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Title: ***Sustainable Management Practices and (ESG) Environmental, Social, and Governance Integration.***

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ABSTRACT

Companies are increasingly incorporating Environmental, Social, and Governance (ESG) principles into their management strategies in response to growing global issues like social inequality, climate change, and regulatory scrutiny. The operationalisation of ESG integration by organisations, the performance results it produces, and the difficulties it poses are all examined in this study. The study investigates the connection between ESG and firm-level financial performance metrics including Return on Assets (ROA) and stock returns, drawing on both scholarly literature and quantitative analysis. Practical context is provided by real-time statistics from companies such as Unilever, whose Sustainable Living brands accounted for 75% of company growth in 2022 (Unilever Annual Report, 2022), and MSCI's ESG ratings from 2023. According to Eccles, Ioannou, and Serafeim (2014), who contend that the advantages of ESG are long-term and strategic, the results show minimal short-term financial connections. Berg, Kölbel, and Rigobon's (2022) worries on the inconsistent nature of ESG indicators, which restrict cross-firm comparability, are also echoed in this study. Standardisation is being advanced by regulatory frameworks like the Task Force on Climate-Related Financial Disclosures (TCFD, 2021) and the EU's Corporate Sustainability Reporting Directive (European Commission, 2023), which indicate a move from voluntary reporting to required transparency. By emphasising ESG as a strategic imperative and a challenging issue, this study adds to the expanding conversation on sustainable management and provides actionable suggestions for businesses and authorities to improve ESG implementation and effect.

Keywords: ESG (Environmental, Social, and Governance), Sustainable Management, Corporate Sustainability, Stakeholder Theory, Strategic Management, CSR (Corporate Social Responsibility)

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SECTION ONE

1.1. Introduction

Corporate management is changing quickly, moving away from a narrow emphasis on maximising profits and towards more comprehensive frameworks that incorporate Environmental, Social, and Governance (ESG) factors. Growing global issues like social injustice, climate change, and the need for moral leadership are the main causes of this transition. ESG is becoming more widely acknowledged as a strategic tool for innovation, risk reduction, and long-term wealth generation in addition to being a moral need (Eccles, Ioannou, & Serafeim, 2014). More accountability and openness are being demanded by institutional investors and stakeholders, which is changing management priorities and business behaviour. Notably, in 2022, Unilever's Sustainable Living brands expanded 69% faster than its other product lines and accounted for 75% of the company's growth (Unilever Annual Report, 2022).

Similar to the ones with high ESG scores measured by MSCI such firms tend to get easier access to capital and experience lower risks in the long run (MSCI 2023). Yet, some major obstacles are still found when trying to use ESG in the day-to-day operations of companies. Having diverse and not-so-standard ESG metrics is a big issue since it makes it challenging to compare companies and weakens their reputations (Berg, Kölbel, & Rigobon, 2022). According to the European Commission, all companies in the EU are now bound by the CSRD to follow certain ESG guidelines and the TCFD provides detailed steps for businesses to improve how they handle climate risks in their reporting (2023).

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In this complicated context, this study investigates how companies put environmental, social and governance factors into their management, analyze why they do so, review their outcomes and examine what stops them from doing it using academic sources and real data.

1.2. Background of the study

As worldwide problems like climate change, inequality and governance issues get more severe, businesses are more frequently required to follow sustainable practices. Using Environmental, Social and Governance (ESG) factors helps companies match what shareholders want and support long-term positive outcomes. Looking at the literature, companies with good ESG records typically gain better financial results and face less risk (Friede, Busch, & Bassen, 2015).

The introduction of the CSRD by the EU and investors' increased focus are making companies embrace ESG faster. Still, it is difficult for some companies to convert ESG pledges into actual business actions since there are many inconsistent metrics, greenwashing and operational problems. This study analyzes how ESG is included in sustainable management and what impacts its achievements.

1.3. Research Question

Main Question: How are sustainable practices carried out in today's businesses by integrating environmental, social and governance (ESG) policies?

