



SUSTAINABLE FINANCE AND CLIMATE RISK

PRANTIK RAY

XLRI Jamshedpur.

Abstract

This article seeks to explore whether ESG is indeed losing its appeal or if it remains a vital framework for modern business. Despite its rise in prominence, recent years have seen growing skepticism about the efficacy and relevance of ESG. Critics argue that ESG has become a marketing tool, with companies engaging in “greenwashing” to appear more responsible than they actually are (Fisch, 2024). Furthermore, the lack of standardization in ESG ratings and the varying methodologies employed by rating agencies have fueled concerns about the reliability and consistency of ESG metrics (Berg et al., 2022). This article explores the factors contributing to the rise and perceived decline of ESG practices and also evaluates the challenges and criticisms associated with ESG frameworks.

1. INTRODUCTION

In recent years, Environmental, Social, and Governance (ESG) practices have become an integral part of corporate strategies, redefining the traditional parameters of business performance evaluation. ESG emerged from the growing recognition that sustainable practices are crucial not just for societal well-being but also for long-term business profitability. Initially seen as a niche concept primarily adopted by socially responsible investors, ESG has transformed into a mainstream movement embraced by global financial markets, corporations, and policymakers. This shift has been fueled by an increasing awareness of climate change, social inequities, and governance failures, driving stakeholders to demand higher accountability from businesses.

1.1. Background and Evolution of ESG

The origins of ESG can be traced back to the broader concept of Corporate Social Responsibility (CSR) in the late 20th century. The term “ESG” was first popularized in the landmark 2004 report titled “**Who Cares Wins**,” commissioned by the United Nations Global Compact. The report emphasized the role of ESG factors in creating long-term financial value and urged institutional investors to incorporate these considerations into their decision-making processes (United Nations Global Compact, 2004). Since then, ESG has evolved from a peripheral issue into a central theme in global finance, with institutions like the World Economic Forum (WEF) and the Principles for Responsible Investment (PRI) advocating for its widespread adoption. The growth of ESG has been further reinforced by high-profile corporate scandals and environmental crises, which underscored the limitations of traditional financial metrics in capturing business risks. For instance, the **BP Deepwater Horizon oil spill (2010)** and **Volkswagen’s emissions scandal (2015)** highlighted the financial and reputational risks associated with poor environmental and governance practices (Berg et al., 2022). These events prompted investors to rethink the criteria for evaluating companies, shifting the focus toward non-financial metrics that reflect broader societal impact.

1.2. Importance of ESG in the Modern Corporate World

In the contemporary corporate landscape, ESG is no longer optional; it is an essential component of strategic planning and risk management. Companies with strong ESG practices are perceived as more resilient and better positioned to weather economic downturns. According to **Friede et al. (2015)**, a meta-analysis of more than 2,000 empirical studies found that the majority of research reports a positive relationship between ESG and corporate

financial performance. This finding has helped solidify the business case for ESG, making it a key consideration for institutional investors and asset managers alike. Moreover, regulatory bodies worldwide are tightening ESG-related disclosure requirements, making it imperative for companies to adopt standardized reporting frameworks. **The European Union's Corporate Sustainability Reporting Directive (CSRD)** and the **Securities and Exchange Board of India's Business Responsibility and Sustainability Reporting (BRSR)** are examples of regulatory measures aimed at enhancing transparency and accountability in corporate ESG practices (Christensen et al., 2020).

1.3. Key Objectives of the Article

This article seeks to explore whether ESG is indeed losing its appeal or if it remains a vital framework for modern business. Despite its rise in prominence, recent years have seen growing skepticism about the efficacy and relevance of ESG. Critics argue that ESG has become a marketing tool, with companies engaging in “**green washing**” to appear more responsible than they actually are (Fisch, 2024). Furthermore, the lack of standardization in ESG ratings and the varying methodologies employed by rating agencies have fueled concerns about the reliability and consistency of ESG metrics (Berg et al., 2022).

The key objectives of this article are:

- To examine the factors contributing to the rise and perceived decline of ESG practices.
- To analyze empirical data on ESG investments and assess their performance.
- To evaluate the challenges and criticisms associated with ESG frameworks.
- To explore the counterarguments and highlight why ESG may still hold long-term relevance in corporate strategy.

1.4. Brief Overview of Arguments

The debate surrounding ESG is multifaceted. On one hand, proponents believe that ESG is a crucial tool for mitigating long-term risks and aligning corporate goals with global sustainability objectives. On the other hand, critics highlight the inconsistencies in ESG metrics and question its real impact on business performance. Recent data suggests that ESG funds have underperformed traditional funds during certain economic downturns, further fueling doubts about its financial viability (Whelan et al., 2021). This article delves into these contrasting perspectives, aiming to provide a balanced and evidence-based analysis of the current state of ESG.

In the following sections, we will explore the theoretical framework of ESG, assess its global trends, and examine whether recent developments signify a decline in its relevance or simply a phase of recalibration as the ESG movement matures.

2. UNDERSTANDING ESG: A THEORETICAL FRAMEWORK

2.1. Definition and Components of ESG

Environmental, Social, and Governance (ESG) factors form a framework for evaluating the sustainability and societal impact of companies and investments. Each component represents a distinct set of criteria:

- **Environmental (E):** This focuses on how a company impacts the natural environment, considering factors like carbon footprint, resource usage, waste management, and environmental innovation. Companies must address risks related to climate change,

pollution, and water scarcity to meet the expectations of stakeholders (Christensen et al., 2020).

- **Social (S):** The social component covers a company's relationship with its employees, customers, suppliers, and the wider community. Metrics include employee welfare, workplace diversity, consumer protection, and community engagement (Fisch, 2024). Social factors are increasingly recognized as critical to a company's long-term success.
- **Governance (G):** Governance evaluates corporate policies and practices, including board diversity, executive compensation, shareholder rights, and business ethics. A well-governed company is typically more transparent and less susceptible to regulatory and reputational risks (Berg et al., 2022).

Together, these components offer a more holistic view of corporate performance beyond traditional financial metrics, helping investors identify sustainable business practices that contribute to long-term value creation.

2.2. Historical Development of ESG Standards and Reporting

The evolution of ESG can be understood by examining its development through several key milestones. While early forms of corporate responsibility focused on philanthropy and community welfare, the ESG movement gained momentum in the early 2000s.

