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OPTIMIZATION PATHS FOR ENHANCING EGS STRATEGY

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Abstract. In the dynamic milieu of contemporary commerce, conscientious adherence to sustainability principles and social responsibility emerges as a paramount guiding paradigm for economic entities. This article expounds upon the nuanced attention afforded to ESG (Environmental, Social, Governance) subsystems — intricate frameworks amalgamating ecological, societal and managerial dimensions within the overarching strategic trajectory of organizational development. Against the backdrop of escalating societal and stakeholder cognizance pertaining to sustainability concerns, the investigation into the efficacy and refinement of these subsystems assumes heightened significance. Present-day enterprises confront escalating external exigencies mandating judicious and sustainable comportment. Concomitantly, the scientific substantiation of methodologies conducive to augmenting the efficacy of ESG subsystems becomes a salient and strategically imperative trajectory. The authors underscore that adroit stewardship of these subsystems not only conduces to the sustainable evolution of corporations but also constitutes a pivotal determinant in soliciting investments, fortifying competitiveness and cultivating a favorable corporate reputation. The exploration of optimization methodologies vis-à-vis ESG subsystems endeavors to elucidate discerning insights into practices and strategies that genuinely proffer heightened efficacy to sustainable and responsible business endeavors. The article is oriented towards discerning innovative approaches that not only align with contemporaneous requisites but also engender enduring value for corporations within the milieu of sustainability.

Keywords: *Sustainability criteria, risk mitigation, indicators for sustainability criteria, strategy.*

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1. Introduction

With the evolution of ethical standards in the business environment, incorporating a focus on principles such as fairness, transparency and respect for human rights, significant changes have transpired in the role of ethics within the managerial decision-making process. There has been an augmented influence on the selection of developmental strategies, adherence to behavioral norms (Nurjamin *et al*., 2023; Zulham *et al*., 2023) and risk management tactics.

The transformation of corporate law has further buttressed the integration of ESG (Environmental, Social, Governance) principles into the operations of progressive corporations, primarily manifesting in the adoption of responsible governance principles and the acknowledgment of obligations towards stakeholders.

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Organizations fervently dedicated to enacting ESG (Environmental, Social, Governance) imperatives exhibit a steadfast adherence to international frameworks, notably exemplified by the UN Global Compact. Their discernment of the overarching importance attributed to transparent disclosures, encompassing both financial and non-financial metrics within stakeholder-oriented reports, underscores a strategic engagement with the contemporary dynamics of the corporate landscape. In this milieu, an intricate comprehension of stakeholder positions concerning sustainability and social responsibility emerges as an indispensable prerequisite. The evolving exigencies and anticipations of diverse user constituencies assume a pivotal role in sculpting novel benchmarks, thereby shaping paradigms for the judicious instantiation of the ESG agenda.

Stakeholders, comprising not only clients and investors but also a mosaic of societal elements, have transitioned beyond conventional roles, assuming agency as dynamic catalysts instigating transformative shifts (Breede *et al*., 2013; Ovechkin, 2021; Pavlovskaia, 2014). Their consequential influence upon corporations extends beyond the resolution of social and ecological quandaries to encompass the delineation of strategic priorities and the embracement of avant-garde developmental methodologies oriented toward fortifying sustainability (Korableva *et al*., 2023; Sokolov *et al*., 2022). Significantly, stakeholders, articulating heightened expectations regarding the comprehensive disclosure of social and environmental commitments and management frameworks, ascend to the status of discerning evaluators. Their assessments transcend traditional financial metrics, encompassing a nuanced appraisal of a company's societal impact and environmental stewardship.

This confluence of circumstances engenders a complex landscape fraught with challenges and opportunities for organizations strategically aligned with ESG mandates (Skivko *et al*., 2021). Such entities, having enshrined sustainable and socially responsible practices as foundational tenets of their operational ethos, traverse a terrain characterized by heightened scrutiny and intensified expectations, emblematic of the intricate interplay between corporate imperatives and stakeholder-driven aspirations.

In the up-to-date corporate landscape, enterprises with an unwavering commitment to sustainable development increasingly prioritize the integration of principles governing sustainable practices, social responsibility and sophisticated corporate governance strategies into their strategic paradigms. Notwithstanding this pervasive adoption, scholars and practitioners alike are particularly intrigued by the intricate dynamics through which such strategic orientations intricately impact the financial efficacy of businesses.

Empirical investigations underscore a compelling correlation, revealing that entities adept at seamlessly embedding ESG (Environmental, Social, Governance) subsystems into their operational fabric consistently demonstrate superior financial performance. This evidence-based insight illuminates the nuanced relationship between strategic sustainability initiatives and elevated fiscal outcomes, underscoring the strategic imperative of harmonizing ethical, environmental and governance considerations for enhanced economic viability (Bataeva *et al*., 2021; Korableva *et al*., 2020).

