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ENVIRONMENTAL, SOCIAL, AND GOVERNANCE BUSINESS MANAGEMENT AS A GUARANTEE OF THE COMPANY'S MODERN INVESTMENT ATTRACTIVENESS

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Modern world faces a number of global challenges: climate change, transitioning from a linear economy to a circular one, increasing inequality, balancing economic needs with societal needs. ESG is a set of company performance standards that socially responsible investors use to screen potential investments. Investors, regulators, as well as consumers and employees are now increasingly demanding that companies should not only be good stewards of capital but also of natural and social capital and have the necessary governance framework in place to support this. More and more investors are incorporating ESG elements into their investment decision making process, making ESG increasingly important from the perspective of securing capital, both debt and equity. The goal of ESG is to capture all the non-financial risks and opportunities inherent to a company's day to day activities.

Ecological component. Emissions such as greenhouse gases and emissions of air, water and soil pollution. Resource use, such as whether the company uses virgin or recycled materials in its manufacturing processes and how the company ensures that the maximum amount of materials in their products is returned to the economy rather than ending up in a landfill. Companies are also expected to be good stewards of water resources. Land use issues such as deforestation and biodiversity disclosure also fall under the Environmental Component. Companies also report the positive sustainability impact they can have, which can translate into long-term business benefits.

As part of the social component, companies report on how they manage the development of their employees and work. They communicate product liability regarding the safety and quality of their product. They also report on their labor supply chains, health and safety standards and controversial sourcing issues. Where appropriate, companies are expected to report how they make their products and services accessible to disadvantaged groups.

The main issues discussed in the Governance section are the rights of shareholders, the composition of the board of directors, how executives are compensated and how their compensation corresponds to the company's sustainability performance. It also includes issues of corporate conduct such as anti-competitive practices and corruption.

Companies have realized that adherence to ESG criteria can reduce environmental risks, and a company's demonstration of its social responsibility has a positive effect on customer loyalty and strengthens its market position. Adhering to the principles of ESG, the company receives a number of advantages, including: higher attractiveness from investors and financial institutions, higher financial performance, better labor productivity. And in the long term, compliance with ESG will improve the business reputation and create a positive image of the company, reduce the cost of environmental taxes, improve the manufacturability and innovation of the business.

It is important to separate the concepts of ESG and sustainable development. These concepts are often equated. Sustainable development includes a wide range of environmental, social and economic issues. ESG has a narrower meaning and refers to the range of sustainable development issues that affect a company's financial performance and performance, opportunities and risks arising from impacts on society and the environment. Sustainability is a component of a company's broader ESG efforts, and mapping all potential ESG issues onto a quadrant to help prioritize initiatives based on level of impact and level of importance is important, Mingay said. What's noted in the top right quadrant would reflect problems with the most significant impact and the scrutiny, while those in the lower left are least impactful and scrutinized for an industry.

ESG has become more popular over the past few years as regulators continue to discuss the importance of reporting and disclosure standards in this space. However, there is a general consensus that ESG is socially conscious but not necessarily valuable – let alone critical – to business. But a look at the corporate landscape over the next few years should dispel any tech company's notion. Businesses face increased environmental, social and governance risks, from pollution to worker safety issues and reputational damage due to diversity or corruption.

Businesses will increasingly address climate adaptation as part of their risk mitigation strategy. Climate adaptation requires exploring all the different ways that climate change may disrupt operations, supply chains and existing customers and how business and IT leaders will deal with that.

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