026). Empirical evidence suggests that firms performing strongly on ESG issues deemed material within their industry achieve superior financial outcomes, highlighting the strategic consequences of materiality-based prioritisation (Khan et al. 2016). Materiality therefore operates at the intersection of accountability and strategy, linking stakeholder expectations to managerial attention and long-term value considerations. Importantly, stakeholder theory also highlights that stakeholder interests are neither uniform nor equally represented in organisational decision-making. Differences in power, legitimacy and urgency shape which stakeholder concerns are amplified and which remain marginal (Mitchell et al. 1997). Consequently, materiality assessments do not simply reflect collective stakeholder importance but rather the outcome of selective attention and negotiation among competing claims. From this perspective, materiality-based prioritisation inherently involves trade-offs, as elevating certain ESG issues simultaneously relegates others to the periphery of strategic consideration.

2.2 | Materiality in Practice: The Materiality Assessment

Materiality assessments operationalise the concept of materiality by translating abstract relevance criteria into concrete ESG priorities (Puroila and Mäkelä 2019). A materiality assessment is the managerial process through which firms identify, evaluate and prioritise ESG topics by combining internal assessments of business impact with external assessments of stakeholder concerns (Dietrich and McCullough 2025; Vosgrau et al. 2026). In practice, this process typically integrates stakeholder engagement activities—such as surveys, interviews or workshops—with internal analyses of risks, opportunities and strategic relevance (Neuendorf 2017). A core function of the materiality assessment is prioritisation. ESG issues vary widely in scope, visibility and perceived urgency, making it impractical for firms to address all issues simultaneously. Materiality assessments therefore operate as attention-allocation mechanisms through which firms translate stakeholder input and managerial judgement into prioritised ESG agendas, shaping organisational focus and the allocation of strategic resources towards issues perceived as most consequential (Garst et al. 2022; Madison and Schiehl 2021). From a stakeholder theory perspective, stakeholder engagement is central to this process, as it ensures that prioritisation reflects the interests of actors who affect or are affected by the firm (Sun 2023). Recent studies highlight the methodological and organisational challenges involved in identifying material topics in ways that meaningfully incorporate diverse stakeholder perspectives while still generating actionable priorities for decision-making (Giacomini et al. 2025; Vosgrau et al. 2026). Research further indicates that deeper and more interactive forms of engagement enhance the legitimacy and robustness of materiality outcomes (Giacomini et al. 2025; Puroila and Mäkelä 2019; Torelli et al. 2020). Beyond disclosure, materiality assessments play a governance role by embedding ESG priorities into planning, control and performance management systems (Unerman and Zappettini 2014). When material ESG topics are integrated into organisational routines, they become institutionalised within decision-making processes and can strengthen sustainability performance over time (Adams and Frost 2008). Consistent with this view, higher quality sustainability disclosures are associated with more developed internal processes and governance structures, suggesting that robust materiality assessments enhance both decision usefulness and reporting credibility (Hahn and Kühnen 2013). Nevertheless, because materiality assessments rely on perceptions of importance rather than objective impact, their outcomes remain contingent on managerial judgement, stakeholder selection and institutional pressures.

2.3 | Materiality Matrices: Visualising Prioritisation and Alignment

The materiality matrix provides a visual representation of ESG prioritisation outcomes by translating complex evaluative processes—combining internal assessments of business relevance and external stakeholder perceptions—into an accessible decision-support tool (Puroila and Mäkelä 2019). Although commonly presented as a four-quadrant matrix (Figure 1), its analytical value lies less in the visual structure itself than in

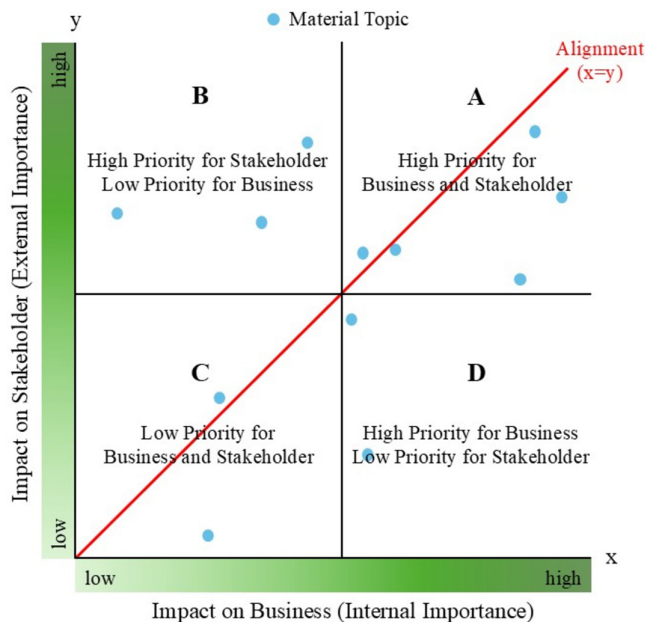


FIGURE 1 | Materiality matrix.

how this translation structures managerial attention and reveals patterns of alignment, divergence and omission in ESG prioritisation (Calabrese et al. 2019). Topics positioned in the upper-right quadrant—indicating high importance for both business and stakeholders—are typically treated as strategic priorities, guiding attention, disclosure and resource allocation (Garst et al. 2022; Khan et al. 2016). Beyond identifying priority topics, materiality matrices enable assessment of alignment and misalignment between internal and external evaluations of ESG importance. Topics located near the diagonal of the matrix reflect convergence between business and stakeholder priorities, whereas deviations indicate areas of disagreement (Geldres-Weiss et al. 2021). Such alignment has strategic implications, as closer correspondence between corporate ESG priorities and stakeholder expectations is associated with improved performance, legitimacy and risk management (Ferrero-Ferrero et al. 2021; Rodrigues 2023; Sichigea et al. 2021). However, observed alignment may reflect not only shared priorities but also asymmetries in how materiality is defined and negotiated (Puroila and Mäkelä 2019). It may also reflect how sustainability issues are strategically framed and positioned within organisational decision processes (Mohammadrezaei and Marques 2026; Neokleous and Elmarzouky 2026). In this sense, the materiality matrix functions not only as a reporting artefact but as an attention-structuring device that shapes how ESG issues enter strategic decision-making.