In accordance with the outcomes of a study conducted by the communications firm “Mikhailov and Partners” in early 2023, 40% of enterprises in Russia have curtailed their financial allocations for projects associated with ESG (Environmental, Social, Governance) in the ongoing fiscal year. Conversely, 47% of organizations have refrained from adopting measures to trim budgets in this particular category (https://m-p.ru/ESG-Russia-2023.pdf).

This phenomenon is fundamentally explicated by the intricate interplay of stakeholder interests, wherein the mutually reinforcing objectives of market share augmentation and enhanced competitiveness take precedence in strategic decision-making.

2. Methods

The analytical method was utilized to dissect and evaluate the various components of the EGS optimization strategy. This involved a detailed examination of operational intricacies and statistical data related to EGS performance and efficiency. Through the synthetic method, the study integrated information from diverse sources, combining statistical data and relevant literature to construct a comprehensive understanding of EGS optimization strategies. The generalization method facilitated the extraction of overarching principles and patterns from specific instances of EGS operations, enabling the formulation of broader conclusions regarding the landscape of EGS optimization. The inductive method was instrumental in deriving generalized insights and conclusions from specific observations and empirical data related to EGS, thereby contributing to the development of theoretical frameworks and conceptual models for EGS optimization. The deductive method was employed to test theoretical propositions and hypotheses against empirical evidence in the field of EGS, ensuring the logical coherence of the research findings within the context of EGS optimization strategies. A comparative analysis was conducted to juxtapose EGS designs and optimization practices across different geothermal sites. This method provided valuable insights into best practices and potential areas for improvement in EGS optimization.

3. Results and Discussion

Modern business paradigms are progressively attuned to the meticulous instantiation of sustainability, social responsibility and effective corporate governance (ESG) principles within the strategic fabric of enterprises. Nevertheless, scholarly pursuits are intricately focused on elucidating the nuanced repercussions of such an approach on the financial metrics of these entities. This not only establishes a foundational understanding but also serves as a springboard for contemplations on the most efficacious mechanisms and strategies for harnessing sustainability and social responsibility principles within the contemporary business milieu (Figure 1).

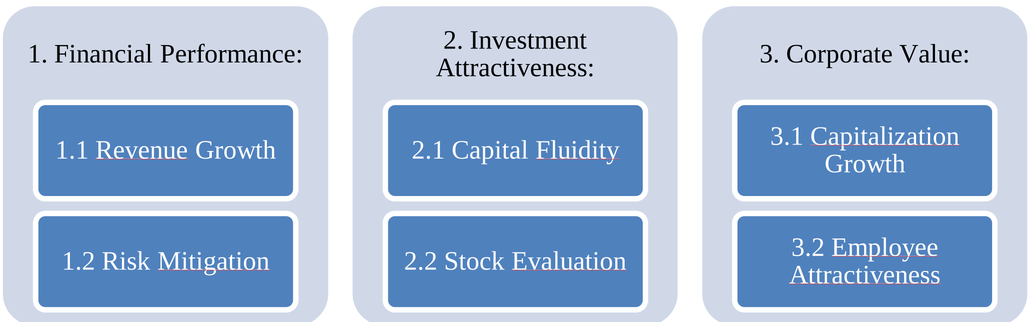

Figure 1. Key areas of impact of ESG-awareness practices

The observed nexus between the effective integration of the ESG subsystem and the amplification of financial efficiency within enterprises is fundamentally predicated on the capacity of companies to embed environmental, social and corporate responsibility (ESG) factors into their strategic frameworks and operational paradigms. This deliberate incorporation affords these entities a spectrum of advantages, notably encompassing:

- the infusion of ESG principles engenders heightened levels of trust and loyalty from clientele, partners and investors, fostering robust and enduring relationships;
- the assimilation of ESG tenets facilitates a discernible reduction in both risks associated with environmental and social aspects and the overall costs incurred in management, optimizing operational efficacy;
- enhancement of competitiveness and market reputation;
- creation of value for society and the environment (https://rb.ru/story/esg-criteria/; Ovechkin, 2021; https://www.unpri.org/download?ac=9522).

Enterprises proficient in the seamless integration of ESG (Environmental, Social, Governance) factors into their operational fabric demonstrate a capacity not only to attain heightened customer retention rates but also to establish more auspicious brand relations, resonating with both workforce and consumers. This engenders an amelioration in overall production efficiency, concomitant with a curtailment in expenditures related to materials and energy, coupled with an elevation in the qualitative benchmarks of proffered products or services. The efficacious realization of sustainability and social responsibility tenets transcends mere customer engagement, catalyzing the expansion of market shares and the augmentation of the competitive prowess of the corporation.