- **Initial Developments:** ESG was first formally introduced in the 2004 report *Who Cares Wins*, published by the United Nations Global Compact in collaboration with major financial institutions. This report encouraged companies and investors to integrate ESG criteria into decision-making processes (United Nations Global Compact, 2004).
- **The Growth of ESG Reporting:** In the mid-2000s, organizations like the **Global Reporting Initiative (GRI)** and **Carbon Disclosure Project (CDP)** established standardized reporting frameworks. These initiatives enabled companies to disclose their ESG performance using consistent metrics (Whelan et al., 2021).
- **Recent Regulatory Developments:** In the last decade, ESG disclosure has shifted from voluntary to mandatory in several jurisdictions. For example, the European Union introduced the Corporate Sustainability Reporting Directive (CSRD), requiring large corporations to disclose ESG data using common standards (Christensen et al., 2020).

Despite these advancements, the ESG reporting landscape remains fragmented, with significant variation across regions and industries. The lack of universally accepted standards complicates the ability of investors to make informed decisions based on ESG data.

2.3. Key Theoretical Models Supporting ESG

Several theoretical models underpin the concept of ESG, providing a framework for understanding its relevance and importance in the business world.

• Stakeholder Theory

Developed by Freeman (1984), stakeholder theory emphasizes that companies should consider the interests of all stakeholders, not just shareholders. This broader perspective aligns closely with the ESG framework, which seeks to balance the needs of employees, customers, investors, and the environment. According to **Freeman et al. (2020)**, adopting an ESG approach helps businesses create value for multiple stakeholders, reducing risk and enhancing long-term sustainability.

Example: Companies like Unilever have successfully integrated stakeholder theory by focusing on sustainable business practices that benefit both consumers and the environment.

- **Sustainability Theory**

Sustainability theory focuses on meeting present needs without compromising the ability of future generations to meet theirs. It forms the core of the environmental component of ESG. **Elkington's (1GG7) Triple Bottom Line (TBL)** concept—people, planet, and profit—provides a useful framework for evaluating corporate sustainability. Research indicates that companies adopting sustainable practices experience long-term financial and reputational benefits (Friede et al., 2015).

- **Resource-Based View (RBV) and Competitive Advantage**

The Resource-Based View (RBV) of the firm suggests that sustainable competitive advantage can be achieved by developing unique resources and capabilities.

Incorporating ESG factors—such as green technology and employee diversity—can become a source of competitive advantage (Barney, 1991). Companies that adopt ESG early often create intangible assets, such as brand loyalty and stakeholder trust, that are difficult for competitors to replicate.

2.4. Overview of ESG Ratings and Measurement Challenges

While ESG ratings play a crucial role in helping investors assess a company's sustainability performance, they also present significant challenges. ESG ratings are provided by a variety of agencies, such as **MSCI, Sustainalytics, and Refinitiv**, each using different methodologies. This lack of standardization often leads to inconsistent and conflicting ratings for the same company.

Berg et al. (2022) highlight three key challenges in ESG ratings:

- 1) **Divergent Methodologies:** Rating agencies often prioritize different aspects of ESG performance, leading to significant variations in ratings. A company may receive a high score from one agency and a low score from another due to differences in criteria.
- 2) **Data Quality and Availability:** ESG data is often self-reported, which raises concerns about reliability and accuracy. Companies may engage in selective disclosure, reporting only favorable data to improve their ratings (Fisch, 2024).
- 3) **Materiality and Industry-Specific Factors:** ESG factors are not equally relevant across all industries. For example, carbon emissions may be a critical issue for energy companies but less relevant for financial firms. The lack of industry-specific benchmarks complicates the evaluation process (Christensen et al., 2020).

Despite these challenges, efforts are being made to improve the reliability of ESG ratings. The **International Financial Reporting Standards (IFRS) Foundation** recently established the **International Sustainability Standards Board (ISSB)** to create globally consistent ESG disclosure standards.

Understanding ESG requires a comprehensive analysis of its components, historical development, and theoretical foundations. While it provides a useful framework for evaluating corporate sustainability, the inconsistencies in ratings and reporting standards present significant challenges. However, with ongoing regulatory developments and growing investor awareness, the ESG landscape is gradually evolving toward greater transparency and accountability.

3. THE RISE OF ESG: DRIVERS AND GLOBAL TRENDS

The rise of Environmental, Social, and Governance (ESG) practices represents one of the most significant shifts in global financial markets over the last two decades. Initially viewed as a niche investment strategy, ESG has become a mainstream approach adopted by institutional investors, corporations, and regulators worldwide. Several key drivers, including international initiatives, evolving investor preferences, and regulatory pressures, have fueled this rapid adoption.

3.1. Initial Momentum and Popularity in the Investment World

The concept of ESG began to gain popularity in the early 2000s as investors recognized the limitations of traditional financial metrics in capturing long-term risks. Events like **the 2008 Global Financial Crisis** exposed weaknesses in corporate governance and risk management practices, prompting a renewed focus on sustainability and ethical business operations (Berg et al., 2022).

Institutional investors, particularly in Europe and North America, were early adopters of ESG investing. Large pension funds, such as **CalPERS (California Public Employees' Retirement System)**, started integrating ESG factors into their investment policies to align their portfolios with long-term financial and sustainability goals (Whelan et al., 2021).

A study by **Friede et al. (2015)**, which aggregated findings from over 2,000 empirical studies, confirmed that integrating ESG factors often correlates with improved financial performance. This evidence helped solidify the business case for ESG, leading to significant inflows into ESG funds. According to **Morningstar (2022)**, global ESG assets under management (AUM) surpassed \$40 trillion by the end of 2022, reflecting growing investor interest in sustainable investing strategies.

3.2. Role of International Bodies

Several international organizations have played a critical role in promoting ESG principles and establishing global standards. Among these, the **United Nations Principles for Responsible Investment (UNPRI)** has been a key driver of ESG integration in the investment community.

The UNPRI was launched in 2006 with support from the **United Nations Environment Programme Finance Initiative (UNEP FI)** and the **UN Global Compact**. Its six principles encourage signatories to incorporate ESG issues into their investment processes and active ownership practices (UNPRI, 2006). Today, the UNPRI boasts over 4,000 signatories, including major asset managers such as **BlackRock** and **Vanguard**, representing more than \$120 trillion in AUM (UNPRI, 2023).

Other notable organizations that have contributed to the ESG movement include:

- **Global Reporting Initiative (GRI):** A pioneer in sustainability reporting standards.
- **Sustainability Accounting Standards Board (SASB):** Provides industry-specific standards to improve the relevance of ESG disclosures.
- **Task Force on Climate-related Financial Disclosures (TCFD):** Focuses on climate-related risks and opportunities, helping companies improve transparency and resilience.