However, existing applications of materiality matrices remain largely firm-specific, limiting their capacity to reveal broader industry-level patterns or establish comparable sector-level benchmarks. Although case-based studies illustrate how individual firms incorporate materiality into strategic planning (Kapplmüller et al. 2025; Kaspersen and Johansen 2023; McCullough et al. 2023), such approaches provide limited insight into whether ESG priorities reflect shared sectoral concerns or idiosyncratic firm-level choices. Prior research suggests that materiality is influenced by industry dynamics and calls

explicitly for industry-level analyses of materiality outcomes (Fasan and Mio 2017). Empirical evidence further reveals substantial heterogeneity in matrix structure and topic selection even within the same industry, weakening comparability and reducing the decision usefulness of materiality disclosures (Geldres-Weiss et al. 2021; Papafloratos et al. 2023). Recent studies also indicate that materiality analysis can be applied beyond individual firms to support sustainability prioritisation at a broader sectoral level (Gök et al. 2025). Consequently, scholars advocate for the development of sector-specific benchmarks to enhance comparability, support benchmarking and improve the evaluation of sustainability performance (Camp 2006; Tasdemir et al. 2020). Addressing this gap is central to the present study, which advances an industry-level analysis of ESG materiality in the fashion and textile sector.

3 | Methodology

3.1 | Research Design

This study employs a quantitative content analysis to examine ESG materiality within the fashion and textile sector by synthesising firm-level materiality matrices disclosed in the sustainability reports of publicly listed companies in Hong Kong. Content analysis is widely used in accounting and sustainability research to systematically evaluate disclosure practices and extract comparable information from heterogeneous reporting formats (Beck et al. 2010; Guidry and Patten 2010; Geldres-Weiss et al. 2021; León and Salesa 2024). In the context of ESG materiality, this approach facilitates the identification of recurring themes, cross-firm patterns and industry-level prioritisation structures embedded in materiality matrices (Calabrese et al. 2019; Ferrero-Ferrero et al. 2021; Lindman et al. 2020; Neuendorf 2017; Whitehead 2017). Because materiality matrices are organisational artefacts that encode managerial judgements about ESG prioritisation, content analysis provides a suitable method for systematically reconstructing these judgements and identifying industry-level patterns of attention allocation that are not directly observable through narrative disclosures alone. By converting firm-specific materiality matrices into comparable issue-level evidence, this approach supports systematic cross-firm comparison while preserving variation in ESG prioritisation rather than reducing disclosure to a single aggregate score (Beck et al. 2010). This approach is particularly appropriate for systematically examining alignment and divergence between internal and external assessments of ESG importance across firms operating within the same sector. Alternative methodologies, such as interviews, stakeholder workshops, surveys and case-study designs, can provide deeper insight into how materiality priorities are negotiated internally but are less suited to constructing a comparable industry-level benchmark from publicly disclosed materiality matrices (Lindman et al. 2020; Whitehead 2017).

To enhance comparability and minimise institutional heterogeneity, the analysis focuses on companies listed on a single stock exchange operating under a unified reporting regime. All sampled firms are listed on the Hong Kong Stock Exchange (HKEX), which mandates annual ESG disclosures under its ESG Reporting Guide and specifies four core reporting principles:

materiality, quantitative analysis, consistency and balance (HKEX 2024). Restricting the sample to a single regulatory environment strengthens internal validity and reduces confounding variation arising from divergent reporting frameworks or institutional contexts (Beske et al. 2020; León and Salesa 2024; Wang and Cheng 2020). A purposive sampling strategy was adopted. Companies were included if they (1) were publicly listed on HKEX, (2) operated primarily within the fashion and textile sector, (3) disclosed a clearly interpretable materiality matrix in their 2023–2024 ESG or sustainability report and (4) provided disclosures in English or with reliable English translations. Firms were excluded if they lacked a usable materiality matrix, operated outside the focal industry or had not updated their materiality assessment during the reporting period. From an initial pool of 70 companies, 44 met the inclusion criteria and constituted the final sample. This sample size provides sufficient sectoral coverage while maintaining a clear industry focus, consistent with prior sustainability disclosure research (Beck et al. 2010; Hahn and Kühnen 2013).

3.2 | ESG Topics Coding and Analysis

Sustainability disclosures exhibit substantial semantic variability, as firms frequently use different labels or narrative framings to describe conceptually similar ESG issues. Such variability limits cross-firm comparability and may obscure underlying patterns of ESG prioritisation. To address this challenge, a standardised categorisation scheme was developed to harmonise terminology and ensure consistent coding of semantically equivalent ESG topics (Krippendorff 2013; Milne and Adler 1999). The coding framework was informed by established ESG taxonomies, including the three-pillar ESG structure and thematic classifications provided by the Global Reporting Initiative (GRI 2021), the Sustainability Accounting Standards Board (SASB 2020) and the HKEX ESG Reporting Guide (HKEX 2024). The use of established reporting frameworks to structure the coding process is consistent with disclosure matrix and benchmarking approaches in sustainability reporting research (Tsalis et al. 2020). These frameworks were supplemented with commonly used industry-specific terminology to capture sector-relevant expressions within the fashion and textile industry. Importantly, this harmonisation was intended to enable systematic comparison rather than to replace firm-specific materiality judgements, preserving each firm's relative prioritisation while mapping heterogeneous labels onto conceptually equivalent categories.

Using this taxonomy, all ESG topics disclosed in the materiality matrices of the 44 sampled companies were systematically coded, resulting in 978 topic entries grouped into

57 standardised ESG categories. Coding combined manual interpretation with structured taxonomy-based assignment. All classifications were independently reviewed and triangulated by two academic researchers and one professional ESG auditor, reducing subjectivity and enhancing reliability. This procedure follows established best practices regarding explicit coding rules and reliability checks in content-analysis research, particularly where interpretive judgement is required (Beck et al. 2010; Krippendorff 2013). Inter-coder reliability was assessed using Krippendorff's alpha for nominal data, yielding an overall agreement of $\alpha = 0.9914$, well above conventional thresholds ($\alpha > 0.80$), indicating strong coding consistency (Krippendorff 2013). An illustrative example of the coding and categorisation process is provided in Table 1.

