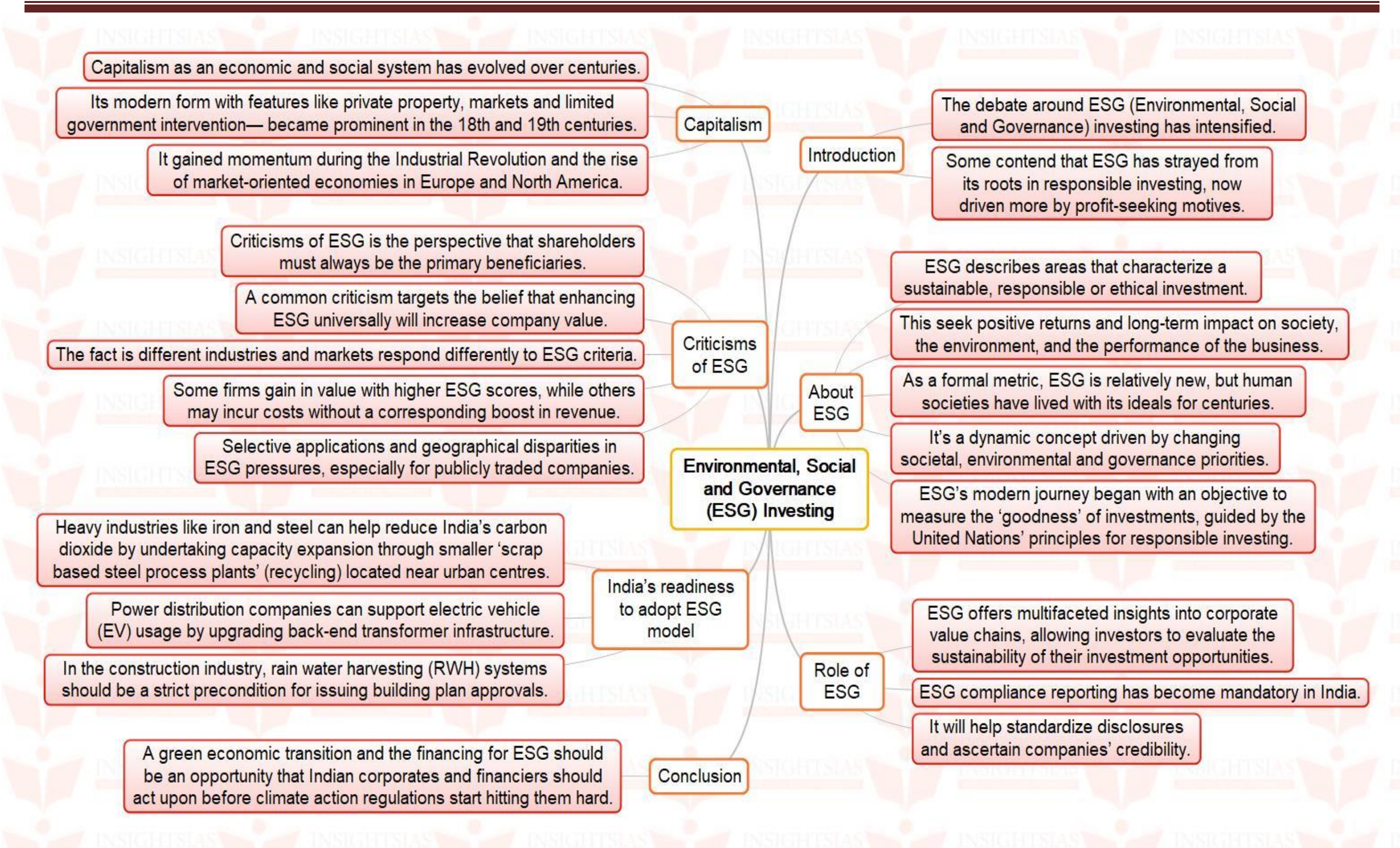

[General Studies-3; Topic: Conservation, environmental pollution and degradation, environmental impact assessment.](#)

Environmental, Social and Governance (ESG) Investing

Introduction

- The debate around ESG (Environmental, Social and Governance) investing has intensified.
- Some contend that ESG has strayed from its roots in responsible investing, now driven more by profit-seeking motives.

About ESG

- ESG describes areas that characterize a sustainable, responsible or ethical investment.
- **This seek positive returns and long-term impact on society, the environment, and the performance of the business.**
- As a formal metric, ESG is relatively new, but human societies have lived with its ideals for centuries.
- It's a dynamic concept driven by changing societal, environmental and governance priorities.
- ESG's modern journey began with an objective to measure the 'goodness' of investments, guided by the United Nations' principles for responsible investing.

Role of ESG

- ESG offers multifaceted insights into corporate value chains, allowing investors to evaluate the sustainability of their investment opportunities.
- ESG compliance reporting has become mandatory in India.
- It will help standardize disclosures and ascertain companies' credibility.

Capitalism

- Capitalism as an economic and social system has evolved over centuries.

- Its modern form with features like private property, markets and limited government intervention—became prominent in the 18th and 19th centuries.
- It gained momentum during the Industrial Revolution and the rise of market-oriented economies in Europe and North America.

Criticisms of ESG

- Criticisms of ESG is the perspective that shareholders must always be the primary beneficiaries.
- A common criticism targets the belief that enhancing ESG universally will increase company value.
- The fact is different industries and markets respond differently to ESG criteria.
- Some firms gain in value with higher ESG scores, while others may incur costs without a corresponding boost in revenue.
- Selective applications and geographical disparities in ESG pressures, especially for publicly traded companies.

India's readiness to adopt ESG model

- Heavy industries like iron and steel can help reduce India's carbon dioxide by undertaking capacity expansion through smaller 'scrap based steel process plants' (recycling) located near urban centres.
- Power distribution companies can support electric vehicle (EV) usage by upgrading back-end transformer infrastructure.
- In the construction industry, rain water harvesting (RWH) systems should be a strict precondition for issuing building plan approvals.

Conclusion

- A green economic transition and the financing for ESG should be an opportunity that Indian corporates and financiers should act upon before climate action regulations start hitting them hard.