These bodies have laid the groundwork for a more transparent and accountable approach to ESG, promoting convergence toward standardized reporting frameworks.

3.3. ESG Adoption by Companies and Investors: A Case Study Approach

The growing importance of ESG has prompted companies across industries to embed sustainability into their core strategies. Businesses have realized that ESG is not just a compliance exercise but a way to build competitive advantage and mitigate risks.

Case Study 1: Unilever's Sustainable Living Plan

Unilever, a global leader in consumer goods, launched its **Sustainable Living Plan** in 2010, aiming to decouple its growth from environmental impact while increasing its positive social contribution. The initiative focused on improving health and well-being, reducing environmental footprints, and enhancing livelihoods across its value chain. As a result, Unilever's sustainable brands, such as **Dove** and **Lifebuoy**, grew faster than the rest of the portfolio, contributing to long-term financial success (Whelan et al., 2021).

Case Study 2: Tesla's ESG Leadership

In the automotive sector, **Tesla** has emerged as a leader in environmental innovation. By prioritizing electric vehicles (EVs) and renewable energy solutions, Tesla has set new benchmarks for sustainability in the automotive industry. The company's focus on clean energy has not only enhanced its ESG profile but also positioned it as a market leader in the growing EV market. Despite governance-related criticisms, Tesla's strong environmental performance continues to attract ESG-conscious investors (Christensen et al., 2020).

3.4. Increased Regulatory Focus

Regulatory developments worldwide have accelerated the adoption of ESG principles by making disclosure and compliance mandatory in several regions.

1. European Union (EU)

The EU has been at the forefront of ESG regulation. The **Corporate Sustainability Reporting Directive (CSRD)** requires large companies to disclose ESG-related information using common standards. The **EU Taxonomy for Sustainable Activities** further aims to define what constitutes a sustainable activity, helping investors and companies align their practices with the EU's climate and sustainability goals (Christensen et al., 2020).

2. United States

In the U.S., ESG regulation is gaining momentum. The **Securities and Exchange Commission (SEC)** has proposed rules requiring companies to disclose climate-related risks and greenhouse gas emissions. This marks a significant shift from the traditionally voluntary ESG disclosures in the U.S. to more stringent regulatory requirements.

3. India

India has also made significant strides in ESG regulation. The **Securities and Exchange Board of India (SEBI)** introduced the **Business Responsibility and Sustainability Report (BRSR)** in 2021, mandating top-listed companies to disclose ESG-related information. The BRSR aligns with global standards and aims to improve transparency and comparability in ESG reporting (SEBI, 2021).

4. China

China's emphasis on green finance and environmental sustainability has driven ESG adoption among its corporations. The **Green Finance Guidelines** issued by the People's Bank of China encourage financial institutions to support green projects and incorporate ESG considerations

into lending practices. The rise of ESG has been driven by a combination of investor demand, international collaboration, and regulatory action. While initial momentum came from voluntary initiatives and pioneering investors, the role of international bodies and increased regulatory focus has cemented ESG's place in the global business landscape. Case studies of companies like

Unilever and Tesla illustrate how ESG integration can drive both financial and social outcomes. However, as ESG practices continue to evolve, the challenge lies in ensuring consistency, transparency, and accountability across industries and regions.

4. CHALLENGES AND CRITICISMS OF ESG

Despite its rapid adoption, **Environmental, Social, and Governance (ESG)** investing has faced increasing scrutiny and criticism. While ESG principles are designed to encourage sustainability, responsible governance, and ethical business practices, there are significant challenges associated with their implementation and effectiveness. Critics argue that ESG lacks standardization, can be misused for marketing purposes (greenwashing), and faces inherent conflicts between short-term financial performance and long-term sustainability. Additionally, the **economic downturns and shifting corporate priorities** have led to skepticism about whether ESG is a truly impactful approach or merely a passing trend.

4.1. ESG as a Marketing Strategy (Greenwashing)

One of the most pressing criticisms of ESG is greenwashing, where companies exaggerate or misrepresent their sustainability efforts to appear more environmentally friendly than they actually are (Delmas C Burbano, 2011). Greenwashing allows firms to attract ESG-conscious investors and consumers without making meaningful changes to their business practices.

Case Study: Volkswagen Emissions Scandal (2015)

Volkswagen (VW) was widely recognized for its commitment to sustainability, consistently receiving high ESG scores before its **emissions scandal** in 2015. The company was found guilty of **installing software in diesel engines to manipulate emission tests**, resulting in significantly higher emissions than advertised (Lyon C Montgomery, 2015). This scandal highlighted how companies can use ESG as a marketing tool rather than a genuine sustainability effort.

Similarly, **fast fashion brands** such as **HsM and Zara** have promoted sustainability initiatives while continuing to rely on unsustainable supply chain practices. **HsM's "Conscious Collection"** was marketed as an eco-friendly line, but investigations revealed **minimal differences in environmental impact** compared to regular products (De Freitas Netto et al., 2020).

The Lack of ESG Regulation to Prevent Greenwashing

A major issue with ESG is the **absence of strict global regulations** to prevent greenwashing. While frameworks like the **Task Force on Climate-related Financial Disclosures (TCFD)** and **EU Green Taxonomy** are steps toward improving transparency, **many ESG disclosures remain voluntary**, allowing companies to selectively report favorable information (Christensen et al., 2021).

4.2. Inconsistent ESG Metrics and Lack of Standardization

A fundamental issue with ESG is the **inconsistency in ratings and measurement methodologies** across different agencies. Unlike financial accounting standards, ESG lacks universally accepted frameworks, leading to **significant variation** in how ESG performance is assessed (Berg et al., 2022).

The Problem of ESG Rating Divergence

Several ESG rating providers, such as **MSCI, Sustainalytics, Refinitiv, and SsP Global**, use different methodologies to assess companies. Research by **Berg, Kölbel, s Rigobon (2022)** found that the correlation between ESG scores from different agencies is **only 0.54**, indicating significant discrepancies.

- **Tesla Example (2022):** Tesla, a leading electric vehicle company, was controversially removed from the **SsP 500 ESG Index** in 2022 despite its leadership in clean energy. The removal was attributed to **social and governance concerns**, despite Tesla's strong environmental performance. This move raised questions about the **subjectivity of ESG ratings** (Raghunandan C Rajgopal, 2022).
- **ExxonMobil vs. Tesla:** ExxonMobil, an oil and gas company, **received a higher ESG score from MSCI** than Tesla, despite its contribution to climate change (FT, 2022). This contradiction highlights how ESG ratings often favor governance structures over environmental impact.

