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## **Role of ESG Integration in Risk Management and Mitigation for Sustainable Investments**

**Aruna B S**

Research Scholar, Department of Commerce, Mansarovar Global University, Sehore, M.P., India.

### **ABSTRACT**

Environmental, Social, and Governance (ESG) integration plays a crucial role in risk management and mitigation in sustainable investments. ESG integration refers to the systematic inclusion of environmental, social, and governance factors into investment analysis and decision-making processes. Investors increasingly recognize that non-financial factors such as environmental sustainability, social responsibility, and corporate governance can significantly affect a company's long-term financial performance and stability. Environmental risks include issues such as climate change, pollution, resource scarcity, and environmental regulations that may impact business operations and profitability. Social risks involve labor practices, employee welfare, community relations, and human rights issues that can influence a company's reputation and productivity. Governance risks relate to corporate leadership, transparency, accountability, and ethical business practices, which are essential for maintaining investor confidence. By integrating ESG factors into investment strategies, investors can identify potential risks early and make more informed decisions. Companies with strong ESG practices are generally better prepared to handle regulatory changes, social expectations, and environmental challenges. This reduces the likelihood of financial losses, legal penalties, and reputational damage. Furthermore, ESG integration promotes long-term sustainability and encourages responsible corporate behavior. Therefore, ESG integration is an effective approach for managing risks while supporting sustainable and responsible investment practices.