3.3 | Normalisation of Matrix Coordinates

Companies vary substantially in the number of ESG topics disclosed and in how the axes of their materiality matrices are scaled, rendering raw coordinates unsuitable for direct comparison. To establish a common analytical basis, each firm's internal ordering of topics was transformed into percentiles on a standardised 0–1 scale. This transformation preserves the ordinal structure of each firm's materiality assessment while enabling comparability across matrices that differ in scale, range and topic count. The purpose of this transformation is to preserve each firm's relative ordering of ESG topics while placing all matrices on a common analytical scale, rather than assuming that raw matrix positions are directly comparable across firms (Bornmann et al. 2012). For matrices reporting ranked lists, with lower ranks indicating higher priority, ranks were first reversed so that larger values consistently reflected greater importance. Percentiles were then calculated using the Hazen formula:

$$\text{Hazen Percentile} = \frac{\text{Rank} - 0.5}{\text{Total Factors } (n)},$$

where n denotes the total number of topics disclosed by the firm (Bornmann et al. 2012). Each ESG topic was thus represented by two percentile values: internal importance (business impact) and external importance (stakeholder impact). Although the Hazen formula provides the specific percentile transformation used in this study, the broader methodological logic of converting heterogeneous disclosure evidence into comparable analytical measures is consistent with structured disclosure index and benchmarking approaches in sustainability reporting research (Beck et al. 2010; Tsalis et al. 2020). Average percentile scores for each aggregated ESG category were calculated across firms, enabling the construction of comparable industry-level distributions that highlight areas

TABLE 1 | Example of coding and categorisation of ESG topics.

ESG pillar	Categorised heading	Included ESG topics
Environmental	Green energy application	Green energy, green energy project, renewable and clean energy etc.
Social	Child and forced labour	Child and forced labour management, prohibition of child and forced labour, child and forced labour prevention etc.
Governance	Legal compliance	Law compliance, regulatory compliance, compliance with laws and rules etc.

of concentrated attention and recurring gaps in prioritisation. Sensitivity analyses were conducted to assess whether the industry-level patterns were sensitive to aggregation and outlier treatment assumptions: median-based aggregation, boxplot-trimmed aggregations and Euclidean distance-trimmed aggregation. These tests evaluate whether the substantive findings depend on the use of mean-based aggregation or on the influence of extreme firm-topic observations. To assess the degree of alignment between internal and external importance assessments, a simple linear regression was estimated. The regression slope captures the extent to which stakeholder-assessed importance co-varies with business-assessed importance, whereas the intercept reflects baseline stakeholder concern when internal importance is low. The coefficient of determination (R^2) provides a summary measure of alignment strength at the industry level. This analysis is descriptive rather than causal, offering a parsimonious indicator of how closely corporate ESG priorities correspond with stakeholder expectations across the sector.

4 | Findings

4.1 | Distribution of Raw ESG Topics

Across the 2023–2024 reporting period, the 44 Hong Kong-listed fashion and textile companies collectively disclosed 978 raw ESG topics, with individual firms reporting between 12 and 36 topics. The distribution of disclosed topics is uneven across ESG pillars. Social topics account for 585 entries, followed by environmental topics with 313 entries, whereas governance-related topics are comparatively limited with 80 entries (Figure 2). Notably, 12 companies disclose no governance topics at this stage. This distribution is observed prior to any formal materiality prioritisation. Social issues dominate initial ESG disclosures across the sample, with environmental topics reported less frequently and governance topics appearing least often. Figure 2 illustrates the relative concentration of disclosures across the three ESG pillars.

Raw topic counts primarily reflect disclosure incidence rather than prioritisation or perceived importance. Accordingly, subsequent analyses focus on how ESG topics are prioritised following coding, harmonisation and normalisation.

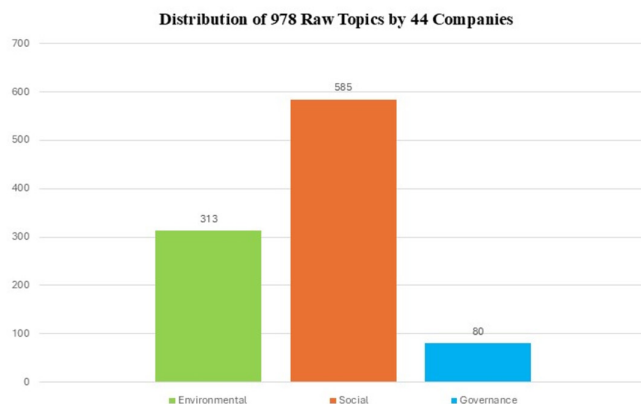


FIGURE 2 | Distribution of 978 raw topics by 44 companies.

4.2 | Frequency of ESG Topics After Coding

Following harmonisation, the 978 raw disclosures were consolidated into 57 standardised ESG topic categories. The distribution across ESG pillars remains uneven after coding. As shown in Table 2, supply chain management is disclosed by all 44 companies, whereas a common set of ESG topics is reported by more than 70% of firms. Over half of the most frequently reported topics are social in nature, followed by environmental topics. No governance topics appear among the 10 most frequently disclosed categories. Despite their widespread disclosure, many frequently reported topics exhibit average internal and external importance scores that lie near or below the mid-point of the materiality matrix. This indicates that high disclosure frequency does not necessarily correspond to high prioritisation. Across the 10 most reported topics, average internal and external percentile scores are similar, suggesting limited divergence between company- and stakeholder-assessed importance at the aggregate level.

Among these topics, supply chain management is unique in combining universal disclosure with comparatively elevated internal and external importance scores. Other frequently reported topics exhibit greater variation in their positioning within the materiality matrix.

4.3 | Aggregated Materiality Matrix

Plotting all 57 standardised ESG topics on a normalised 0–1 scale produces an upward-sloping distribution, with denser and larger bubbles clustered near the diagonal and smaller bubbles located towards the periphery (Figures 3 and 4). Most

TABLE 2 | Top 10 most reported topics.

