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Influence of Environmental, Social, And Governance (ESG) Factors on The Investment Decision-Making Process

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ABSTRACT

Environmental, Social, and Governance (ESG) factors have become increasingly important in the investment decision-making process. Investors today are not only concerned with financial returns but also with how companies operate in terms of environmental sustainability, social responsibility, and ethical governance practices. ESG factors provide investors with additional insights into the long-term stability, risk management, and overall performance of a company. Environmental factors focus on how a company manages natural resources, controls pollution, reduces carbon emissions, and adopts sustainable practices. Social factors examine the company's relationships with employees, customers, suppliers, and communities, including issues such as labor practices, human rights, diversity, and workplace safety. Governance factors involve the internal management structure of the company, including board composition, transparency, accountability, and ethical business conduct. Considering ESG factors helps investors evaluate potential risks and opportunities that may not be visible through traditional financial analysis alone. Companies with strong ESG practices are often seen as more sustainable, responsible, and capable of achieving long-term growth. As a result, investors increasingly integrate ESG criteria into their investment strategies to reduce risks, improve portfolio performance, and support sustainable development. Therefore, ESG considerations have become a key component of modern investment decision-making.