

ESG Investment Helps to Develop the Carbon Economy

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Abstract

ESG is an investment philosophy and enterprise evaluation standard that focuses on enterprise environment, society and governance performance rather than financial performance. After the introduction of carbon neutrality, ESG has not only become an important starting point to implement the sustainable development Goals and promote the low-carbon transformation of the economy, but also become a key standard to evaluate the comprehensive level of enterprises. Since Xi Jinping in the fifth plenary session of the eighteenth put forward five development concept, green development mode is strong into the public view, under the support of the state and enterprise consciousness, ESG investment or social responsibility investment (ESG) environment (Environment), social (Social) and governance (Governance), become the enterprise survival, economic progress and the development of emerging markets. In this social context, this paper mainly studies the development prospects of ESG investment, economic benefits, and the supporting conditions of cultural, political and legal environment. Seek a more scientific and efficient way to develop ESG investment to promote the transformation and upgrading of the carbon economy.

Keywords

ESG; Carbon Economy; Sustainable Development.

1. Concept Formation and Significance of ESG

The concept of ESG can be formed back to 2004, when the United Nations first proposed this concept, aiming to establish a new enterprise evaluation system to better measure and evaluate the performance of enterprises in sustainable development. Since then, ESG has gradually become an important issue of global concern, and has been accepted and valued by more and more investors and stakeholders. ESG Investments is an investment fund designed to integrate investment with environmental, social and corporate governance factors (ESG). This type of fund focuses not only on investment returns, but also on the social responsibility and sustainable development of the company. ESG investments often screen and select companies that do well in environmental, social and corporate governance. Specifically, ESG investments use a range of metrics to evaluate a company's ESG performance. These include environmental factors such as carbon emissions, energy and water management; social factors such as employee relations, human rights and consumer rights, and corporate governance factors such as board structure, compensation and transparency. Based on these assessments, ESG investments select the best performing companies to invest in. ESG investment strategies vary between fund managers, and some may focus more on environmental issues, while others focus more on social and corporate governance factors. But overall, ESG investments aim to invest in

companies that perform well in ESG to achieve long-term sustainable returns on investment and social benefits.

The significance of ESG is to promote enterprises to pay more attention to sustainable development and promote the harmonious coexistence of society and the environment. Through the ESG evaluation system, enterprises need to pay attention not only to their own financial performance, but also to the environment, society and governance, so as to better fulfill their social responsibilities. At the same time, ESG can also be used as a reference factor for investment decisions, providing investors with more comprehensive enterprise information to make more informed investment decisions. In addition, ESG can also be used as a standard for evaluating a company. Generally speaking, if a company performs well in ESG, its financial operation will not be much worse.

In short, ESG is an evaluation system that focuses on the sustainable development performance of enterprises, which is of great significance for promoting enterprises to fulfill their social responsibilities and promoting the harmonious coexistence of society and the environment.

2. ESG and Carbon Economy Complement Each Other

First, ESG is the main driving force for the low-carbon economy. The realization of the goal of "double-carbon" cannot be achieved without the support and guidance of policies. As the experts said, integrate ESG into the policy making link and adhere to sustainable economic development, which can take into account the three layers of economic, environmental and social benefits, and further promote the low-carbon transformation of the economy and industry. Second, ESG is an important measure to practice low-carbon finance. The realization of the "double-carbon" goal cannot be achieved without the support of funds. At present, low-carbon economy has become the popular direction of the market. Financial institutions take ESG as the starting point to promote the development of low-carbon and green economy by providing diversified low-carbon financial products, such as the launch of ESG fund. By integrating ESG into the investment decision-making process, investment institutions can timely adjust their investment strategies according to the carbon neutral target, practice low-carbon investment, and give full play to the economic support of the capital market for low-carbon transformation. Finally, the ESG provides a guarantee for the realization of the "double-carbon" goal. Under the "double-carbon" goal, not only energy enterprises and energy-consuming enterprises, but also the environmental responsibility of each enterprise is being more quantified and visible. Therefore, from the perspective of enterprises, ESG is an effective comprehensive measurement index for enterprises to achieve sustainable development and "double-carbon" goals, providing evaluation criteria and direction guidance for the development of enterprises. Through ESG investment, enterprises can be promoted to improve internal governance efficiency, improve energy efficiency, reduce unfair competition, reduce carbon emissions, increase the diversity of employees, etc., which will positively affect the market value of enterprises and promote the high-quality development of enterprises. Based on this, more and more organizations are currently giving their own answers to the required answer question of "Practice the ESG concept". Such as in the 14th Lujiazui BBS "practice ESG concept, promote the transformation of financial development -- special partners, Luxembourg" of Pujiang night words, Guotai Junan aspects, said the company released the implementation of comprehensive improve green financial service level action plan, clear the overall requirements of the development of green finance in the next three years and main goals. However, the current domestic ESG investment is also facing more challenges. On the one hand, there is a unified ESG standard, and the ESG evaluation results vary greatly. The international ESG evaluation agency does not have a deep understanding of Chinese enterprises, and many international indicators are not adapted to the environment, so it is urgent to establish Chinese

ESG standards with Chinese characteristics and international influence. On the other hand, domestic ESG investment is still in the early stage of development, and the scale of related products is small. There is still room for further improvement in the allocation ratio of pension and long-term funds in ESG investment, which requires ESG investment institutions to improve their service capacity with higher quality. At the same time, it also needs the social and market parties to better form a synergy to create an ecological environment of ESG investment and service "two-carbon" goal.