Material topics	Freq	E/S/G	Avg. X	Avg. Y
Supply chain management	44	S	0.527	0.526
Occupational health and safety	41	S	0.712	0.686
Community contribution	41	S	0.197	0.233
Emissions	40	E	0.357	0.401
Product responsibility	40	S	0.764	0.722
Employee development and training	39	S	0.516	0.507
Waste management	35	E	0.365	0.407
Climate change	35	E	0.337	0.359
Water management (fresh water & sewage)	32	E	0.374	0.454
Anticorruption	31	S	0.546	0.604
Average:			0.470	0.490

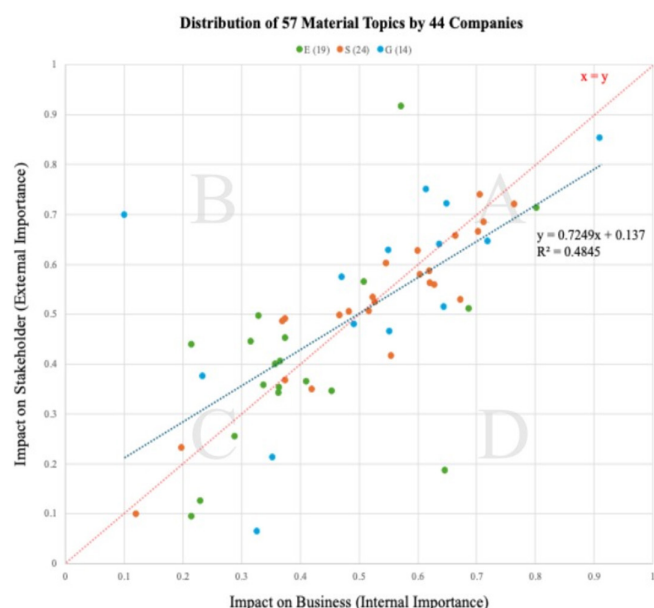


FIGURE 3 | Distribution of 57 material topics by 44 companies (trend line).

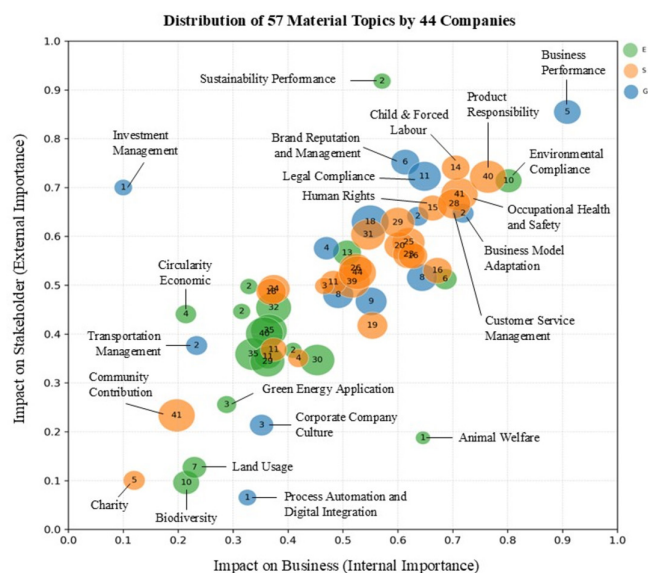


FIGURE 4 | Distribution of 57 material topics by 44 companies (bubble scatter).

topics are concentrated in the mid-range of both internal and external importance, with relatively few occupying extreme positions. The estimated regression line ($y = 0.725x + 0.137$) indicates a positive association between internal and external importance scores, with an R^2 of 0.485. This suggests that approximately half of the variation in stakeholder-assessed importance is associated with variation in company-assessed importance at the aggregated topic level. The slope below unity indicates that changes in internal importance are associated with less-than-proportional changes in external importance. The positive intercept indicates a non-zero baseline level of external importance even when internal importance is low.

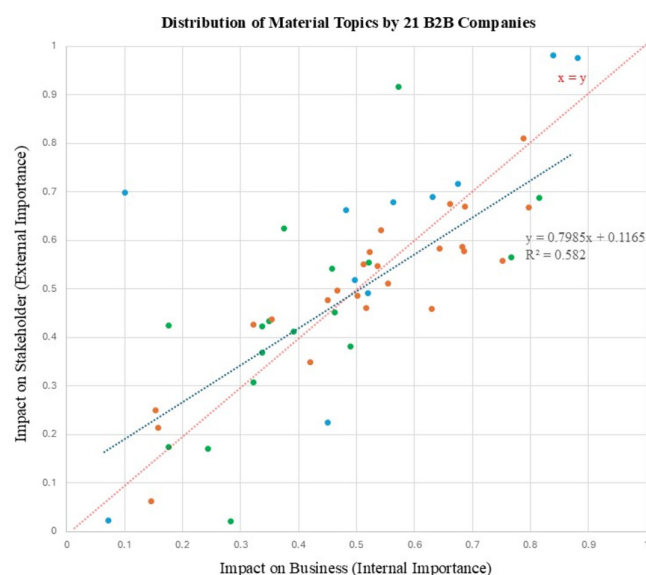


FIGURE 5 | Distribution of material topics by B2B companies.

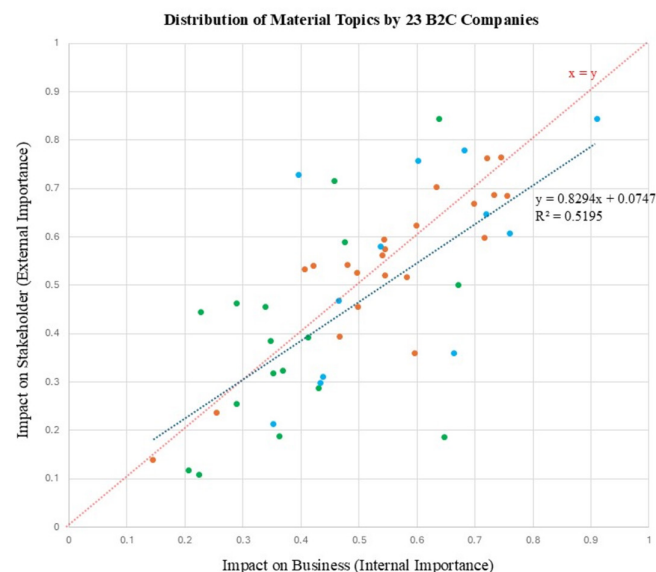


FIGURE 6 | Distribution of material topics by B2C companies.

To examine whether materiality patterns differ by business model, the sample was divided into business-to-business (B2B) firms ($n = 21$) and business-to-consumer (B2C) firms ($n = 23$). Both subsamples exhibit upward-sloping distributions similar to the full sample, indicating positive associations between internal and external importance in both contexts (Figures 5 and 6).

