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Glimpse Into Emerging Trends and Developments in Environment, Social and Governance Practices

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Abstract

The requirement of ESG (Environmental, social, and governance) has gained substantial attention all over the globe recently. Thus, in many nations, regulatory authorities have set up compulsory ESG disclosure regulations in place. Rising awareness and understanding about issues related to ESG has brought substantial transformation in business practices. Business organizations are facing lot of pressure for integration of ESG in their business operations and strategies as per the customer demand, regulators and investors. Business organizations performing better on issues related to ESG has increased the value of shareholders through effective risk management, better access to market, expectation of regulatory actions, and thus, contributing towards sustainable development. Corporate Social Responsibility was known to be business responsibility while the aim of ESG is to its influence quantifiable. The factors of ESG are of strategic significant and informed the operations of business and decisions of investment. A sample of 233 was collected to study the Trends and Developments in Environment, Social and Governance Practices.

Keywords: Environmental social governance (ESG), Global Business, ESG governance, ESG performance

Introduction

The requirement of resources in companies is growing because of the industrialization, which adversely impacting the environment and giving rise to global warming. As such, it is impossible for corporations and makers of policies to overlook such concerns related to environment. ESG has appeared for the integration of a wide-ranging issues associated with the environment like disposal of wastes, emission of greenhouse gas, social responsibilities like workforce diversity, and corporate governance like shareholder. The concept of ESG used to measure the performance of organization in terms of sustainability of environment, and social commitments. Most of the nations have already set compulsory disclosure of policies for facilitating sustainable development (Khamisu & Paluri, 2024). Integrating factors of ESG into business operations and its strategies has become vital, not just as an ethical responsibility but also as an essential element that determines long-term success and sustainability of organization. Influence of ESG on dynamics of market and preferences of customers highlights the move towards more sustainable and responsible business practices. Customers would possible like to choose products and services which are environmental and social friendly that pushes business organizations to invent and adapt to transforming requirements of market. The trend of sustainable investment and development of finance market shows that investors are now prioritising ESG elements at high rate, not just for ethical causes but also due to potential for strong and effective returns (Warouw et al., 2024). Investors use the criteria of ESG for searching, filtering, and considering firms who are socially responsible. It is best featured as a framework describing how business firms manage risks and opportunities that are associated to issues related with ESG, and how it assists stakeholders in understanding the commitment of organizations. ESG is often found in investment. However, other stakeholders like customers, employees, and suppliers show their interest in ESG related issues concentrating on sustainable operations of business (Naeem, Naeem & Kakakhel, 2022).

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Three Pillars or Metrics of ESG- Value Creation

1. **Environmental –** It is about what impact you make on the world related to climatic changes, emission of Greenhouse gas (GHG), depletion of natural resources, waste and pollution, hazardous materials, deforestation, biodiversity.
2. **Social –** It is about our impact on community like conditions of working including slavery, child labor, influence on local community, regional conflicts, health and safety, relations between employees, and diversity, protection of data.
3. **Governance –** It is about how you conduct yourself like bribery and corruption, execute pay, board diversity and structure, donations, tax strategy, and breach of data.

The main objective of creating concept of ESG and to motivate business executives for adopting it by United Nations is creating a safer, cleaner, happier, and peaceful environment and society all over the globe. Important steps have been taken by the government for creation of ESG for the well-being of everyone like lenders, citizens, shareholder, nation, society, etc. keeping on eye on sustainable development (SD) and economic growth (EG). However, such steps taken by government are not found to be sufficient and not up to the mark. There is an instant need is formulation of the norms and policies defining a corporate whether it is an ESG corporate or not due to delay in such aspect forcing ESG investment institutions might go back. In order to keep ESG always active, there is a need to have lot of funds and investments. The need fund is with corporate private as well as government. Thus, to make corporate understand the interdependency of ESG with Economic growth and sustainable development, some steps were taken by United Nations to define, stating, and explaining ESG so that investing in corporate following ESG leading to environment free from pollution, happy and peaceful (Somashekara, 2023).

5 P's Of Sustainable Development

People – End Poverty and Hunger in all forms ensuring dignity and equality
Planet – Protecting planet's natural resources and climate for future generation
Prosperity – Ensuring prosperous and fulfilling lives in harmony with nature
Peace – Foster peaceful, and inclusive societies
Partnership – Implementing the agenda through a solid global partnership

Literature Review

Wan et al. (2023) stated that ESG is a philosophy of investment putting factors of environmental, social, and governance in investment decisions. ESG is not just a new path of sustainable development of humans but a new viewpoint for understanding the prospects and risks that are being faced by business enterprises. There are several concepts involved into the system of ESG. ESG reports are issued by listed companies as per their regulatory framework. ESG ratings are carries out by professional third-party raters through ESG performance. In capital market, investment institutions complete their decisions related to ESG investments as per ESG ratings. Corporate governance and value creation are conducted by enterprises as per the ESG ratings.