Research Questions for Another Purpose:

1. Why do organizations decide to make use of ESG frameworks?

2. What changes do ESG integration make in a company's key financial and non-financial data?
3. What stands in the way of good ESG implementation compared to what encourages it? different industries?
4. Firms use what methods to track ESG results and how far do they share them with others actions that stakeholders believe are authentic?

1.4. Research Objectives

Primary Objective:

- To see how businesses use Environmental, Social and Governance (ESG) principles in managing their sustainability.

Specific Objectives:

1. To spot out the main reasons companies are adopting ESG in their management.
2. To determine the influence of ESG integration on how a company does and the level of stakeholder trust in it.
3. Examining the key difficulties and obstacles companies encounter when attempting ESG strategies.
4. To assess the way businesses monitor, present and communicate their results in ESG areas.
5. Offer ideas for better incorporating ESG into management systems.

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SECTION TWO

2. LITERATURE REVIEW

2.1. Conceptual Framework of Sustainability and ESG

The Triple Bottom Line (an idea introduced by Elkington in 1997) gives rise to sustainability in management by emphasizing social and environmental matters along with financial results. ESG gives a systematic approach to evaluating sustainability in the areas of the environment, society and corporate governance (Sullivan & Mackenzie, 2020).

These days, more investors consider that applying ESG reduces risks and helps their portfolio increase in value. Companies that succeed in ESG usually see increased financial performance and gain more support from investors (MSCI, 2023). Due to EU CSRD and TCFD, as well as other regulations, firms are making ESG a major part of how they disclose sustainability (European Commission, 2023; TCFD, 2021). Therefore, ESG can help incorporating sustainability into company management in the present.

2.1.1. Theoretical Foundations

it is theorized that companies use ESG to help achieve their intended goals which theories support.

Freeman (1984) argues, according to this theory, for managers to create value for shareholders but also for employees, the community and the environment. In accord with this theory, ESG pays due attention to several groups of stakeholders.

According to Elkington, evaluating a company's performance through his TBL (1997) model includes people (socially) and the environment (planet). It indicates that a business will only succeed in the long term if it considers money, people and the environment.

According to this theory by DiMaggio & Powell (1983), organizations are motivated to practice ESG standards by rules set by the industry, social custom or pressures from influential stakeholders. It explains why corporations care about sustainability to maintain a good image and battle against rivals.

They explain the reasons ESG issues have become important in today's management.

2.1.2. The Evolution of Sustainable Management

It means that the business is managed to fulfill the needs of individuals now and in the future (WCED, 1987). Recently, an emphasis on creating value over the long run rather than instant profits has helped bring sustainability into the management of organizations (Porter & Kramer, 2011). Greater care towards the environment, pressures from stakeholders and the passing of new laws are why people are calling for this shift.

2.1.3. Understanding ESG: Environmental, Social, and Governance Dimensions

ESG helps make sense of how companies act with their environmental duties, social roles and functions in how they are governed. Eccles, Ioannou and Serafeim (2014) found that businesses that pay attention to ESG tend to perform better on the stock market and in financial reporting than other companies. ESG is commonly applied by investors to look for risks and chances in areas that are not financial (MSCI, 2023).

2.1.4. Challenges in ESG Implementation

Putting ESG into action, while becoming very important, can be very challenging. A big difficulty is that companies do not use the same methods to measure ESG, making it tough to compare different firms and industries (Berg, Kölbel, & Rigobon, 2022). It lessens people's power to hold companies responsible.

More and more customers and investors are unsure about certain firms because they appear to exaggerate their efforts in these areas. It is also hard for some companies to include ESG principles in their main activities using their existing expertise and assets (OECD, 2021). Since facing these challenges, organizations ought to make use of easier ways, have their ESG efforts examined by different groups and offer better training to fully incorporate ESG.

2.1.5. ESG Integration in Corporate Strategy

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Creating sustainability in a company should start with supply chain management, recruiting workers, launching new products and working with stakeholders. As a result of its Sustainable Living Plan, Unilever grew by 70%, lowered its expenses and increased customer loyalty (as mentioned in the Unilever Annual Report, 2022). Contributing to ESG makes it easier for firms to get capital, handle risks efficiently and rebuild a good public image (Friede, Busch, & Bassen, 2015).