In an era where the contemporary consumer increasingly scrutinizes the social and ecological dimensions of corporate conduct, championing such principles assumes paramount importance for the cultivation of a sanguine corporate image and the strategic positioning of the company within the market milieu. As discerning consumers gravitate toward enterprises committed to ethical and sustainable paradigms, the embrace of these principles emerges as an instrumental determinant in molding a salubrious corporate identity and fortifying the company's resonance within the competitive landscape.

As per the ESG company rankings for July 2022 in Russia, Enel Russia stands out as the leader in social indicators. Concurrently, in the ESG company rankings for Europe during the same period, Allianz SE, a financial institution, claims preeminence in social indicators (ESG ranking of companies 2022, Statista; The 2023 State of Corporate ESG, Thomson Reuters Institute). This dichotomy underscores a discernible variance, implying that Europe exhibits a more elevated degree of social responsibility and environmental sustainability compared to Russia.

Per the observations gleaned from the 2023 State of Corporate ESG report by Thomson Reuters Institute, a prevailing consensus exists among companies in both Russia and Europe regarding the imperative of ESG risk management and commitments to augment sustainability and foster growth. However, nuanced disparities manifest concerning the facets of ESG that each country deems paramount. Russia directs its focus toward environmental metrics, notably greenhouse gas emissions (GHG), alongside social dimensions encompassing employment and social welfare (https://www.sustainalytics.com/). Conversely, Europe accentuates corporate governance facets such as ethics, transparency, accountability and managerial efficiency. This divergence underscores the contextual intricacies shaping ESG priorities in distinct geopolitical and business landscapes.

The augmentation of corporate reputation, scrupulous adherence to legislation and adept management of environmental and social imperatives inherently contribute to loss mitigation and the reduction of financial risks. The strategic integration of environmental, social and corporate responsibility considerations within corporate development frameworks also elicits more substantial investment inflows, consequently diminishing the cost of capital. This phenomenon is explicable by the discernment of ESG-oriented investors, who perceive such enterprises not solely as avenues for financial gain but as vehicles for societal advancement and environmental amelioration. This strategic orientation further engenders a reduction in risk exposure and associated managerial expenditures (https://novard.ru/articles/esg-printsipy-kak-stroitsya-novyy-biznes-v-rossii; https://stratpro.hse.ru/mirror/pubs/share/798546436.pdf).

As a result of recent years' trends, the assets of ESG funds worldwide have seen a significant surge, reaching a total value of 378 billion U.S. dollars as of February 2022. While ESG factors encompass a broad spectrum of sustainable development criteria, environmental considerations persist as primary drivers in the realm of ESG investing (https://www.statista.com/statistics/1272380/comparison-esg-scores-largest-banks-worldwide/).

However, it is noteworthy that ESG factors exert a more pronounced influence on equity prices than on bond prices. Current data from the British auditing firm EY reveals that a substantial 97% of investors orient themselves towards ESG indices in the decision-making process for investment allocations (https://www.unpri.org/download?ac=9522).

According to a study conducted by the NYU Stern Center for Sustainable Business and Rockefeller Asset Management in 2022, the efficacy of ESG integration as an investment strategy surpasses that of negative asset filtration. The research substantiates that alpha rates, representing the excess return of investments over the risk-free rate, were notably superior by 2.4% for funds characterized by a heightened level of ESG risk (employing negative screening) as opposed to those exhibiting low ESG risk (utilizing positive screening). Additionally, the study identified a 1.9% alpha rate superiority for funds with elevated ESG risk compared to their counterparts with diminished ESG risk within the Russian context (NYU Stern, 2023).

During the first quarter of 2022, the volume of investments in social projects in Russia witnessed a substantial uptick, registering a 25% growth compared to the analogous period in 2021, as per data sourced from Rosstat. This trend underscores the ongoing commitment of the country's government to fostering corporate social responsibility through diverse mechanisms of incentivization and regulation. However, not all enterprises seize these opportunities to augment their ESG metrics. Notably, investments in energy projects, encompassing fuel plants and power stations, experienced a 12% contraction during the aforementioned quarter in 2022 relative to the corresponding period in 2021 (rosstat, 2023; uk.investing.com; NYU Stern, 2023).

It has been substantiated that the implementation of ESG (Environmental, Social, Governance) strategies contributes to enhancing the company's reputation, fostering trust from both investors and consumers, ultimately leading to an augmentation in market capitalization (Bataeva *et al*., 2021; Efimova *et al*., 2021; https://dasreda.ru/learn/blog/article/2335-principy-esg-v-rabote-kompanii).

However, it is imperative to acknowledge that the influence of ESG factors on market capitalization is subject to fluctuations contingent upon the industry dynamics, market conditions and the idiosyncrasies inherent to individual companies. A juxtaposition of standardized ESG assessments across the globe's preeminent 25 corporations underscores substantial disparities among ESG rating providers in numerous instances.