Marie et al. (2024) revealed complete analysis on ESG as a swiftly emerging field that have gained substantial grip from global social and economic changes particularly COVID-19 pandemic. The rising volume and geographic diversity of study highlights critical role of ESG factors that shape the sustainable practices of business and regulatory framework. Significant contribution from particular nations and institutions that reveal diversified approach with ESG, while the requirement for higher level of inter-disciplinary association points towards opportunities for further growth and development and enhancement of the field. The study points out the importance of ESG considerations that ensures resilience and sustainability of corporates and provides valuable insights for practitioners and policymakers to navigate post-pandemic challenges as well as opportunities. Study also shed light on the application of ESG practices in distinct economic contexts, it also identifies facilitators and obstacles to achieve sustainable development goals. It highlights serious requirements to adapt models of ESG and metrics reflecting realities of post-pandemic. Study also promotes improved partnership between researchers from developed as well as developing countries tackling challenges of ESG.

Masud et al. (2025) found that organizations are facing increased inspection with regards to immoral conduct, management of risks, accountability, oversight, and strategic management of skills of stakeholder. Investors are highly concerned about organizations to address issues related to ESG that have attained grip as sustainable strategies of investment that incorporates factors of ESG that have grown up in admiration over the past decade. Incorporation of factors of ESG into decisions of capital allocation that can yield positive results for all involved parties. Advantages of incorporating sustainability into strategies of business include higher accountability, enhancing reputation, improved practices of business, increased level of brand value, and development and maintenance of competitive advantage. Investigating corporate ESG reporting drivers is vital in this modern era, specially in industries that are energy-intensive. In addition to profitability, corporate governance has grown as a substantial element of ESG disclosure.

Agbakwuru et al. (2024) stated that rising emphasis on factors of ESG has reformed the landscape of corporate reporting, mainly about its influence on financial performance. As the stakeholders and regulatory bodies are demanding high level of transparency, organizations are incorporating metrics of ESG into framework of reporting. However, there is always a debate about the level to which adherence of ESG interprets into financial advantages. The findings suggest a positive association between strong ESG reporting and long-term financial performance. Business organizations with wide-ranging strategies of ESG to experience low costs of capital, improved reputation, and enhanced stakeholder’s relations. However, the advantages might vary across different industries and are usually dependent on quality of implementation of ESG. ESG reporting is disclosure of performance of company and its practices. It includes a wide ranging non-financial metrics helping stakeholder to evaluate ethical impact of company, its sustainable initiatives, and governance structure. ESG reporting has become highly significant as consumers, investors, and regulatory bodies are demanding higher level of transparency as well as accountability with regards to corporate social responsibility.

Qiu (2023) revealed that ESG is not a new concept but re-arrange, integrate and re-classification of some earlier concepts related to sustainable development. ESG is an arrangement and assessment instrument for sustainable development, thus majority of ESG theories come from the development of theory of sustainable development. The relation between ESG and its performance has got high attention by government and industries, Though, national as well as international rating standards of ESG are still in the developmental process, ESG professional agencies of ratings who are matured are still very less. Increasing growth in sustainable development, the significance of ESG has become highly important, and its influence on valuation also rising. ESG data is being used now by more and more investors for supporting investment related decisions making. ESG important strategy for sustainable development. Businesses can be benefitted by effective ESG management and would also help them in hedging against possible risks. Practices of ESG reflects production and operation of enterprise and future development, it reduces asymmetry of information of stakeholders helping enterprise making more perfect decision and also reduce risks in operations.
Handoyo & Anas (2024) stated that governance quality boost overall performance of company in significant manner. It emphasizes the important role played by strong system of governance, transparent process, and accountability to drive success of business. It highpoints the importance of adopting practices effective governance for improvement of performance of company, emphasizing the requirement to give priority to elements which are governance related for achieving good outcome. It is also found that association between environmental and social performance of company and are highly

influenced by the quality of regulations and efficacy of government in nation. Countries having with better quality of regulatory and effective governance, positive influence of environmental and social performance have become highly evident. Study emphasizes on the significance of supportive framework of regulatory and effective practices of government to optimize the benefits of ESG related initiatives. Moreover, the study also shows that association between performance of government and company is impacted by the quality of regulations at country-level and efficacy of government.