Need for Standardized ESG Metrics

To address these inconsistencies, **regulators are pushing for standardization:**

- The **International Sustainability Standards Board (ISSB)**, created by IFRS, aims to establish uniform ESG reporting standards.
- The **EU Corporate Sustainability Reporting Directive (CSRD)** requires mandatory sustainability reporting for large companies (Christensen et al., 2020).

Despite these efforts, **ESG ratings continue to lack alignment**, making it difficult for investors to trust them.

4.3. Short-Termism vs. Long-Term Sustainability

Another significant challenge of ESG investing is the **conflict between short-term financial performance and long-term sustainability goals**. Companies often struggle to balance **immediate shareholder returns** with the investments needed for long-term ESG initiatives.

The Pressure of Quarterly Earnings vs. ESG Commitments

Corporate executives, especially in publicly traded companies, face **intense pressure from investors** to deliver short-term profits. A study by Aswani et al. (2021) found that **firms prioritizing ESG initiatives** often face **short-term stock price declines**, discouraging CEOs from making sustainable long-term decisions.

- **Example: Oil and Gas Divestment Pressure**
 - Several oil and gas companies, including **BP and Shell**, have announced ambitious **net-zero targets**. However, during economic downturns, these companies have struggled to maintain ESG commitments due to financial pressures. **In 2022, BP backtracked on its pledge to cut oil production by 40%**, citing the need for revenue stability (Financial Times, 2022).

- **Amazon and Carbon Emissions**

- Amazon pledged to become carbon neutral by 2040. However, **its actual emissions increased by 18% in 2021**, raising concerns about the feasibility of such commitments while maintaining rapid business expansion (Amazon Sustainability Report, 2022).

4.4. Economic Downturns and Shifting Corporate Priorities

The economic environment plays a significant role in ESG adoption. During economic recessions, companies tend to **cut ESG investments** to focus on **profitability and cost-cutting** (Raghunandan C Rajgopal, 2022).

The 2022 ESG Investment Decline

In 2022, rising inflation, supply chain disruptions, and the war in **Ukraine led to declining ESG investments**. A report by **Morningstar (2023)** found that **global ESG fund inflows dropped by 36%** compared to 2021. Investors, particularly in the **U.S. and Europe**, pulled back from ESG funds, prioritizing high-yield assets instead.

- **Example: U.S. Republican Backlash Against ESG**

- In the U.S., several Republican-led states have introduced **anti-ESG policies**, claiming that ESG is **politically motivated rather than financially sound**.

States like Texas and Florida have divested from major ESG-focused firms such as BlackRock, citing concerns about its influence on corporate decision-making (Financial Times, 2023).

4.5. Skepticism Among Investors and Stakeholders

Despite the growth of ESG investing, **many investors remain skeptical about its effectiveness** in generating financial returns.

Does ESG Deliver Financial Outperformance?

Empirical research on ESG's financial performance is mixed. While studies such as **Friede et al. (2015)** suggest that ESG positively correlates with financial returns, others argue that **ESG may not necessarily lead to outperformance**.

- **Dimson, Marsh, and Staunton (2022)** analyzed long-term ESG fund performance and found that **many ESG funds underperform compared to traditional funds**.
- **MSCI's 2023 study** found that **ESG funds had lower returns than the S&P 500 index** during economic downturns.

Growing Resistance from Shareholders

Many activist investors are pushing back against ESG initiatives. In 2023, **Tesla, ExxonMobil, and Chevron** saw **shareholders reject ESG proposals**, signaling growing frustration over the costs associated with ESG compliance (WSJ, 2023).

While ESG investing has gained prominence, **significant challenges remain**. Greenwashing, inconsistent metrics, and short-term financial pressures have raised doubts about ESG's real impact. Moreover, **economic downturns and political opposition** have led to declining ESG investments. Addressing these challenges requires **greater transparency, standardized reporting, and a balanced approach between short-term profitability and long-term sustainability**.

5. EMPIRICAL EVIDENCE: IS ESG LOSING ITS LUSTRE?

Environmental, Social, and Governance (ESG) investing has experienced significant growth over the past two decades, becoming a central theme in global finance. However, recent trends indicate a potential decline in its prominence and appeal. This section delves into empirical evidence highlighting the challenges and shifts in ESG investments, examining factors such as investment outflows, market sentiment, regulatory changes, and regional perspectives.

5.1. Decline in ESG Investments and Funds: Data Analysis

The momentum that once propelled ESG investments is showing signs of deceleration. In 2024, global sustainable funds witnessed a substantial reduction in inflows, with money flowing into these funds shrinking by half compared to the previous year. Notably, in Europe, closures of sustainable funds outpaced new launches, signaling a shift in investor confidence and interest.

The United States, in particular, has seen a pronounced retreat from ESG-focused investments. In the final quarter of 2023, ESG funds in the U.S. experienced net outflows exceeding \$5 billion, marking a historic low for the sector. This trend continued into 2024, with U.S.-based ESG bond sales plummeting to their slowest pace since 2019, raising concerns about the long-term viability of ESG bonds in the current market environment. Several factors contribute to this decline. Allegations of greenwashing have eroded trust, as investors question the authenticity of companies' ESG claims. Political opposition, particularly in the U.S., has also played a role, with some policymakers challenging the integration of ESG factors into investment decisions. Additionally, inconsistent performance of ESG funds compared to traditional investments has led investors to reassess the financial merits of ESG-focused portfolios.

5.2. Global Market Sentiment and Investor Perceptions

Investor sentiment towards ESG is becoming increasingly polarized. While some investors remain committed to sustainable investing principles, a growing segment expresses skepticism. In 2024, global diversity funds, a subset of ESG investments, faced net outflows of \$376 million, following a \$1.2 billion withdrawal in 2023. This trend reflects a broader decline in investor interest in ESG and Diversity, Equity, and Inclusion (DEI) funds, influenced by factors such as underperformance, allegations of greenwashing, regulatory uncertainties, and growing anti-ESG sentiments.

Major asset managers have also exhibited reduced support for ESG initiatives. In 2024, Vanguard backed only 1 out of 279 shareholder proposals on climate and social issues, ranking lowest among 70 global asset managers. Similarly, BlackRock, Fidelity, and State Street showed minimal support, collectively endorsing just 7% of ESG proposals.