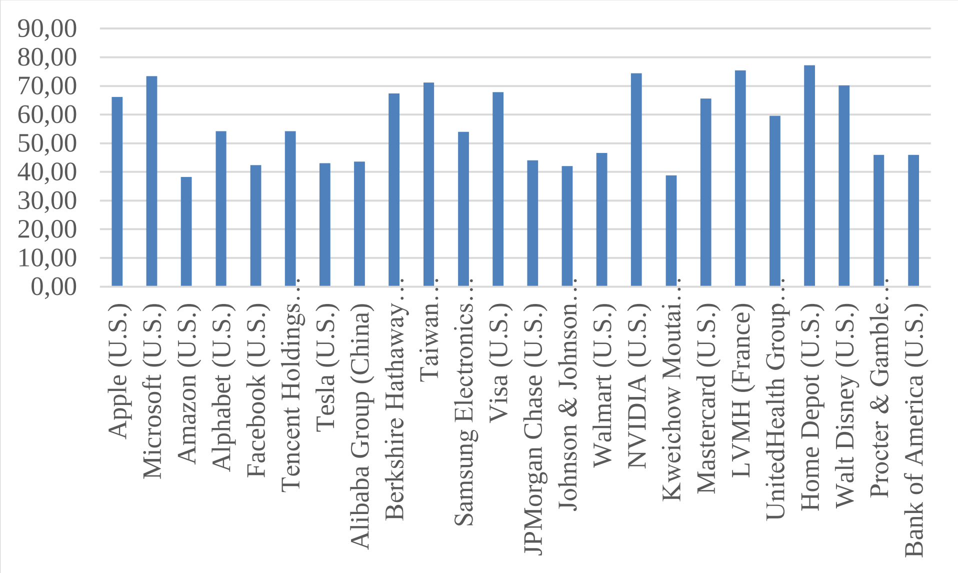

Figure 2. Ranking of the world's largest companies by ESG criteria
Source: Compiled by the authors on the based on the data Sustainalytics (2023)

In certain scenarios, there exists broad consensus, exemplified by semiconductor producers Taiwan Semiconductor and NVIDIA. However, substantial disparities are evident in other cases. The electric vehicle manufacturer Tesla provides a conspicuous illustration of incongruities in assessments across various agencies. MSCI accorded the company approximately 64 out of 100 points, signifying a marginal above-average status; Sustainalytics appraised the company at 43 points, slightly below the mean; conversely, S&P assigned it an ESG score of 15, considerably beneath the average level. Analogous variations have been observed in evaluations of major corporations like Apple, Tencent and Berkshire Hathaway.

In the domain of modern business dynamics, a pivotal impetus lies in the recruitment of highly qualified professionals. Adhering to ESG principles frequently translates into advancements in working conditions, the establishment of robust training frameworks, the provision of competitive remuneration and comprehensive health benefits for employees. Such initiatives play a pivotal role in talent retention and the attraction of individuals seeking employment within an organization committed to addressing environmental, social and corporate considerations (https://dasreda.ru/learn/blog/article/2335-principy-esg-v-rabote-kompanii; https://novard.ru/articles/esg-printsipy-kak-stroitsya-novyy-biznes-v-rossii; . https://secrets.tinkoff.ru/razvitie/strategiya-esg/).

The discernible trend, with around a third of investors endorsing the initiative to tether executive remuneration to the attainment of targeted benchmarks within the ESG domain, underscores the evolving landscape of corporate governance. The centrality of ESG subsystems in shaping the contours of sustainable and responsible business practices emerges as a critical facet of contemporary strategic enterprise management. Beyond being a compliance mechanism with normative frameworks, the ESG agenda assumes the role of a strategic instrument aimed at fostering the enduring and resilient development of enterprises. This convergence reflects an intricate interplay between financial performance, ethical considerations and the evolving expectations of stakeholders within a dynamic business milieu.

Consumers and employees distinctly favor companies that not only adhere to minimum regulatory requirements but also actively invest in sustainable improvements for the environment and society. Their willingness to reward or impose punitive measures, contingent on the alignment of brands with their values in terms of ecology, social responsibility and corporate governance (ESG), is markedly pronounced (Figure 3). This consumer and employee sentiment underscores a paradigm shift where companies incorporating robust ESG practices are not only compliant with regulations but are also resonating positively with stakeholders, thereby influencing market dynamics and organizational competitiveness.