Awate & Kasar (2024) found that investors and business enterprises are becoming more concerned with regards to the procedures of ESG, it is also giving rise to scrutiny to management of companies regarding environmental risks, social issues and practices of governance. The outcome of the study shows that long-term acceptance of ESG make positive impact on corporate sustainability and behavior of investors and also yield a declaration that practices of ESG make contribution towards financial performance, reputation and loyalty of investors. It is also argued that considerable difference in ratings of ESG among various agencies is hampering investors in making correct decisions related to ESG. Lacking standardization must be overcome for attaining steadiness and consistency of ESG measures and framework reporting. Long-term comprehension of practices of ESG is considerable associated to how they make impact of sustainability of corporate and investment behavior as it has been interpreted from positive insights among people with regards to how ESG cam make positive influence on financial performance, retention of investors and their reputation. However, the contradiction between distinct ratings of ESG from providers have remain one of the significant issues that are faced by investors and in the process of decision-making.

Xiao et al. (2023) highlighted that sustainable finance and ESG investment have appeared as an important driver in the modern landscape of finance. Growing recognition has been seen in the past few years about interplay between financial market and elements of ESG. ESG investment and sustainable finances have appeared as prominent approach in global financial landscape. The objective of this concept is to integrate accountable and moral considerations into decisions of investment, thus matching financial goals with wider social and environmental goals. Successful example in sustainable finance and ESG investment shows advantages of matching with financial activities with moral and sustainable values. Study inspire confidence in potential for responsible finances to drive positive transformation and making contribution towards sustainable future. However, failures and challenges in application is a reminder about the complications of journey. Regulatory obstacles, limitation of data, and struggle to change focuses on the requirement for continuous efforts and inventions to overcome the hurdles and progressing the causes of sustainable finances.

ESG Investments

- ESG investing refers to as to how the companies score on the responsibility metrics and the standards for the potential investments
- ESG is used to screen the investments.
- ESG investing helps in portfolio building that avoid companies that engage in risky or under unethical practices.
- It is also referred to as sustainable investing, responsible investing, impact investing or socially responsible investing (SRI).

Adeoye et al. (2024) studied that AI has appeared has a transformative force in ESG investment making significant enhancement in portfolio management and performance. By applying advanced data analytics and algorithms of machine learning, artificial intelligence has empowered investors to evaluate wide ESG related set of data, bring out actionable insights, and find out opportunities of investment that matches with sustainable goals. Implementation of ESG analysis driven by artificial intelligence enable investors to develop well-structured portfolio with the objective of financial success as well as to adhere to moral and sustainable principles. By using artificial intelligence, environmental impact can be evaluated systematically by investors they can also evaluate social responsibilities as well as practices of corporate governance. Identification of ESG risks and its opportunities is facilitated by this approach with higher precision and efficacy that would lead to better investment decisions. Additionally, artificial intelligence enables investors to adjust their portfolio dynamically responding to the changing conditions of market and evolving trends of sustainability. By monitoring factors of ESG constantly and leveraging. Predictive analysis, risks can be managed proactively by investors and they can grab opportunities for enhancement of portfolio performance in the long-term. By adopting capabilities of artificial intelligence, investors can drive positive environment and social influence while attaining competitive returns on finances. Using artificial intelligence in ESG investment show a standard shift in management of portfolio that offers investors extraordinary opportunities for navigating complicated challenges of ESG for achieving sustainable financial success.

Sathiaram (2022) stated that ESG has three broad categories forming a framework to assess the influence of moral and sustainable practices of a business organization. Globally, there are many frameworks of ESG are available. The main thing to identify here is proper framework and criteria for every different country, industry and company and make a practical and meaningful and effective policy framework for ESG. Delegating ESG for companies and forcing them to report and adopt might not lead to normal adoption and meaningful outcome.

Shaji (2024) found that in the domain of modern finance and corporate governance, ESG have appeared as a vital element that impact investment decisions as well as corporate behavior. The criteria of ESG shows a set of non-financial elements that regulators, investors, and business firms use for evaluating corporate behavior and impact of society. ESG considerations include a wider range of issues that range from environmental sustainability and changing climate to social equity, human rights, practices of labor, and structure of corporate governance. While factors of ESG are usually inter-associated, can have different implications for management of risks, long-term creation of values, and relations with the stakeholders. Integrating principles of ESG shows a shift in philosophy of investment that emphasise the significance of sustainability, moral, and accountability in financial decisions.