This shift in sentiment is further compounded by regulatory changes. The U.S. Securities and Exchange Commission (SEC), under acting chairman Mark Uyeda, has implemented policies that shift power from investors to corporate boards. These changes include increased ease for boards to block shareholder resolutions and stricter filing requirements for passive funds, complicating efforts for activists to challenge boards and reducing the influence of ESG considerations in corporate decision-making.

5.3. Analysis of Recent ESG-Related Scandals

The credibility of ESG investing has been undermined by several high-profile scandals. For instance, Deutsche Bank's DWS Group faced investigations for allegedly overstating its ESG credentials, leading to reputational damage and regulatory scrutiny.

Additionally, companies like Tesla have faced ESG-related controversies. Despite its environmental innovations, Tesla was removed from the SCP 500 ESG Index due to concerns over labor practices and governance issues, highlighting inconsistencies in ESG evaluations.

These incidents underscore the challenges in standardizing ESG metrics and ensuring that companies' practices align with their publicized commitments. The lack of universally accepted ESG standards allows for varied interpretations, enabling some companies to present an inflated image of their sustainability efforts. This discrepancy between reported and actual practices not only misleads investors but also undermines the overall integrity of ESG investing.

5.4. Regional Perspectives

- **United States:** The U.S. has seen a significant decline in ESG support, influenced by political opposition and regulatory changes. In 2024, only 1.4% of ESG shareholder proposals received majority support, a sharp decrease from previous years. The SEC's recent policy changes have empowered corporate boards to dismiss initiatives targeting climate policy and workforce diversity, further diminishing the influence of ESG considerations.
- **Europe:** European investors have maintained stronger support for ESG initiatives. In 2024, UK and European asset managers endorsed 81% of ESG resolutions, contrasting sharply with their U.S. counterparts. However, uncertainty regarding European environmental regulations has hindered investments in sectors like food production, as companies await clearer guidelines.
- **Asia:** ESG investing in Asia has faced challenges, with reports indicating a decline in popularity among investors. In the UK, for example, the consideration of ESG factors by investors dropped from 65% in 2021 to 53% in 2023. This trend suggests a need for more robust ESG frameworks and increased investor education in the region.

These regional disparities underscore the complex and evolving nature of ESG investing across different markets.

6. COUNTERARGUMENTS: WHY ESG IS STILL RELEVANT

Despite criticisms and challenges, Environmental, Social, and Governance (ESG) principles continue to play a pivotal role in shaping sustainable business practices and investment strategies. This section explores recent developments supporting ESG growth, its role in long-term risk mitigation and value creation, alignment with global sustainability goals, and corporate case studies exemplifying successful ESG integration.

6.1. Recent Developments Supporting ESG Growth

Regulatory Advancements

In 2024, the European Union (EU) introduced comprehensive regulations to enhance ESG transparency and accountability. The Corporate Sustainability Reporting Directive (CSRD) expanded the scope of non-financial reporting, mandating detailed ESG disclosures from a broader range of companies. This directive aims to standardize ESG reporting, facilitating better comparability and reliability for investors and stakeholders.

Additionally, the EU Green Bond Standard (EuGBS) was established to ensure that proceeds from green bonds are allocated to activities aligned with the EU taxonomy for sustainable activities. This standard seeks to enhance investor confidence and promote the growth of sustainable finance by providing clear guidelines and reducing the risk of greenwashing.

Technological Integration

The integration of technology into ESG strategies has accelerated, with Artificial Intelligence (AI) playing a significant role. AI enhances ESG frameworks by improving data collection, analysis, and reporting accuracy. Financial institutions are leveraging AI to assess ESG risks more effectively, leading to more informed investment decisions and robust sustainability practices.

Market Growth

The sustainable finance sector has witnessed substantial growth, with green bond issuances reaching \$523 billion in 2021. This upward trajectory indicates a strong investor appetite for ESG-aligned financial products, reflecting a broader shift towards sustainability in capital markets.

6.2. ESG's Role in Long-Term Risk Mitigation and Value Creation

Risk Mitigation

ESG integration serves as a critical tool for identifying and mitigating long-term risks. Companies with robust ESG practices are better positioned to navigate environmental challenges, regulatory changes, and social dynamics. For instance, firms adhering to stringent environmental standards are less likely to face legal penalties and reputational damage associated with environmental violations.

Value Creation

Beyond risk mitigation, ESG initiatives contribute to value creation by fostering innovation, operational efficiency, and enhanced brand reputation. Sustainable practices often lead to cost savings through energy efficiency and waste reduction. Moreover, companies committed to social responsibility and ethical governance attract talent and customers, driving long-term profitability.

6.3. Alignment with Global Sustainability Goals

United Nations Sustainable Development Goals (UN SDGs)

ESG principles are intrinsically linked to the UN SDGs, providing a framework for companies to contribute to global sustainability objectives. By aligning business strategies with goals such as climate action, gender equality, and responsible consumption, companies not only advance societal well-being but also enhance their competitiveness in a sustainability-conscious market.

Policy Support

Governments worldwide are enacting policies that encourage ESG adoption. For example, the EU's Sustainable Finance Disclosure Regulation (SFDR) requires financial market participants to disclose how they integrate ESG factors into their investment decisions. Such regulations aim to redirect capital towards sustainable investments, reinforcing the relevance of ESG considerations in financial markets.

6.4. Corporate Case Studies of Successful ESG Integration Unilever

Unilever has embedded sustainability into its core operations through the Unilever Sustainable Living Plan. This initiative focuses on improving health and well-being, reducing environmental impact, and enhancing livelihoods. By integrating ESG principles, Unilever has achieved significant growth, with its sustainable brands growing 69% faster than the rest of the business.



Tesla

Tesla's mission to accelerate the world's transition to sustainable energy exemplifies successful ESG integration. By focusing on producing electric vehicles and investing in renewable energy solutions, Tesla has not only disrupted the automotive industry but also positioned itself as a leader in sustainability.

Novartis

Pharmaceutical giant Novartis has prioritized ESG by improving global access to essential medicines and investing in research for neglected diseases. These efforts have enhanced the company's reputation and trust among stakeholders, demonstrating that social responsibility can align with business success.

Astarta Holding

Astarta Holding, a Ukrainian agricultural company, has implemented sustainable development programs focusing on energy efficiency, environmental protection, and social issues. By establishing an ESG Committee and adhering to international standards, Astarta has enhanced its sustainability performance and received recognition for its efforts.

