

Chapter 2

Environmental, Social, and Governance (ESG) Investing: Evolution, Significant Challenges, and Impacts

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ABSTRACT

The world is a complex arena, with climate change and resource depletion on the global agenda and governance, a key element in the environment, society, and the global economy. Recently, there has been a significant shift in the paradigm of environmental, social, and governance (ESG) investing. This trend has been a major factor in the global financial system, with ESG investing becoming a key component of the global financial system. This trend has been a major factor in the global financial system, with ESG investing becoming a key component of the global financial system. This trend has been a major factor in the global financial system, with ESG investing becoming a key component of the global financial system.

DOI: 10.1007/978-981-10-1234-5_ch

de adaptation, and poor corporate governance. Additionally, one generation's environmental patterns impact future generations and global populations. Stakeholders and external demand on the net also affect momentum. Therefore, a deeper analysis of the situation, its nature, and impact on ESG net contribution and operations.

INTRODUCTION

Environmental social and governance or ESG investing is the term for a set of standards for a company's behavior that investors who are socially conscious use to assess potential investments. Environmental criteria consider how an organization manages the environment including its corporate climate change policies. Social considerations examine how it manages relationships with employees suppliers customers and the communities in which it operates. Internal controls shareholder rights audits executive compensation and corporate leadership are among the subjects covered under governance. Other names for ESG investment include impact investing sustainable investing socially responsible investing (SRI) and responsible investing.

The three factors are used by investors to assess the sustainability and ethical impact of an investment in a business. Each component represents an aspect of the company's management and operations.

- *Environment (E)*: The environment factor analyzes a company's impact on the environment and manages and mitigates all possible environmental risks. This factor includes resource usage and efficiency waste management recycling practices environmental regulations compliance and carbon emissions and climate changes.
- *Social (S)*: The Social factor evaluates a company's relationship with its stakeholders and broader society. It includes labor practices and working conditions Diversity and inclusion Human rights policies and community engagement.
- *Governance (G)*: The Governance factor focuses on the internal structure and practices that help in understanding how a company is managed and controlled. This includes Shareholder rights executive payroll and board composition and structure (HS & C).

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