Objective

To study the Emerging Trends and Developments in Environment, Social and Governance Practices.

Methodology

Study survey was conducted among 233 people from different industries. “Random sampling method” along with “T-test” were used to collect and analyse the data.

Data Analysis

In the total population of study survey males are 51.93% and females are 48.07%. 35.62% of them are below 35 to 40 years, 29.61% are between 40 to 45 years of age, 34.77% are above 45 years of age. With regards to Industries adopting ESG are Financial Sector with 21.89%, Energy Sector are 28.75%, Construction Sector are 22.75%, and Food & Beverages Sector are 26.61%.

“Table 1 General Details”

“Variables”	“Respondents”	“Percentage”
Male	121	51.93
Female	112	48.07
Total	**233**	**100**
Age (years)		

35 to 40	83	35.62
40 to 45	69	29.61
Above 45	81	34.77
Total	**233**	**100**
Industries adopting ESG		
Financial Sector	51	21.89
Energy Sector	67	28.75
Construction Sector	53	22.75
Food & Beverages Sector	62	26.61
Total	**233**	**100**

Table 2 Emerging Trends and Developments in Environment, Social and Governance Practices

"S. No."	"Statements"	"Mean Value"	"t value"	"Sig."
1.	ESG is used to measure organization's performance in terms of sustainability of environment, and social commitments	3.31	4.815	0.000
2.	ESG is integrated in business operations and strategies as an ethical responsibility and long-term success	3.17	2.657	0.004
3.	Investors use ESG criteria for searching, filtering, and considering firms who are socially responsible	4.17	18.580	0.000
4.	Adoption of ESG is important for creating a safer, cleaner, happier, and peaceful environment and society	4.00	15.560	0.000
5.	Corporate governance and value creation are conducted by enterprises as per the ESG ratings	4.21	19.136	0.000
6.	Adopting ESG include higher accountability, enhancing reputation, improved practices of business	4.12	17.414	0.000
7.	ESG factors has reformed landscape of corporate reporting, mainly its influence on financial performance	4.03	16.167	0.000
8.	ESG data is used by more and more investors for supporting investment related decisions making	4.09	17.184	0.000
9.	ESG management would help in hedging against possible risks	4.29	20.092	0.000
10.	Practices of ESG make contribution towards financial performance, reputation and loyalty of investors	3.13	2.060	0.020

Table 2 shows Emerging Trends and Developments in Environment, Social and Governance Practices where respondent says that ESG is used to measure organization's performance in terms of sustainability of environment, and social commitments (3.31), ESG is integrated in business operations and strategies as an ethical responsibility and long-term success (3.09), Investors use ESG criteria for searching, filtering, and considering firms who are socially responsible (4.17), Adoption of ESG is important for creating a safer, cleaner, happier, and peaceful environment and society (4.00), Corporate governance and value creation are conducted by enterprises as per the ESG ratings (4.21), Adopting ESG include higher accountability, enhancing reputation, improved practices of business (4.12), ESG factors has reformed landscape of corporate reporting, mainly its influence on financial performance (4.03), ESG data is used by more and more investors for supporting investment related decisions making (4.09), ESG management would help in hedging against possible risks (4.29), Practices of ESG make contribution towards financial performance, reputation and loyalty of investors (3.13). All statements pertaining to Emerging Trends and Developments in Environment, Social and Governance Practices are found to be significance, with p-values below 0.05 following the application of a t-test.

Conclusion

Due to growing industrialization, the requirement of resources is growing by industries an adverse manner which is affecting the environment negatively and making contribution towards global warming. It is almost impossible for policy makers and corporations to overlook concern about environment. The environmental dimension includes how business enterprises are managing wastes, using renewable energy, polluting the environment by their operations, and responding to problems due to climatic changes. Stakeholders are raising their concerns with regards to addressing changes in climate, management of water and treating garbage. Therefore, environmental social and governance (ESG) have appeared for integrating a wider range of challenges and issues related to the environment like disposal of water, emission of greenhouse gases, etc., social responsibilities like diversity and workforce, and corporate governance like stakeholder corporate behavior. The concept of ESG is utilised to quantify performance of organization with regards to sustainability of environment social commitment. The focus of governance dimension is on the business management and communication between stakeholders like clients, staff and authorities and board. The aspect of governance address various concerns of stakeholders like efforts that are rewarded in business organization or if organizations are providing reports its governance or motivate ethical standards.

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