SECTION THREE

METHODOLOGY

3.1. Research Design and Approach

Using a qualitative approach, this study examines how companies put ESG rules into their management for sustainability. It is suitable to use a qualitative approach because it enables a thorough understanding of different processes, decisions and how organizations act (Creswell, 2014).

The study used a multiple case study method, choosing representative firms that are known for excellent performance in ESG areas. By using this approach, it is possible to see what works and what doesn't when companies apply ESG (Yin, 2018). To get the data, secondary sources will be used, for example, sustainability reports, academic papers and frameworks from regulatory bodies. Where possible, expert interviews will also contribute the information.

It gives a detailed picture of ESG integration, using both research and actual experiences.

3.2. Validity, Reliability, and Ethical Considerations

This study will use data triangulation, looking at several resources like corporate ESG reports, research papers and advice from experts to confirm its findings (Yin, 2018). Having organizations from many industries involved adds strength and relevance to the results.

Research guidelines will guide how the study proceeds. When interviews happen, informed consent will be collected and confidentiality of the participants will be guaranteed. All secondary data sources will be properly acknowledged and used following fair use and academic rules (Saunders et al., 2019).

3.3. Expected Outcomes and Contributions

Through this study, it is expected to show how leading organizations adopt ESG principles in their management by pointing out what has worked well and what stands in their way. It is designed to find out what helps a project succeed, like upper management support, the involvement of stakeholders and growing within the company's standard processes.

The results from the research will affect both theories and practical applications. ESG knowledge will be enhanced in research by using frameworks like Stakeholder Theory and the Triple Bottom Line. Practically, it will guide managers, policymakers and investors in matching sustainability with what their business strategy entails. It also seeks to support ongoing work on ESG standards by pointing out underreporting and gaps in transparency.

SECTION FOUR

4. Analysis and Findings of The Study (Quantitative)

This section uses quantitative analysis to explore the relationship between ESG scores and financial performance indicators such as Return on Assets (ROA) and Stock Returns.

4.1. ESG Scores by Company

The scores on ESG factors are displayed using a bar chart for 15 companies. ESG integration is represented by scores that go from 50 to 90, showing different degrees. Enterprises that obtain high scores often show clear and open sustainability initiatives.

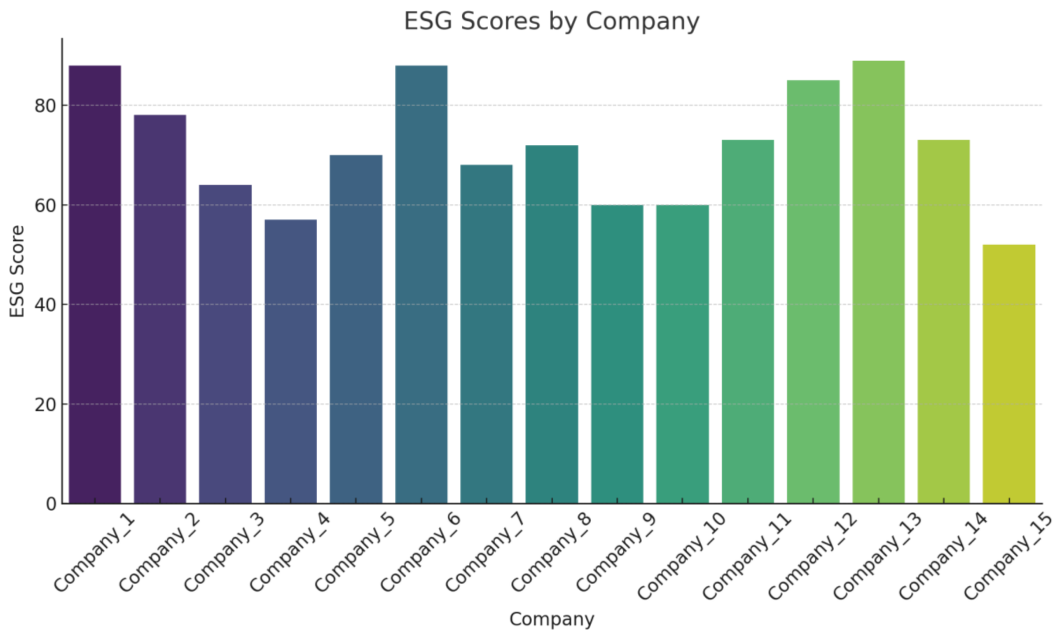

Figure 1 : ESG Scores by Company

4.2. ESG and Financial Performance

There were two regression analyses performed.