4.4 | ESG Pillar-Specific Distribution

Disaggregating the aggregated materiality matrix by ESG pillar reveals differences in the distribution of topics across environmental, social and governance dimensions (Figures 7, 8 and 9). Environmental topics are concentrated primarily in the lower portion of the matrix, with most observations located in Quadrant C and exhibiting relatively limited dispersion (Figure 10). Social topics cluster more closely along the

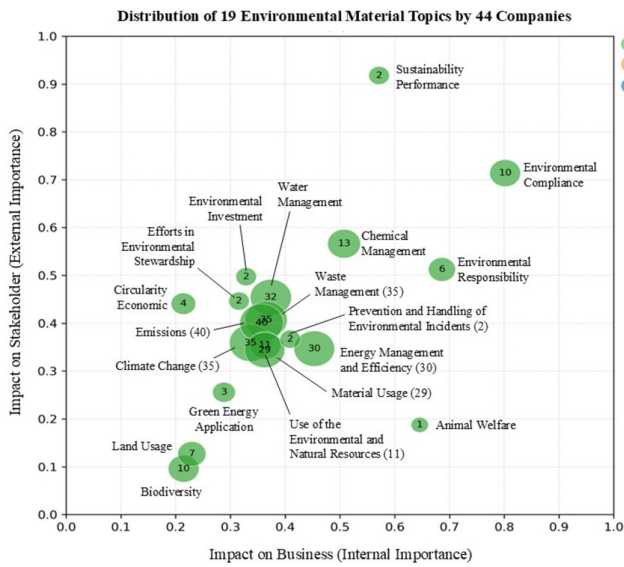


FIGURE 7 | Distribution of environmental topics.

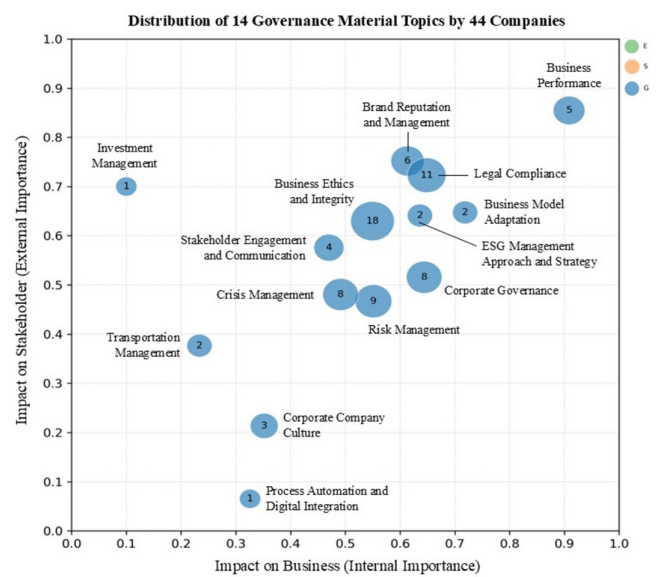


FIGURE 9 | Distribution of governance topics.

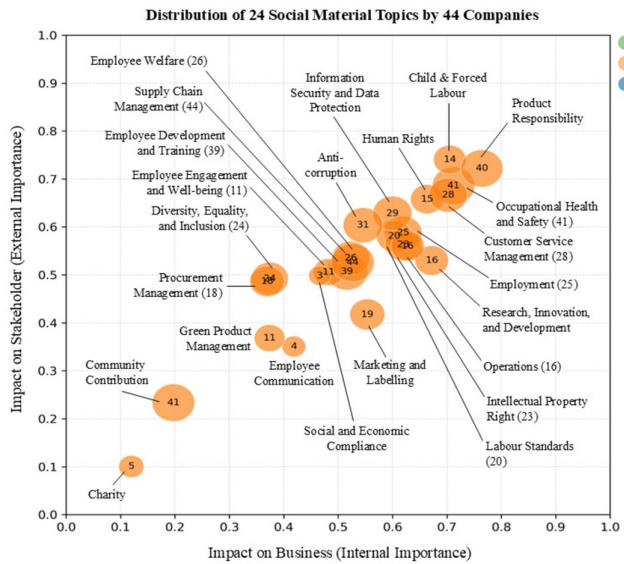


FIGURE 8 | Distribution of social topics.

diagonal, with larger bubbles appearing in Quadrant A, indicating relatively high internal and external importance (Figure 11). Governance topics display the greatest dispersion across the matrix. Although some governance issues appear in Quadrant A, their smaller bubble sizes indicate that these topics are prioritised by a limited number of firms. Quadrants B and D are sparsely populated across all three pillars, indicating that strong divergence between internal and external assessments is relatively uncommon at the aggregated industry level (Figures 12 and 13).

4.5 | Sensitivity Analyses

Sensitivity analyses were conducted to assess the robustness of the baseline mean-based industry aggregation. Specifically, the industry-level materiality matrix was re-estimated using (1) median-based aggregation, (2) boxplot-trimmed mean

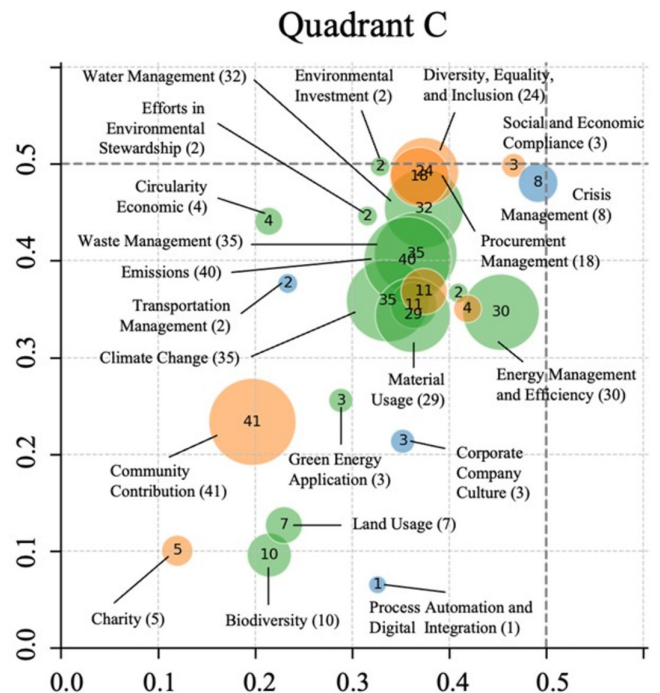


FIGURE 10 | Distribution of material topics in Quadrant C.

aggregation (excluding statistical outliers), (3) boxplot-trimmed median aggregation and (4) Euclidean distance-trimmed mean aggregation to reduce the influence of extreme firm-level deviations.

