

Editorial

ESG and sustainable development

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People’s expectations for businesses’ social responsibility are rising as environmental and social issues are gaining more and more concerns worldwide. Furthermore, many big businesses need to take ESG (Environmental, Social, and Governance) factors into account when making decisions due to the growing trend of influence investing [1]. What is ESG? What’s the advantage of ESG? What’s the relationship between ESG and sustainable development? These questions will be answered in this article.

ESG is a set of criteria used to evaluate the environmental, social, and governance of corporates [2]. In particular, “Environmental” encompasses factors like greenhouse gas emissions, energy efficiency, waste management, and water conservation; “Social” will address how businesses interact with communities and employees, including human rights, employee diversity, labor standards, and supply chain management; and “Governance” will address how businesses operate and make sure their actions serve stakeholders’ interests, including board diversity, compensation, risk management, and ethics [2]. In today’s dynamic global economy, the incorporation of ESG considerations into corporate decision-making and investment approaches, along with an increased focus on ESG disclosures, has become a prominent and widely acknowledged trend [3], which is helpful for achieving longer-term and more scientific development of enterprises, thereby bringing more value to society.

ESG is one of the main drivers of corporate long-term value, leading to larger and more sustainable future profits [4]. Since today’s investors show an increasing concern about the sustainability of enterprises, it is necessary to integrate ESG factors and indicators into the investment decision-making process. In the latest issue of the journal, *Sustainable Social Development*, Yap et al. [5] published an article on ESG, and they identified three advantages of embracing ESG into corporate finance based on the literature reviewed. First, it positively influences financial investment decisions; second, it can leverage advancements in technology and innovations; and third, it can create proactive risk management. Additionally, ESG investments could improve sustainable growth [3]. It can be indicated that ESG serves as an effective tool for the long-term and sustainable development of enterprises.

ESG and sustainable development are different concepts. However, there are some similarities between them. At some extent, ESG draws a direct connection with the SDGs’ concept of creating “shared value” that involves finding mutually beneficial ways to align market potential, societal demands, and policy action to promote sustainable and inclusive economic growth and well-being [6].

All things considered, adding ESG indicators to business evaluation criteria can not only increase revenues for businesses but also have positive effects on human society and the environment. It is thought that when ESG becomes a more popular

standard, the objective of sustainable development will be more successfully attained and business development will become more rational and scientific [7–11].

Conflict of interest: The author declares no conflict of interest.

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