Affinity Equity Partners

Affinity Equity Partners integrates ESG considerations into its investment processes, recognizing that sustainable practices contribute to long-term value creation. Through tailored ESG initiatives, the firm has enhanced the performance and sustainability of its portfolio companies.

First Solar

First Solar, a leading solar technology company, has committed to avoiding the use of minerals extracted from deep-sea mining. This decision reflects the company's dedication to environmental stewardship and responsible sourcing, aligning its operations with broader ESG goals.

UBS

Following its merger with Credit Suisse, UBS's sustainable investing assets grew to \$177 billion, positioning the bank as a significant player in the ESG space. This expansion reflects UBS's commitment to integrating ESG considerations into its investment strategies and meeting the growing demand for sustainable finance.

Osapiens

Osapiens, a Hispano-German startup specializing in ESG technologies, has expanded its operations to the United States and plans further acquisitions.

7. POLICY AND REGULATORY LANDSCAPE

The Environmental, Social, and Governance (ESG) landscape has undergone significant transformations, driven by evolving policies and regulatory frameworks worldwide. This section delves into the evolution of global ESG regulations, analyzes mandatory ESG disclosures across different jurisdictions, and examines the roles of governments and industry associations in shaping ESG practices.

7.1. Evolution of Global ESG Regulations European Union (EU)

The EU has been at the forefront of implementing comprehensive ESG regulations. In January 2023, the Corporate Sustainability Reporting Directive (CSRD) came into force, aiming to harmonize sustainability reporting and enhance the quality of ESG disclosures. The CSRD mandates that companies provide detailed reports on various sustainability factors, including environmental impact, social responsibility, and governance practices. This directive expands the scope of reporting to include a broader range of companies, ensuring greater transparency and accountability in corporate sustainability efforts.

In addition to the CSRD, the EU adopted the Regulation on the Transparency and Integrity of ESG Rating Activities (ESGR) in April 2024. This regulation addresses the growing influence of ESG rating providers by imposing authorization, transparency, and governance requirements. The ESGR aims to enhance the reliability of ESG ratings, ensuring that investors and stakeholders have access to accurate and trustworthy information.

United States

The ESG regulatory environment in the United States has experienced fluctuations, particularly with changes in administration. In March 2024, under the Biden administration, the Securities and Exchange Commission (SEC) adopted climate-related disclosure rules requiring public companies to report specific climate-related risks in their registration statements and annual reports. These rules aimed to provide investors with consistent and comparable information regarding companies' exposure to climate-related risks.

However, the subsequent inauguration of President Trump introduced uncertainty into the ESG regulatory landscape. The new administration signaled potential rollbacks of ESG-related regulations, reflecting a shift in policy priorities. This political transition underscores the dynamic nature of ESG regulations in the U.S., influenced by broader political and ideological currents.

Asia

Asian countries have also been active in developing ESG regulations, though approaches vary across the region. For instance, Japan has expressed intent to adopt the International Sustainability Standards Board (ISSB) standards into national law, aiming to enhance the consistency and comparability of ESG disclosures. This move reflects a growing recognition of the importance of standardized ESG reporting in attracting global investment and promoting sustainable business practices.

7.2. Mandatory ESG Disclosures: A Comparative Analysis European Union

The CSRD requires companies to disclose information on a wide range of sustainability-related topics, including environmental protection, social responsibility, and governance structures.

The directive emphasizes the concept of "double materiality," requiring companies to report both on how sustainability issues affect their performance and on their impact on people and the environment. This comprehensive approach aims to provide stakeholders with a holistic view of a company's sustainability performance.

United States

The SEC's climate-related disclosure rules, adopted in March 2024, focus primarily on financial materiality. Companies are required to disclose climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial

condition. This includes information on greenhouse gas emissions, climate-related financial metrics, and the impact of climate-related events on financial statements. The emphasis is on providing investors with information pertinent to financial decision-making.

Asia

In Asia, ESG disclosure requirements are evolving, with countries like Japan taking proactive steps to enhance sustainability reporting. The adoption of ISSB standards is expected to bring greater alignment with global reporting practices, facilitating cross-border investments and promoting transparency. However, the implementation of mandatory ESG disclosures varies across the region, reflecting differing regulatory priorities and market dynamics.

7.3. The Role of Government and Industry Associations Government Initiatives

Governments play a crucial role in shaping the ESG landscape through legislation and policy directives. In the EU, the European Commission has been instrumental in advancing ESG regulations, aiming to integrate sustainability into the financial system and corporate governance. Initiatives like the Green Deal reflect a commitment to transitioning towards a sustainable economy, with policies designed to encourage businesses to adopt environmentally friendly practices.

In the United States, state-level actions have also influenced ESG practices. For example, California has enacted climate-related disclosure laws requiring companies doing business in the state to report on climate risks and opportunities. These state initiatives often serve as catalysts for broader regulatory changes, highlighting the multifaceted nature of ESG governance in the U.S.

Industry Associations

Industry associations contribute to the development and dissemination of ESG standards and best practices. The International Sustainability Standards Board (ISSB), established by the International Financial Reporting Standards Foundation, aims to create a global baseline for sustainability reporting. By consolidating various voluntary ESG frameworks, the ISSB seeks to enhance the comparability and reliability of sustainability disclosures, aiding investors and other stakeholders in making informed decisions. Additionally, organizations like the World Business Council for Sustainable Development (WBCSD) work towards standardizing carbon emissions reporting, recognizing the challenges posed by inconsistent assessment methods across industries. Efforts to develop neutral, open-data models for emissions data integration are underway, aiming to facilitate accurate and comprehensive carbon accounting.

Challenges and Future Directions

Despite progress, challenges persist in achieving global harmonization of ESG regulations. Differences in regulatory approaches, political dynamics, and economic priorities can lead to fragmented reporting standards

8. THE FUTURE OF ESG: KEY PREDICTIONS AND STRATEGIC RECOMMENDATIONS

Environmental, Social, and Governance (ESG) considerations have become integral to corporate strategy and investment decisions. As the ESG landscape continues to evolve, understanding future trends and strategic imperatives is crucial for businesses, investors, and policymakers. This section explores key predictions for ESG's trajectory and offers strategic recommendations to navigate the emerging challenges and opportunities.