Across all alternative specifications, the substantive findings remained stable. Social issues consistently occupied the high-priority region of the industry-level matrix, environmental issues remained comparatively less prioritised, and the positive association between internal and external importance scores was preserved. These results indicate that the observed sector-level asymmetries are not driven by aggregation method or outlier effects but reflect structurally embedded prioritisation patterns.

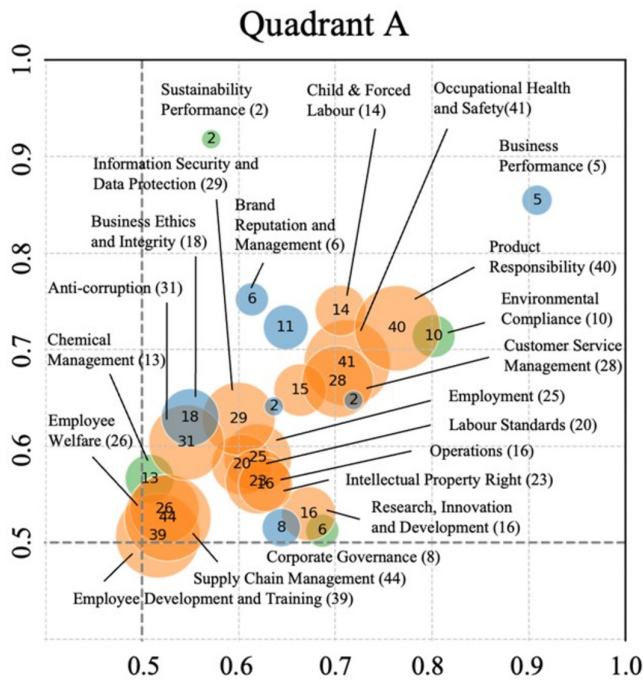


FIGURE 11 | Distribution of material topics in Quadrant A.

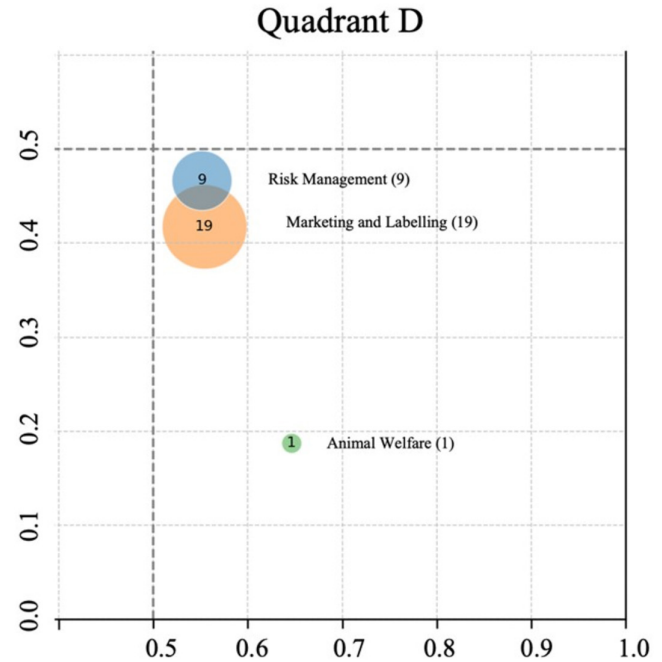


FIGURE 13 | Distribution of material topics in Quadrant D.

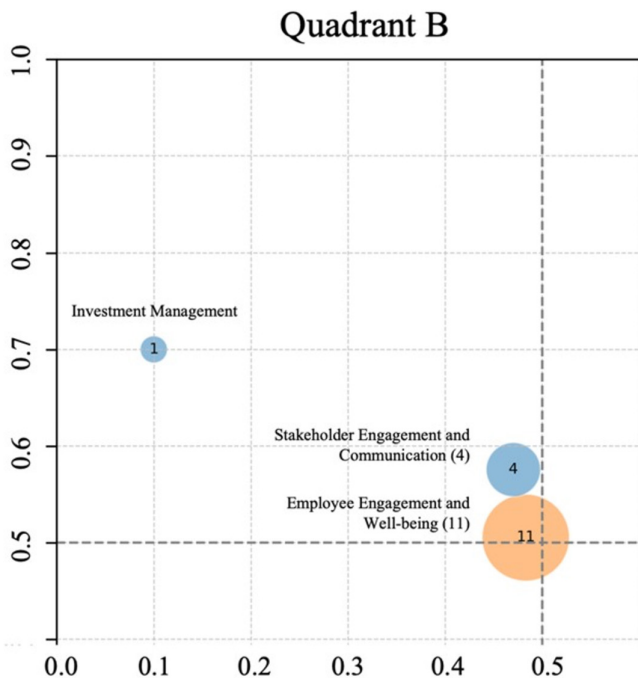


FIGURE 12 | Distribution of material topics in Quadrant B.

5 | Discussion

5.1 | Institutional Shaping of ESG Materiality in the Fashion and Textile Sector

The findings indicate that ESG materiality in the fashion and textile sector is institutionally shaped rather than neutrally assessed. Social issues dominate raw ESG disclosures

prior to formal prioritisation, remain prevalent after coding and harmonisation and occupy central positions within the aggregated materiality matrix. The persistence of this pattern across analytical stages indicates that materiality assessments do not begin from an even consideration of environmental, social and governance dimensions but from a baseline conditioned by existing industry-specific governance arrangements. This pattern is consistent with prior research on labour-intensive global industries, where reputational exposure and stakeholder scrutiny are disproportionately concentrated on labour conditions and supply chain practices (Freise and Seuring 2015; Locke 2013). In the fashion and textile sector, repeated labour-related controversies, combined with sustained attention from regulators, NGOs, international buyers and investors, have rendered social and supply chain risks highly visible and embedded within dominant governance frameworks (Ashwin et al. 2020; Chan et al. 2024; Tran 2025). Over time, these issues have become stabilised as expected domains of corporate responsibility rather than discretionary sustainability concerns. From this perspective, materiality assessments do not operate as neutral ranking devices but as formal mechanisms that consolidate historically established understandings of ESG risk. Compliance with labour and supply chain standards has become a prerequisite for organisational legitimacy and continued market access (Suchman 1995), and materiality processes reflect and reinforce this condition. Rather than opening space for less visible or emerging sustainability concerns, materiality assessments stabilise risk framings shaped by prior contestation, stakeholder pressure and reputational exposure (Bair et al. 2020; Cho, Michelon, et al. 2015). In doing so, they reproduce existing hierarchies of concern within the sector, calling into question assumptions that materiality assessments independently identify the most consequential sustainability impacts.