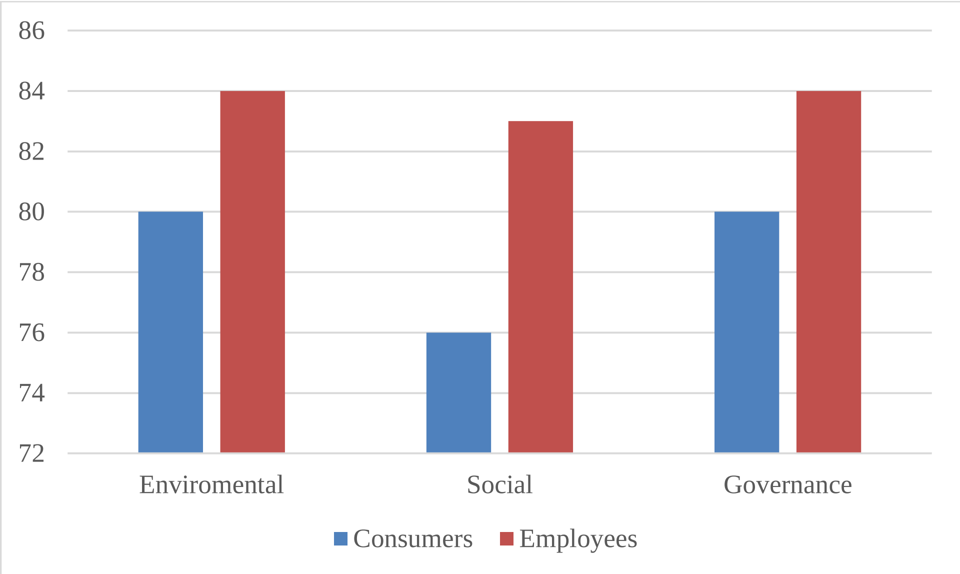

Figure 3. Attitudes towards ESG criteria of customers and employees, %
Source: Compiled by the authors on the based on the data PwC (2023)

The discernible trend, as depicted in Figure 3, accentuates that the vast majority of both consumers and employees are notably inclined to opt for products or seek employment in companies exhibiting alignment not only with established standards but, critically, with the distinctive values they hold across diverse dimensions of ESG. This trajectory underscores the escalating impact of sustainability and social responsibility on the decisions of consumers and the preferences of employees, compelling corporations to actively instate and champion ESG methodologies in their operational paradigms. The assimilation of ESG subsystems into varied industries has evolved into an intrinsic component of the strategic blueprints adopted by enterprises aspiring towards practices that are not only sustainable but also socially and ethically accountable. A nuanced examination delineating the trajectories of ESG strategy integration across diverse economic sectors is meticulously expounded in Table 1.

Table 1. ESG integration areas by industry

Energy	Measures are actively implemented to reduce greenhouse gas emissions, increase the share of renewable energy sources and improve energy efficiency. Companies in the alternative energy sector, such as manufacturers of solar and wind installations, are successfully integrating ESG subsystems, attracting investors with their environmental sustainability.
Pharmaceuticals	Attention is given to social aspects such as the accessibility of medicines, ethical standards in research and pharmaceutical manufacturing, as well as patient safety issues. In this context, an ESG approach is integrated to manage environmental impact, ethical use of data and ensure fair working conditions.
Finance	Investment firms and banks also integrate ESG principles into the investment portfolio decision-making process, emphasizing environmental and social aspects when shaping investment strategies.
Manufacturing	Industrial giants are implementing technologies aimed at reducing environmental impact, enhancing workplace safety and improving social standards among the workforce. This includes the use of sustainable materials, waste reduction and the implementation of social programs.
Tourism and Hospitality	ESG principles are being integrated, with a focus on environmental sustainability, social responsibility and governance improvement. For instance, hotels are implementing energy conservation programs, undertaking social projects in local communities and providing working conditions that meet high standards.
Food Industry	ESG subsystems introduce aspects of sustainable agriculture, efficient resource utilization and ensuring food safety. Companies are actively implementing practices aimed at reducing carbon footprint, supporting biodiversity and adhering to social justice norms in supply chains.
Transportation and Logistics	In logistics, an ESG approach is integrated to reduce emissions, optimize routes, develop efficient transportation vehicles and improve working conditions. These measures contribute to reducing the negative impact on the environment and enhancing operational efficiency.
Construction and Real Estate	In construction, an ESG approach is applied to create energy-efficient buildings, use sustainable materials and consider social aspects such as the safety of construction workers and the impact on local communities. These measures contribute to the development of environmentally sustainable and socially responsible facilities.
Education	Universities and educational institutions are developing sustainability programs, implementing efficient resource management methods and creating conditions for the socio-cultural development of students.
Media and Entertainment	In the media industry, an ESG approach is integrated to ensure ethical content, support diversity in the workforce and participate in social campaigns. Companies adhering to ESG principles build a favorable reputation and attract an audience seeking to support socially responsible and culturally diverse initiatives.
Healthcare	In the healthcare sector, the ESG approach is oriented towards ensuring the availability of medical services, adhering to ethical standards in clinical research and reducing the environmental impact of the industry. Companies in this field strive for sustainable practices and social innovations, creating a health ecosystem.
Chemical Industry	Manufacturers of chemical products integrate the ESG approach to reduce their environmental footprint, develop safe chemical substances and adhere to social standards regarding the workforce. Actively reducing the use of hazardous substances, implementing green technologies and ensuring safe working conditions are key elements of ESG strategies in this industry.
Mining Industry	In the mining industry, the ESG approach is focused on occupational safety, compliance with environmental standards in resource extraction and social responsibility towards local communities. Companies in this sector develop technologies to minimize their impact on nature and implement social programs to support the regions where they operate.