8.1. ESG 2.0: Innovations in ESG Reporting and Integration

Convergence of Reporting Standards

The proliferation of diverse ESG reporting frameworks has historically led to inconsistencies and complexities in sustainability disclosures. However, a trend towards the convergence of these standards is emerging. The International Sustainability Standards Board (ISSB) has been pivotal in this movement, aiming to establish a unified global baseline for sustainability reporting. Jurisdictions such as Australia, Canada, Japan, and the United Kingdom have expressed intentions to incorporate ISSB standards into national regulations, promoting harmonization and comparability in ESG disclosures.

Technological Advancements in Reporting

The integration of Artificial Intelligence (AI) and blockchain technology is revolutionizing ESG reporting. AI enhances the accuracy and efficiency of data collection and analysis, enabling real-time monitoring of ESG metrics. Blockchain offers immutable and transparent records, reducing the risk of greenwashing by ensuring the authenticity of sustainability claims. These technologies collectively improve the reliability of ESG data, fostering greater stakeholder trust.

Enhanced Regulatory Frameworks

Regulatory bodies are increasingly mandating comprehensive ESG disclosures. In the European Union, the Corporate Sustainability Reporting Directive (CSRD) requires companies to provide detailed reports on sustainability factors, including environmental impact and social responsibility. This directive signifies a shift from voluntary to mandatory reporting, compelling companies to integrate ESG considerations into their core strategies.

8.2. The Role of Technology in ESG Monitoring

Artificial Intelligence and Machine Learning

AI and machine learning algorithms are transforming ESG monitoring by enabling the analysis of vast datasets to identify patterns and predict sustainability risks. These technologies facilitate proactive management of ESG issues, allowing companies to address potential challenges before they escalate. For instance, AI can assess environmental data to predict regulatory compliance risks, aiding in strategic decision-making.

Blockchain for Supply Chain Transparency

Blockchain technology enhances supply chain transparency by providing a decentralized ledger that records each transaction or movement of goods. This transparency ensures that products are sourced responsibly, aligning with ESG standards. Companies can trace the origin of materials, verify ethical labor practices, and confirm environmental compliance throughout the supply chain, thereby strengthening stakeholder confidence.

Digital Platforms for Stakeholder Engagement

Digital platforms are facilitating enhanced engagement between companies and their stakeholders on ESG matters. These platforms enable real-time communication, feedback collection, and collaborative problem-solving, fostering a culture of transparency and accountability. Engaged stakeholders are more likely to support and invest in companies demonstrating genuine commitment to ESG principles.

8.3. Strategic Advice for Companies, Investors, and Policymakers

For Companies

- **Integrate ESG into Core Strategy:** Companies should embed ESG considerations into their business models, ensuring that sustainability objectives align with corporate goals. This integration enhances resilience and long-term value creation.
- **Enhance Data Management:** Investing in advanced data management systems enables accurate tracking and reporting of ESG metrics. Leveraging AI and blockchain can improve data integrity and reporting efficiency.
- **Foster a Culture of Sustainability:** Cultivating an organizational culture that prioritizes ESG principles encourages innovation and attracts talent committed to sustainability. Employee engagement programs and sustainability training can reinforce this culture.

For Investors

- **Conduct Thorough Due Diligence:** Investors should assess companies' ESG practices rigorously, utilizing advanced analytics and third-party audits to verify sustainability claims. This diligence mitigates investment risks associated with ESG non-compliance.
- **Engage in Active Stewardship:** Active engagement with portfolio companies on ESG issues can drive improvements in sustainability practices, enhancing long-term investment value.
- **Diversify ESG Investments:** Allocating capital across a range of sectors and geographies within ESG investments can reduce risk and capitalize on emerging sustainability opportunities.

For Policymakers

- **Develop Clear Regulatory Frameworks:** Establishing consistent and transparent ESG regulations provides a level playing field and guides corporate behavior towards sustainability.
- **Incentivize Sustainable Practices:** Policymakers can encourage ESG adoption through tax incentives, grants, and public recognition programs for companies demonstrating exemplary sustainability practices.
- **Promote International Collaboration:** Harmonizing ESG standards across borders facilitates global sustainability efforts and reduces compliance complexities for multinational corporations.

8.4. Challenges and Considerations

Navigating Regulatory Divergence

As ESG regulations evolve, companies operating in multiple jurisdictions may face challenges due to differing requirements. Staying informed and adaptable is essential to maintain compliance and uphold sustainability commitments.

Addressing Data Privacy Concerns

The use of AI and blockchain in ESG monitoring necessitates careful consideration of data privacy and security. Companies must implement robust measures to protect sensitive information while maintaining transparency.

Managing Stakeholder Expectations

Balancing the diverse expectations of stakeholders regarding ESG performance requires clear communication and demonstrated commitment to continuous improvement in sustainability practices.

9. CONCLUSION

The discourse surrounding Environmental, Social, and Governance (ESG) principles has evolved from a peripheral consideration to a central tenet in corporate strategy and investment decision-making. This comprehensive analysis has traversed the multifaceted dimensions of ESG, examining its theoretical underpinnings, historical evolution, current challenges, empirical evidence of its fluctuating prominence, and the counterarguments underscoring its enduring relevance.

Theoretical Foundations and Evolution

ESG's roots are deeply embedded in theories such as Stakeholder Theory and Sustainability Theory, which advocate for a holistic approach to corporate governance that transcends mere profit maximization. Historically, ESG principles have gained traction as stakeholders increasingly recognize the interconnectedness of financial performance with environmental stewardship, social responsibility, and robust governance structures.

Current Challenges and Criticisms

Despite its noble objectives, ESG faces significant criticisms. The prevalence of greenwashing, inconsistent metrics, and a lack of standardized reporting frameworks have raised questions about the authenticity and efficacy of ESG initiatives. Economic downturns and shifting corporate priorities further exacerbate skepticism, leading to debates about ESG's practical impact and implementation.

Empirical Evidence and Counterarguments

Empirical analyses reveal a complex landscape. While certain data points to a decline in ESG investments and instances of ESG-related controversies, other studies highlight the resilience and adaptability of ESG frameworks. Notably, successful integration of ESG principles has been linked to long-term risk mitigation, value creation, and alignment with global sustainability goals such as the United Nations Sustainable Development Goals (UN SDGs).

Policy and Regulatory Landscape

The regulatory environment is pivotal in shaping ESG trajectories. Jurisdictions like the European Union have implemented comprehensive directives mandating ESG disclosures, aiming to enhance transparency and accountability. Conversely, regulatory approaches in regions like the United States exhibit variability, influenced by political dynamics and administrative changes. This dichotomy underscores the necessity for harmonized global standards to facilitate consistent ESG integration.