5.2 | Alignment as an Outcome of Sector-Level Materiality Frameworks

The moderate alignment observed between company-assigned and stakeholder-assigned importance should not be interpreted as convergence on the relative severity of sustainability impacts. Rather, the findings suggest that alignment reflects how stakeholder claims are processed within sector-level materiality frameworks that are centred on firm-based accountability. In the fashion and textile sector, materiality assessments operate through shared evaluation procedures that translate external expectations into organisational priorities across firms, privileging issues that fit established accountability, control and reporting structures embedded in the sector's governance architecture (Garst et al. 2022). This process is particularly visible for social topics such as labour standards, occupational health and safety and supply chain due diligence (Locke 2013). These issues combine high stakeholder salience with relatively clear attribution to firm activities and identifiable sites of intervention within supply chains. Existing governance instruments—such as audits, supplier codes of conduct, certification schemes and buyer leverage—are widely institutionalised across the sector, providing firms with established mechanisms through which these issues can be monitored, managed and demonstrated to external audiences (Locke 2013; Short et al. 2016). As a result, firms and stakeholders converge in their assessments not because they necessarily agree on the intrinsic severity of these impacts but because these issues can be rendered legible and actionable within prevailing sector-wide governance routines (Cho, Laine et al. 2015). Importantly, the ability to govern these issues allows firms, as participants in a shared sectoral governance field, to demonstrate responsiveness without fundamentally challenging underlying production logics or growth-oriented business models. Materiality assessments therefore translate stakeholder pressure into priorities that are compatible with incremental adjustment rather than structural change (Unerman and Zappettini 2014). In this sense, alignment reflects the compatibility of stakeholder claims with sectorally established managerial repertoires rather than a neutral aggregation of stakeholder preferences.

From a stakeholder-theoretical perspective, this finding refines understandings of how stakeholder influence operates within sectoral governance arrangements. Although power, legitimacy and urgency shape which stakeholder claims gain attention (Mitchell et al. 1997), the findings indicate that materiality processes play a crucial intermediary role in determining which of these claims can be formalised as strategic priorities across the sector (Garst et al. 2022; Giacomini et al. 2025; Unerman and Zappettini 2014). Stakeholder influence is thus filtered through organisational evaluation logics that are institutionalised at the sector level and reproduced across firms through materiality assessments. Alignment emerges where stakeholder demands intersect with the sector's established capacities for attribution, monitoring and verification rather than where stakeholder concern is necessarily greatest (Garst et al. 2022; Locke 2013; Power 2007). In this connection, materiality matrices do not simply reflect agreement between individual firms and stakeholders; they reflect the sector-level processing of external claims through firm-centred but collectively shared governance systems. Alignment is therefore best understood as an outcome

of how materiality assessments operationalise stakeholder pressure within the sector, revealing the institutional conditions under which stakeholder claims become actionable within corporate strategy across firms.

5.3 | Strategic Consequences of Sector-Level Materiality for Environmental Sustainability

The same sector-level governance arrangements that stabilise social priorities also constrain the prioritisation of environmental sustainability within materiality frameworks. Environmental risks such as climate change, biodiversity loss and water scarcity are widely acknowledged across the fashion and textile sector as severe and consequential (Niinimäki et al. 2020). However, their translation into materiality priorities remains limited, reflecting the structural characteristics of environmental impacts rather than a lack of concern among stakeholders. Environmental impacts are diffuse, spatially distributed and temporally extended, unfolding across complex global supply chains that involve multiple tiers of production and diverse actors (Gereffi 2018; Krueger et al. 2020; Niinimäki et al. 2020). These characteristics challenge the sector's existing governance infrastructures, which are largely designed to address risks that can be localised, attributed and monitored within relatively discrete organisational or supply chain boundaries (Scherer et al. 2013). As a result, environmental issues fit less easily into the evaluative logics that underpin sector-level materiality assessments. Within the fashion and textile sector, social risks have been institutionalised as non-negotiable legitimacy requirements through repeated cycles of contestation, regulation and private governance development (Ashwin et al. 2020; Bair et al. 2020; Suchman 1995). Environmental risks, by contrast, expose the limitations of governance arrangements centred on firm-level responsibility and compliance-oriented monitoring. Materiality assessments reflect these limitations by acknowledging environmental concerns while constraining their strategic prominence within sector-wide prioritisation frameworks.

The consequence is a systematic asymmetry in how sustainability is articulated at the sector level. Social issues are stabilised as core material concerns, whereas environmental challenges are often addressed through broad commitments or incremental improvements that align with existing sectoral practices (Albuquerque et al. 2024). Materiality assessments thus contribute to shaping the boundaries of sector-level sustainability strategies, privileging issues that can be accommodated within established governance infrastructures and marginalising those that would require more transformative, collective or cross-sectoral responses (Bansal et al. 2018). This dynamic is consistent with research on sustainability decoupling but highlights how decoupling is produced and reproduced through sector-level prioritisation tools rather than solely through firm-level implementation gaps (Cho, Michelon et al. 2015; Maniara 2017). The strategic consequences of this pattern are particularly salient for circular transformation in the fashion and textile sector. When environmental issues remain less prominent within materiality frameworks, they risk being framed as general sustainability commitments rather than as sources of strategic differentiation and value creation. This distinction matters. Emerging research on circular fashion and the 'circular premium' suggests that

environmentally responsible products can generate measurable consumer value (Cascavilla et al. 2026; Toth-Peter et al. 2025), whereas digital product passports demonstrate how enhanced traceability can enable circular business models by improving material transparency and downstream usability (Colasante et al. 2025; D'Adamo et al. 2025). From this perspective, materiality assessments contribute to circular transformation only when environmental priorities are elevated from symbolic alignment to strategic resource allocation and decision-making.