The nuanced analysis in Table 1 highlights the adaptability of ESG principles across diverse industries, substantiating their role in instigating substantive transformations in business methodologies. Nevertheless, the substantial disparities in metrics pertaining to the triad of ESG dimensions underscore an industry-specific orientation, indicative of an apparent deficiency in embracing a comprehensive approach to ESG compliance.

Notably, within the industrial sector, the examination reveals an elevated mean score in the "Environmental" facet, juxtaposed with a comparatively diminished standing in the "Governance" domain. Similarly, the "Energy" sector exhibits marked differentials in scores across the tripartite components, signifying commendable performance on the social front but a perceptible lag in the evaluative benchmarks associated with "Governance". These outcomes emphasize the need for a more integrated and balanced ESG strategy across sectors to engender a harmonized and effective approach to sustainable and responsible business practices (https://static.nseindia.com/s3fspublic/inlinefiles/ESG_Score_Analysis_20220601.pdf).

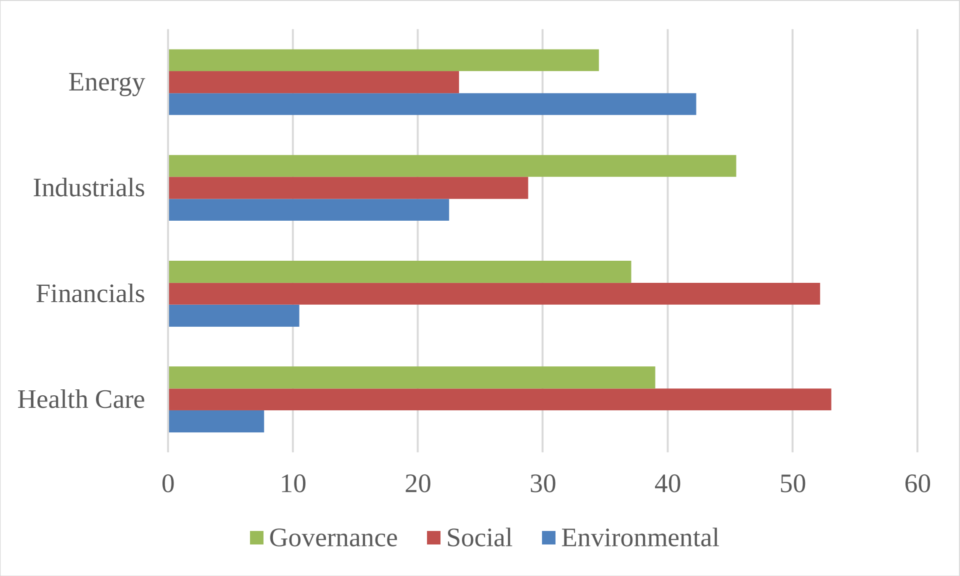

Figure 4. Structure of ESG criteria achievement by major industries
Source: Compiled by the authors on the based on the data MSCI (2023)

This systematic examination of an enterprise's adherence to ESG principles involves a comprehensive scrutiny of its corporate governance structures, environmental stewardship practices and social responsibility initiatives. The complexity of this evaluation is compounded by the diversity of metrics employed to measure these multifaceted dimensions. For instance, in the environmental domain, metrics may include carbon footprint, energy efficiency and waste management effectiveness. Social responsibility metrics, on the other hand, might encompass diversity and inclusion indices, labor practices and community engagement initiatives. Additionally, governance metrics may involve the transparency of decision-making processes, the effectiveness of risk management strategies and the composition of the board of directors. The intricate nature of these metrics underscores the challenge of conducting a nuanced evaluation that captures the intricate interplay of sustainability and social responsibility across diverse industry landscapes (Figure 5).