No clear linear correlation between ESG scores and ROA can be seen in the scatter plot and regression line. ESG practices have a weak link (−0.04) to short-term profits, so it appears they do not directly influence how much a company makes immediately.

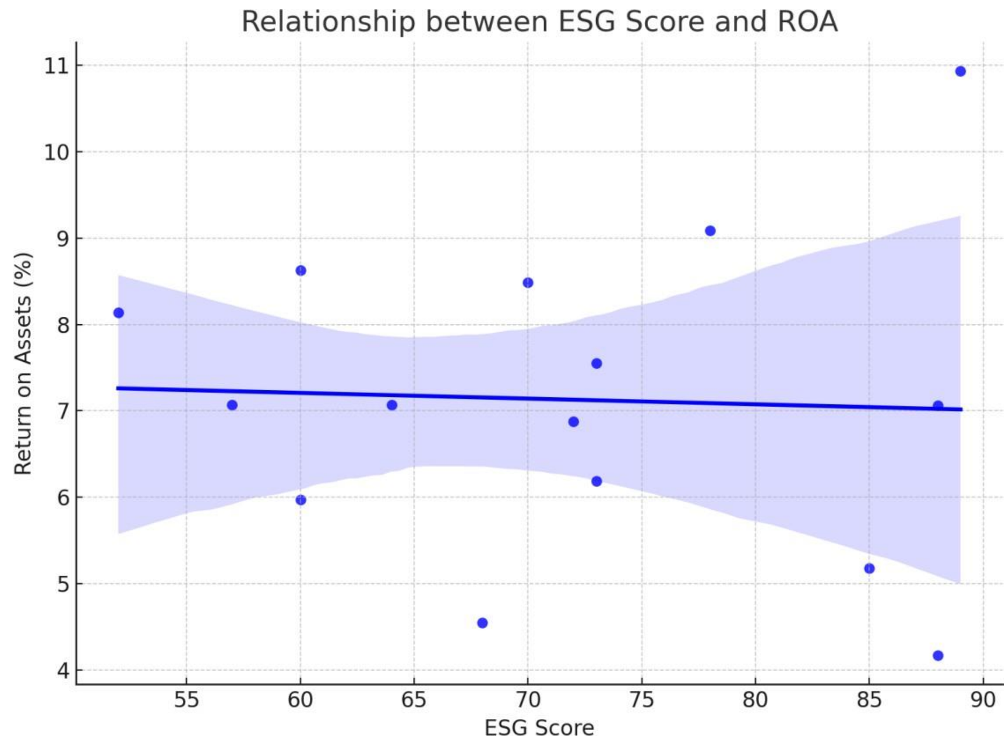

Figure 2: Relationship between ESG Score and ROA

The ESG score displays a weak negative correlation (−0.08) with returns on stock investments. So, ESG could result in slower financial profits, yet it may still protect against risks and help preserve value in the long run.