Future Outlook and Strategic Recommendations

Looking ahead, the future of ESG is poised to be influenced by technological advancements, particularly in Artificial Intelligence (AI) and blockchain, which promise to revolutionize ESG reporting and monitoring. Companies are advised to embed ESG considerations into their core strategies, leveraging technology to enhance data accuracy and stakeholder engagement. Investors should conduct rigorous due diligence and engage in active stewardship, while

policymakers are encouraged to develop clear, consistent regulatory frameworks that incentivize sustainable practices.

Final Reflections

In conclusion, while ESG faces undeniable challenges, its foundational principles remain integral to fostering sustainable and resilient business ecosystems. The path forward necessitates collaborative efforts among corporations, investors, policymakers, and civil society to address existing criticisms, standardize practices, and harness technological innovations. By doing so, ESG can transcend its current limitations, evolving into a robust framework that not only addresses environmental and social imperatives but also drives long-term economic prosperity.

References

- 1) Davies, P., C Huber, B. (2025, January 18). ESG and Sustainability Insights: 10 Things That Should Be Top of Mind in 2025. Harvard Law School Forum on Corporate Governance. Retrieved from <https://corpgov.law.harvard.edu/2025/01/18/esg-and-sustainability-insights-10-things-that-should-be-top-of-mind-in-2025/>
- 2) Sasfai, B., Mencher, M., C Eastwood, J. (2025, January 26). Climate and Sustainability Regulations: 2024 End-of-Year Review. Harvard Law School Forum on Corporate Governance. Retrieved from <https://corpgov.law.harvard.edu/2025/01/26/climate-and-sustainability-regulations-2024-end-of-year-review/>
- 3) Mousavi, S. (2024, October 18). AI Game-Changers for Environmental Accounting & Sustainable Finance. Stanford Sustainable Finance Initiative. Retrieved from <https://sfi.stanford.edu/news/ai-game-changers-environmental-accounting-sustainable-finance>
- 4) Miller, W. (2021, August 16). AI and Blockchain to Combat Greenwashing. Stanford Sustainable Finance Initiative. Retrieved from <https://sfi.stanford.edu/news/ai-and-blockchain-combat-greenwashing>
- 5) Davies, P., C Huber, B. (2024, August 7). ESG in 2024: A Midyear Review. Harvard Law School Forum on Corporate Governance. Retrieved from <https://corpgov.law.harvard.edu/2024/08/07/esg-in-2024-a-midyear-review/>
- 6) Davies, P., C Huber, B. (2024, January 30). ESG Insights: 10 Things That Should Be Top of Mind in 2024. Harvard Law School Forum on Corporate Governance. Retrieved from <https://corpgov.law.harvard.edu/2024/01/30/esg-insights-10-things-that-should-be-top-of-mind-in-2024/>
- 7) Sasfai, B., Mencher, M., C Eastwood, J. (2025, January 26). Climate and Sustainability Regulations: 2024 End-of-Year Review. Harvard Law School Forum on Corporate Governance. Retrieved from <https://corpgov.law.harvard.edu/2025/01/26/climate-and-sustainability-regulations-2024-end-of-year-review/> (<https://corpgov.law.harvard.edu/2025/01/26/climate-and-sustainability-regulations-2024-end-of-year-review/>)
- 8) Berg, F., Kölbel, J. F., C Rigobon, R. (2022). Aggregate Confusion: The Divergence of ESG Ratings. Review of Finance. Retrieved from <https://academic.oup.com/rof/article/26/6/1315/6580728>
- 9) Christensen, D. M., Hail, L., C Leuz, C. (2020). ESG Standards: Looming Challenges and Pathways Forward. European Corporate Governance Institute (ECGI). Retrieved from https://www.researchgate.net/publication/343265964_ESG_Standards_Looming_Challenges_and_Pathways_Foward
- 10) Fisch, J. E. (2024). The Making and Meaning of ESG. Harvard Business Law Review. Retrieved from https://scholarship.law.upenn.edu/faculty_articles/1452
- 11) Friede, G., Busch, T., C Bassen, A. (2015). ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies. Journal of Sustainable Finance & Investment. Retrieved from <https://www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917>
- 12) United Nations Global Compact. (2004). Who Cares Wins: Connecting Financial Markets to a Changing World.



- 13) Berg, F., Kölbel, J. F., C Rigobon, R. (2022). Aggregate Confusion: The Divergence of ESG Ratings. *Review of Finance*.
- 14) Christensen, D. M., Hail, L., C Leuz, C. (2020). ESG Standards: Looming Challenges and Pathways Forward. European Corporate Governance Institute (ECGI).
- 15) Friede, G., Busch, T., C Bassen, A. (2015). ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies. *Journal of Sustainable Finance C Investment*.
- 16) UNPRI. (2023). About the Principles for Responsible Investment. Retrieved from <https://www.unpri.org>
- 17) Whelan, T., Atz, U., Van Holt, T., C Clark, C. (2021). ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence. NYU Stern Center for Sustainable Business.
- 18) Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.
- 19) Berg, F., Kölbel, J. F., C Rigobon, R. (2022). Aggregate Confusion: The Divergence of ESG Ratings. *Review of Finance*. Retrieved from <https://academic.oup.com/rof/article/26/6/1315/6580728>
- 20) Christensen, D. M., Hail, L., C Leuz, C. (2020). ESG Standards: Looming Challenges and Pathways Forward. European Corporate Governance Institute.
- 21) Elkington, J. (1997). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Capstone.
- 22) Fisch, J. E. (2024). The Making and Meaning of ESG. *Harvard Business Law Review*.
- 23) Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Cambridge University Press.
- 24) Friede, G., Busch, T., C Bassen, A. (2015). ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies. *Journal of Sustainable Finance C Investment*.
- 25) United Nations Global Compact. (2004). Who Cares Wins: Connecting Financial Markets to a Changing World.
- 26) Berg, F., Kölbel, J. F., C Rigobon, R. (2022). Aggregate Confusion: The Divergence of ESG Ratings. *Review of Finance*.
- 27) Christensen, D. M., Hail, L., C Leuz, C. (2020). ESG Standards: Looming Challenges and Pathways Forward. European Corporate Governance Institute.
- 28) Delmas, M. A., C Burbano, V. C. (2011). The Drivers of Greenwashing. *California Management Review*.
- 29) Lyon, T. P., C Montgomery, A. W. (2015). The Means and End of Greenwashing. *Organization C Environment*.