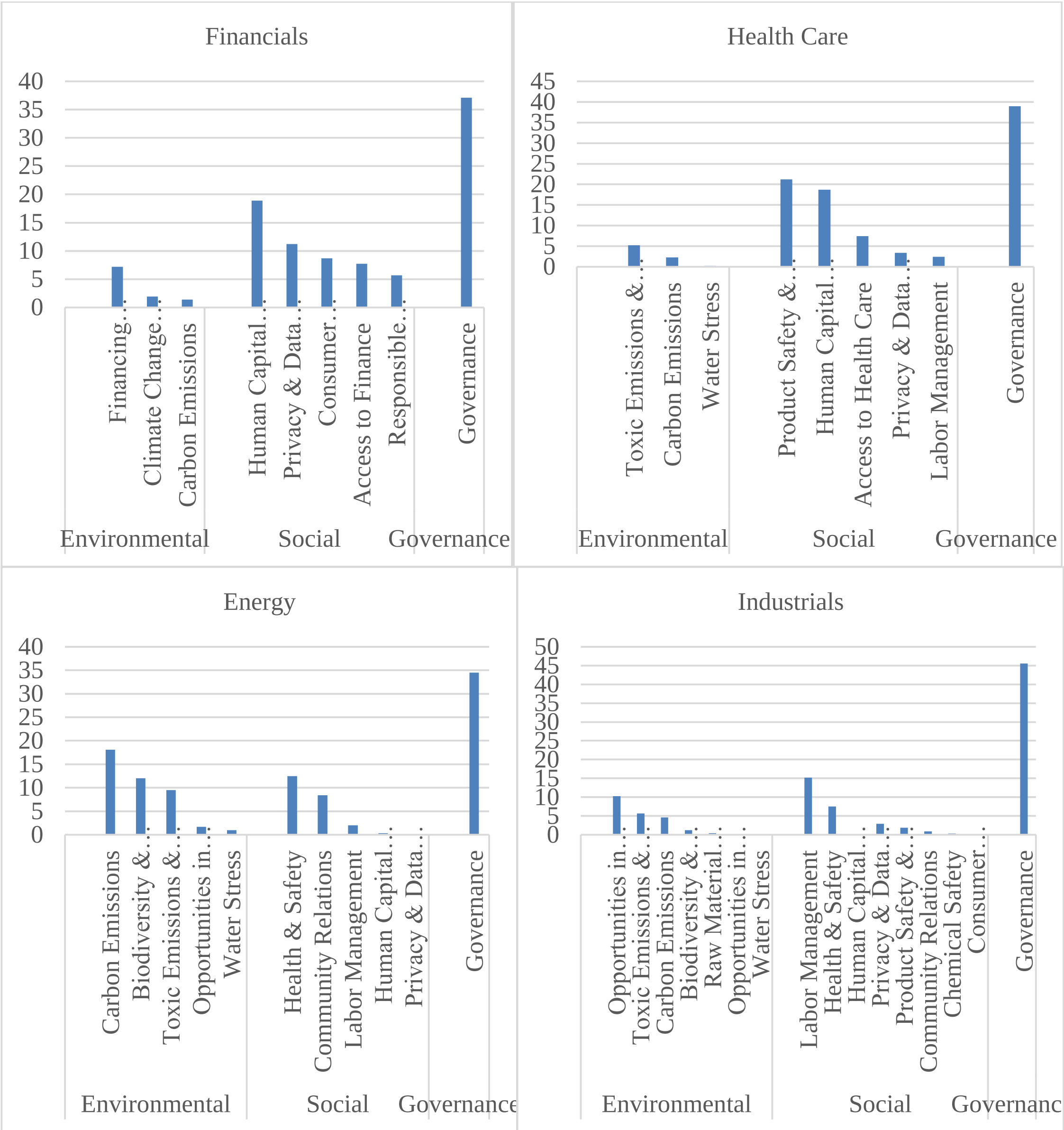

Figure 5. Structure of ESG orientation by industry
Source: Compiled by the authors on the based on the data MSCI (2023)

An important stage of the assessment is the analysis of the interests and expectations of stakeholders such as customers, investors, employees and regulators. According to the results of an empirical study by the Statista Research Department, 58% of investors show an active interest in participating in a constructive dialogue with representatives of companies in case of insufficient response to issues related to the principles of environmental, social and corporate responsibility (ESG). In choosing between a higher rate of return on investment and the priority of environmental, social and managerial benefits (ESG), 39% of investors preferred a lower rate of return in exchange for the benefits associated with ESG (Statista, 2022, ESG versus investment returns worldwide 2022).

Within the framework of assessing the current status of ESG orientation within business entities, an audit may be implemented to identify the impact of the business on the environment and its alignment with the principles of social responsibility. This audit serves as an additional means of validating the reliability of the data presented to stakeholders.

As of today, there exists a wide variety of methods for evaluating companies' compliance with ESG standards. One of the most prevalent contemporary approaches involves the utilization of specialized ratings that analyze financial and independent data related to the performance of enterprises across three fundamental criteria: Environmental (E), Social Responsibility (S) and Corporate Governance (G):

- ESG Research – an American brand conducting in-depth analyses of over 2000 companies, taking into account 40 key ESG indicators.
- MSCI – an international investment company developing ESG indices for more than 1000 enterprises in 23 different categories.
- Sustainalytics – an American company specializing in risk analysis and assessing over 9000 companies based on 30 ESG parameters.
- Refinitiv – a British company providing financial market data and offering ESG services for more than 2000 companies.