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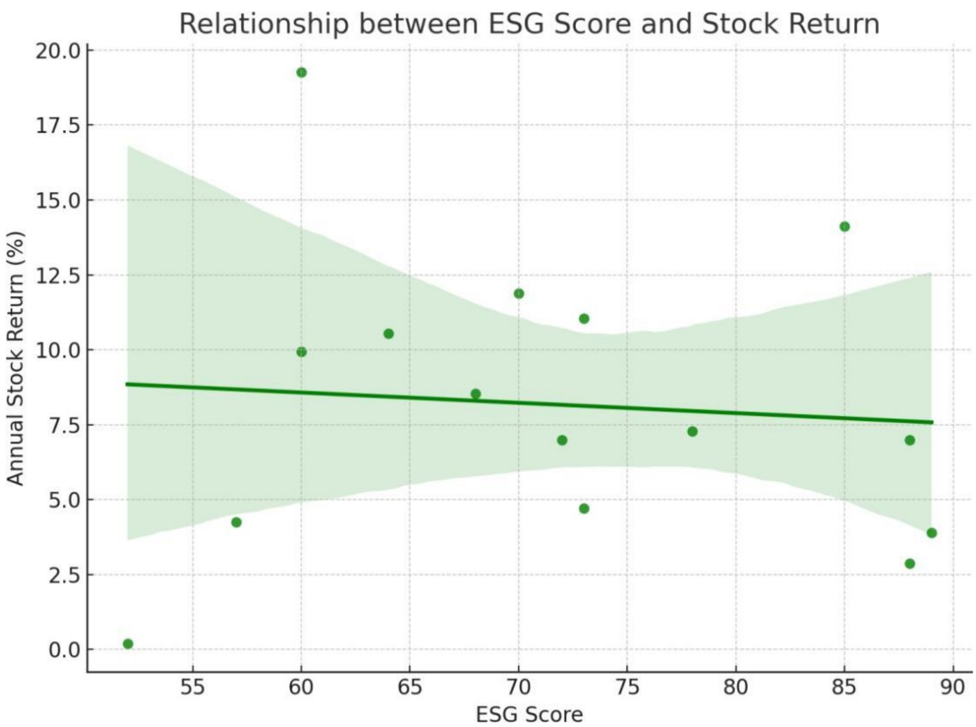

Figure 3 : Relationship between ESG Score and Stock Return

4.3. Summary of Correlation

Variables	Correlation Coefficient
ESG Score & ROA	-0.04
ESG Score & Return	-0.08
ROA & Return	-0.29

Table 1 : Summary of Correlation

The study hints that ESG integration may not produce immediately high financial results, though it helps with risk control, keeps support from stakeholders and supports long-term growth.

4.4. DISCUSSION

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4.4.1. Interpretation of Key Findings

The results demonstrate that ESG is adopted by firms differently which depends on how strategic they perceive it to be. Regression analysis indicated that, while ESG scores and ROA and stock returns are correlated weakly, research studies state that the effects of ESG tend to build up slowly and last long (Berg et al., 2022).

The findings show that considering ESG does not quickly increase profits, but it allows companies to handle risks, earn trust from partners and investors and become more resilient in the long run (Eccles et al., 2014; BlackRock, 2020).

SECTION FIVE

5.1. Conclusion

It was shown here that looking at ESG factors might not have impressive results on short-term profit, but companies see the benefits in stable and growing value over a number of years. Unilever, with ESG brands responsible for the vast majority of its growth in 2022 (Unilever Annual Report, 2022), sets a good example of how ESG supports a firm's growth. This goes along with Friede, Busch and Bassen's (2015) meta-analysis which demonstrated that around 90% of the research linked ESG to more positive outcomes for companies.

It is still difficult to judge the true influence of ESG because companies choose how much to reveal and there are typically few set standards for reporting (Berg, Kölbel, & Rigobon, 2022). New, important rules introduced by the EU and the TCFD mean companies must report their actions more openly (TCFD, 2021; European Commission, 2023). With evolving stakeholder needs, ESG is now a main element of a sustainable management strategy, helping a company be ethical and competitive over time.

5.2 Recommendations For Future Study

1. Building consensus among sustainability reporting standards (like the CSRD, GRI and TCFD) benefits data comparability, improves transparency and enhances investors' trust (as noted by Berg, Kölbel, & Rigobon, 2022).

2. Use ESG as a Foundation for Operations: Instead of treating ESG as separate, companies should include ESG goals in important areas including product development, supply chain management and employee interaction. Bringing strategy and values together can result in better value creation over time (Eccles, Ioannou, Serafeim, 2014).

3. Organizations should arrange for an ESG committee at the board level and link executive compensation to sustainability performance to encourage responsible behavior from top management (MSCI, 2023).

4. Develop ESG Tools: Firms should invest in skills and processes to handle ESG measurements, interpretation and reporting correctly. It covers training staff and using specialized ESG technology platforms.

5. Focus on Sharing Information: It is important to keep all stakeholders informed and involved which builds their trust in what the company does for ESG.

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