3. Risk Management of ESG Investments

Risk management of ESG investment is an indispensable part of the ESG investment process. The following is a detailed analysis of the risk management measures of ESG investment:

(1) Risk identification. Before the investment decision, it is necessary to conduct a comprehensive risk identification of the investment object, including environmental risks, social risks and governance risks. For example, for environmental risks, it is necessary to consider whether enterprises have environmental pollution and resource waste; for social risks, it is necessary to consider whether enterprises have adverse social effects; for governance risks, it is necessary to consider whether the enterprise has unreasonable governance structure and dishonest management.

(2) Risk assessment. After identifying the risks, the risks need to be assessed, including the probability of the risk occurrence and the possible loss of the risk. Investors can make a comprehensive assessment of the risks of ESG investment through a combination of quantitative and qualitative methods.

Risk control: After the risk assessment, the corresponding risk control measures should be taken to reduce the investment risk. For example, enterprises with good ESG performance can be selected for investment; diversification strategy can be adopted to reduce non-systemic risk; relevant clauses can be added in the investment agreement to restrain and supervise the bad behavior of enterprises.

(3) Risk management indicators. Investors need to establish a sound risk management index system to assess and monitor the risks of ESG investment. For example, some key performance indicators (KPIs) can be selected, such as enterprise ESG score, industry ESG average level, and maximum retracement indicators, to evaluate and manage investment risks.

(4) Continuous monitoring. Investors need to continuously monitor ESG investments to identify and address potential risk events in time. At the same time, the market and industry dynamics also need to be monitored in order to timely adjust investment strategies and control risks.

(5) Compliance operation. Investors need to ensure that their investment behavior complies with the requirements of relevant laws, regulations and ethical norms, and avoid legal risks and moral hazard caused by non-compliance operation.

(6) Education and training. Improving investors' ESG investment ability and risk management level through education and training is also one of the most important risk management measures. Investors need to constantly learn and understand new knowledge, new skills and methods in the ESG investment field to improve their cognition and understanding of the ESG investment market.

In short, the risk management of ESG investment requires investors to carry out comprehensive risk identification and assessment before investment decisions, take corresponding risk control measures, establish a sound risk management index system, continuously monitor investment, ensure compliance operation and strengthen education and training and other efforts. At the same time, investors also need to timely adjust and improve the risk management measures

according to their own actual situation and market changes to deal with different types and levels of risk events.

4. ESG Investment and the Future Development Trend of Carbon Economy

ESG investment and carbon economy are important directions of sustainable development in the future, and their development direction will be affected by multiple factors. Here are about ESG investment and carbon economy future development of several main aspects: policy push: as the global climate change and environmental problems increasingly serious, governments will pay more and more attention to carbon emissions and sustainable development, by making more strict environmental regulations, launch carbon trading market, promote the ESG investment and the development of carbon economy. Growing Investment Needs: As public interest on environmental, social, and governance issues increases, so will investor demand for ESG investments. At the same time, the development of carbon economy will also provide investors with more investment opportunities and choices. Application of innovative technologies: In the future, with the continuous application of innovative technologies, such as big data, artificial intelligence, etc., ESG investment and the development of carbon economy will be more intelligent, refined and personalized. The application of these technologies will help investors to better assess and manage investment risk and improve investment efficiency. Cross-border cooperation: ESG investment and the development of carbon economy require cross-border cooperation, including cooperation between the government, enterprises, financial institutions, scientific research institutions and other fields. Through cooperation, we can share resources, complement advantages and jointly promote the development of ESG investment and carbon economy. Training talents: ESG investment and the development of carbon economy need high-quality talents. In the future, more training institutions and educational institutions will offer relevant courses to cultivate more ESG investment and carbon economy talents to meet the market's demand for talents. Development of globalization: With the deepening of globalization, ESG investment and the development of carbon economy will be more global. Countries will strengthen cooperation to jointly formulate international ESG investment standards and rules, and promote the construction and development of the global carbon market.

In short, ESG investment and carbon economy have broad prospects for development. In the future, more progress and achievements will be made in many aspects, such as policy promotion, growth of investment and demand, application of innovative technology, cross-border cooperation, talent training and globalization development. At the same time, we also need to pay attention to challenges such as market risks and technical risks, strengthen risk management and prevention, and make greater contribution to sustainable development.

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