4. Conclusion

Quantifying Environmental, Social and Corporate Governance (ESG) metrics represents a nuanced undertaking and the absence of transparent and standardized data is deemed by global investors as a principal impediment to effective ESG investment. ESG scores hinge on the application of non-financial criteria, a realm inherently resistant to quantitative assessment. Further complicating matters, a myriad of diverse sustainability assessment and reporting frameworks exists, each targeting the measurement of a company's social and environmental impact. Consequently, ESG data often exhibits inconsistency, introducing challenges in cross-company comparisons.

As of September 2021, a mere 33% of worldwide investors conveyed contentment with the caliber of furnished ESG reports, underscoring the imperative for more uniform reporting systems and stringent regulation within this sphere (https://www.statista.com/statistics/1272380/comparison-esg-scores-largest-banks-worldwide/).

The heightened demand for compulsory and standardized reporting underscores a pivotal shift in investor preferences. A substantial 89% of investors have advocated for regulatory bodies to enforce ESG metric disclosure aligned with a universally agreed-upon set of standards. Intriguingly, 37% pinpointed the absence of standardization and the intricate nature of requirements as the predominant hurdles encountered in formulating comprehensive ESG reports. This attests to the pressing need for a cohesive framework to streamline ESG reporting practices, facilitating a more transparent and comparable landscape for stakeholders (EY Survey, 2023; PwC, 2023).

The introduction of the initial standards by the International Sustainability Standards Board (ISSB) on June 26, 2023, signifies a milestone in the arena of sustainable development, featuring IFRS S1 and IFRS S2. IFRS S1 delineates a structured framework for the provision of financial information germane to sustainable development, articulating comprehensive requirements governing the content and presentation of information. This is strategically designed to aid users in making informed decisions pertaining to resource allocation to enterprises. The disclosure parameters encompass vital facets such as insights into management processes, control mechanisms and procedures deployed by enterprises to scrutinize risks and opportunities entwined with sustainability. Furthermore, IFRS S1 mandates the revelation of processes instrumental in identifying, assessing and monitoring risks and opportunities within the domain of sustainable development, coupled with an intricate exploration of the enterprise's performance within this context.

On the other hand, IFRS S2 focuses on climate risks encountered by organizations. Encompassing physical risks linked to climatic shifts, transitional risks and opportunities arising from climate considerations, this standard requires organizations to divulge information critical for users of financial statements to comprehend management processes, strategic approaches and performance outcomes tied to climate risks and opportunities. Specifically, IFRS S2 necessitates the disclosure of processes involved in monitoring, managing and overseeing climate-related risks and opportunities, elucidation of strategies employed to navigate these challenges, insights into processes for the identification and assessment of climate-related risks and opportunities and a detailed examination of performance results, inclusive of progress made towards established objectives (FR09/2021).

It is imperative to underscore a salient trend in the realm of sustainable investing—the integration of digital technologies to augment the efficiency and transparency of corporate risk management activities. Notably, companies are employing digital platforms to meticulously track their social and environmental metrics, concurrently soliciting feedback from stakeholders. Furthermore, the deployment of digital tools is instrumental in streamlining internal processes and operations, fortifying resilience against potential losses arising from calamities or crises.

Among the surveyed entities, 84% affirm the existence of educational initiatives within their corporate framework, disseminating insights on ESG trends, internal initiatives and ESG programs targeting employees, their families and other stakeholders. Nevertheless, a notable majority of Russian firms (55% of respondents) currently exhibit an unpreparedness to engage employees actively in the planning of ESG initiatives. This particular aspect may emerge as a focal point for the expansion of the ESG function within the landscape of Russian business in the year 2023.

Fifty-two percent of the surveyed companies express an intention to recalibrate their sustainable development goals and reevaluate their ESG strategies. Nearly 70% of companies currently reporting on sustainable development endeavors plan to persist in the process of verification throughout the year 2023. Noteworthy is the fact that 70% of the surveyed entities underscore the social dimension as the paramount focus of their ESG endeavors, channeling their attention predominantly in this sphere. Environmental considerations closely trail behind, acknowledged by 62% of respondents for their substantive relevance (https://m-p.ru/ESG-Russia-2023.pdf).

In a holistic context, ESG subsystems serve as catalytic agents facilitating the assimilation of sustainability and social responsibility values into the strategic framework of enterprises. They steer businesses towards a trajectory of enduring success, fostering synergistic relationships with the environment, society and the internal organizational structure. Consequently, the role of ESG subsystems transcends mere adherence to standards; rather, they constitute the underpinning for the conscientious, sustainable and ethically grounded management of business affairs.

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