5.4 | Limitations and Future Research Directions

Although this study provides industry-level insights into how ESG materiality structures strategic prioritisation in the fashion and textile sector, its scope necessarily involves certain limitations. The analysis is confined to a single industry operating within a unified regulatory environment, which enhances internal comparability but limits the extent to which the findings can be generalised to other institutional contexts. Future comparative research across industries and jurisdictions would help clarify whether the observed asymmetries in environmental and social prioritisation reflect sector-specific characteristics or broader governance dynamics. Moreover, the study draws on publicly disclosed materiality matrices. These documents reveal the outcomes of prioritisation processes but do not capture the internal negotiations, power dynamics and interpretive frames through which ESG issues are elevated or marginalised. Qualitative investigations—such as interviews or process-oriented case studies—could complement this approach by examining how materiality is constructed and contested within organisations. Finally, the cross-sectional design captures materiality at a single point in time. Longitudinal research could explore how sector-level benchmarks evolve in response to regulatory change, stakeholder mobilisation, technological developments and increasing environmental pressures. Such work would further illuminate whether materiality frameworks remain primarily instruments of alignment or develop into more transformative governance mechanisms.

6 | Conclusion

This study set out to examine how ESG materiality assessments shape strategic prioritisation in the fashion and textile sector when viewed beyond the firm level. By aggregating materiality matrices disclosed by 44 Hong Kong-listed companies into a standardised industry-level benchmark, the study reveals how materiality operates not merely as a reporting exercise but as a sector-wide mechanism that structures managerial attention, channels stakeholder pressure and stabilises shared understandings of what constitutes strategically relevant sustainability concerns. The findings demonstrate that apparent alignment between corporate and stakeholder priorities should not be interpreted as evidence of consensus about the most severe or consequential sustainability impacts facing the sector. Rather, alignment reflects the boundaries of what can be collectively prioritised within prevailing firm-centred materiality frameworks. Social issues, such as labour and supply chain, emerge as dominant priorities because they are legible, attributable and governable within existing sectoral governance arrangements.

Environmental challenges, despite their acknowledged severity, are comparatively attenuated in industry-level materiality outcomes because they are diffuse, temporally extended and difficult to reconcile with established modes of accountability and control. In this sense, materiality assessments function less as neutral ranking devices and more as institutionally mediated attention-structuring mechanisms that consolidate historically embedded hierarchies of concern within the sector.

6.1 | Strategic and Theoretical Contributions

This study contributes to strategy and stakeholder theory in several important ways. First, it advances understanding of ESG materiality as a strategic prioritisation device rather than a purely informational or compliance-oriented tool. By demonstrating how firm-level materiality assessments aggregate into stable industry-level patterns, the study shows that materiality plays a constitutive role in shaping the strategic issue landscape within which firms compete, benchmark themselves and signal legitimacy. From a strategy perspective, this shifts attention from individual materiality outcomes to the field-level consequences of prioritisation practices, highlighting how strategic choice is conditioned by shared evaluative frameworks that precede firm-specific decisions. Second, the study extends stakeholder theory by showing that stakeholder influence over corporate strategy is mediated by sector-level evaluation logics embedded in materiality assessments. Although prior research emphasises stakeholder power, legitimacy and urgency, the findings indicate that these attributes translate into strategic priorities only when stakeholder claims can be rendered actionable within established governance and reporting infrastructures. Alignment between firms and stakeholders therefore reflects not simply agreement over issue importance but the compatibility of stakeholder demands with the sector's dominant modes of attribution, monitoring and verification. Materiality assessments thus act as a critical intermediary through which stakeholder pressure is filtered, formalised and institutionalised across firms.

Third, the study contributes to research on ESG strategy by revealing a structural tension between procedural responsiveness and substantive transformation. The sector-level benchmark shows that firms can achieve high degrees of alignment and apparent strategic coherence while remaining constrained to incremental adjustments that do not challenge underlying production logics or growth models. Materiality-based prioritisation stabilises issues that can be governed through existing practices, whereas marginalising sustainability challenges that would require collective action, cross-tier coordination or reconfiguration of value chain responsibilities. This insight reframes debates on ESG performance by highlighting how strategic limitations are produced upstream through prioritisation mechanisms, rather than solely downstream through implementation gaps.

6.2 | Implications for Strategy and Governance

For managers, the industry-level materiality benchmark provides a strategic reference point for evaluating how firm-specific ESG priorities align with, conform to or deviate from sectoral

norms. Rather than treating materiality matrices as internally bounded exercises, firms can use industry-level comparisons to reflect on whether their prioritisation choices reinforce prevailing governance logics or deliberately seek differentiation by elevating less institutionalised but strategically consequential sustainability risks. For regulators, standard-setters and industry bodies, the findings underscore the limits of relying on firm-level materiality assessments to drive sustainability transformation. When materiality operates primarily within organisational boundaries, it risks reproducing sector-wide blind spots, particularly with respect to environmental challenges that transcend firm-level control. Complementary governance mechanisms that extend accountability across value chain tiers and encourage collective prioritisation are likely necessary if materiality is to support substantive ESG strategy rather than procedural alignment alone.

This study shows that ESG materiality assessments operate as sector-level governance mechanisms that shape how sustainability priorities are articulated, stabilised and strategically enacted. The findings reveal a systematic asymmetry in how environmental and social issues are accommodated within prevailing governance infrastructures, reflecting institutional constraints rather than simple stakeholder consensus. By conceptualising materiality as an attention-structuring and decision-guiding device, this research highlights how sustainability priorities are reproduced at the industry level—and under what conditions they may shift. Ultimately, the transformative potential of materiality depends on whether environmental concerns move beyond symbolic alignment and become embedded in strategic decision-making and resource allocation.

Author Contributions

Shiqi Mai: writing – original draft, data curation, methodology, formal analysis, investigation. **Magnum M.L. Lam:** supervision, writing – review and editing, resources, project administration, investigation, conceptualization, funding acquisition, methodology. **Christina W.Y. Wong:** conceptualization, investigation, resources, supervision, methodology, funding acquisition. **Calvin Y.M. Lam:** conceptualization.

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