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08.00.01 Iqtisodiyot nazariyasi
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08.00.17 Turizm va mehmonxona faoliyati

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# MUNDARIJA

MUNDARIJA СОДЕРЖАНИЕ CONTENTS

# MEASURING METHODOLOGIES OF INFLUENCE OF THE ESG FACTORS

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**Abstract:** Environmental, Social, and Governance (ESG) factors have become critical in evaluating corporate performance, risk management, and long-term sustainability. As industries transition toward sustainable business models, assessing ESG influence requires a structured approach, including quantitative and qualitative metrics, financial performance indicators, regulatory compliance, and stakeholder engagement analysis. This article outlines how to implement effective methodology to assess the impact of ESG on various industries, focusing on performance metrics, industry-specific ESG challenges, and some case studies. Based on the results the research, best practices for businesses and investors in integrating ESG evaluation frameworks, ensuring compliance with global sustainability standards can be concluded.

**Key words:** ESG factors, ESG assessment measures, qualitative and quantitative metrics, corporate governance, industry sustainability, ESG performance measures, measurement methodology.

**Annotatsiya:** Ekologik, ijtimoiy va boshqaruv (ESG) omillari korporativ samaradorlikni baholash, xatarlarni boshqarish va uzoq muddatli barqarorlikda muhim ahamiyatga ega boʻlib bormoqda. Barqaror biznes modellariga oʻtish jarayonida ESG taʼsirini baholash miqdoriy va sifatli mezonlar, moliyaviy koʻrsatkichlar, meʼyoriy talablarga rioya qilish hamda manfaatdor tomonlarni jalb qilish tahlilini oʻz ichiga olgan tuzilgan yondashuvni talab qiladi. Ushbu maqolada ESG'ning turli sohalarga taʼsirini baholash uchun samarali metodologiyani joriy qilish yoʻllari, shu jumladan, samaradorlik koʻrsatkichlari, sohaviy ESG qiyinchiliklari hamda baʼzi amaliy misollar keltirib oʻtiladi. Tadqiqot natijalari asosida ESG baholash asoslarini integratsiya qilish, global barqarorlik standartlariga muvofiqlikni taʼminlash boʻyicha biznes va investorlar uchun eng yaxshi amaliy tavsiyalar ishlab chiqiladi.

**Kalit soʻzlar:** ESG omillari, ESG baholash mezonlari, sifatli va miqdoriy mezonlar, korporativ boshqaruv, sohaviy barqarorlik, ESG samaradorlik koʻrsatkichlari, oʻlchov metodologiyasi.

**Аннотация:** Экологические, социальные и управленческие (ESG) факторы приобрели важнейшее значение при оценке корпоративной эффективности, управления рисками и долгосрочной устойчивости. В условиях перехода к устойчивым бизнес-моделям оценка влияния ESG требует структурированного подхода, включающего количественные и качественные метрики, финансовые показатели, соблюдение нормативных требований и анализ вовлеченности заинтересованных сторон. В данной статье описывается эффективная методология оценки влияния ESG на различные отрасли, уделяется внимание показателям эффективности, отраслевым вызовам ESG, а также приводятся некоторые примеры из практики. На основе проведённого исследования делаются выводы о лучших практиках для бизнеса и инвесторов по интеграции рамок оценки ESG, обеспечению соблюдения глобальных стандартов устойчивости.

**Ключевые слова:** ESG факторы, меры оценки ESG, качественные и количественные показатели, корпоративное управление, отраслевой устойчивость, меры эффективности ESG, методология измерения.

## INTRODUCTION

The global industrial sector plays a crucial role in economic growth, employment, and infrastructure development. Nevertheless, industrial activities significantly contribute to environmental degradation, social inequalities, and governance challenges. Over the past decade, Environmental, Social, and Governance (ESG) has emerged as a vital framework for corporations seeking to address these concerns while ensuring profitability and long-term sustainability. ESG frameworks have grown in prominence as industries face increasing pressure to adopt sustainable and responsible business practices. Unlike traditional corporate social responsibility (CSR), ESG has evolved into a critical factor influencing financial performance, investment decisions, and regulatory compliance.

This research explores the adoption of ESG principles, the challenges companies encounter, and the benefits these frameworks provide to various industrial sectors. Key obstacles include the high costs of implementation, regulatory inconsistencies, and the absence of standardized ESG reporting frameworks, which continue to hinder broader adoption. The study concludes with practical recommendations for accelerating

ESG integration, ensuring long-term industrial sustainability, and providing robust methodologies to measure the impact of ESG factors.

## LITERATURE REVIEW ON THE TOPIC

In recent years, according to United Nations Global Compact [1], ESG factors have significantly reshaped industrial strategies, influencing investment decisions, regulatory frameworks, and corporate reputations. Companies are increasingly evaluated based on their carbon footprint, labor policies, diversity initiatives, and governance practices. According to Keter Environmental Services [2], industries facing ESG-linked regulations must develop effective ESG assessment mechanisms. ESG regulations encompass the rules, standards, and guidelines governing the environmental, social, and governance aspects of business operations. The primary aim of these regulations is to hold companies accountable for their impact on the environment, society, and corporate governance practices.

The importance of ESG principles in industry is growing for a number of reasons. Governments around the world are enacting stricter environmental protection laws, labor regulations, and anti-corruption measures, prompting companies to enhance their compliance efforts. Institutional investors and asset managers are increasingly prioritizing ESG-compliant firms, recognizing their commitment to sustainability and offering them better access to capital. At the same time, consumers are favoring brands that demonstrate ethical sourcing, fair labor practices, and environmental responsibility. Furthermore, ESG initiatives often lead to greater operational efficiency by optimizing resources, improving energy usage, and reducing waste, resulting in significant cost savings for companies.

On the other hand, as noted by Luca di Simone [3], challenges remain regarding the nature and types of ESG-related information. For instance, information related to sustainability reports is often kept private unless required by the EU Directive on non-financial reporting (EU Directive n.214/95). Consequently, most companies voluntarily decide whether to disclose such data. Although many firms are eager to provide investors with extra-financial information, the lack of standardized reporting rules results in various approaches to ESG assessment across industries. This inconsistency has significant implications for the usefulness of ESG information in academic research, business strategies, and investment analysis.

According to IRIS Carbon [4], there are multiple ESG rating agencies and methodologies, each employing unique approaches. Some agencies use quantitative methods, analyzing metrics like financial performance, while others adopt qualitative methods, conducting interviews and site visits. While certain agencies focus on carbon footprints and energy efficiency, others emphasize labor practices and human rights. It is crucial for investors and companies to understand these methodologies, as they offer valuable insights into performance areas not captured by traditional financial metrics. For example, a company might have strong financial results but weak environmental or labor practices. ESG ratings help identify firms that combine financial success with positive social and environmental impacts. As noted in the IRIS Carbon report [4], ESG assessments can also guide companies in identifying areas for improvement, aligning with societal expectations, and enhancing risk management, financial performance, and reputation. With growing investor attention to ESG factors, companies excelling in these areas are more likely to attract investment and achieve long-term success.

D. Farmer [5] notes that ESG metrics can generally be classified into two main types. Quantitative metrics are based on numerical data, such as greenhouse gas emissions, energy consumption, employee turnover rates, and HR violations. These metrics are valuable for benchmarking and monitoring progress over time. Qualitative metrics, on the other hand, rely on non-numerical data and can be more difficult to measure and compare. Examples include a company's dedication to Diversity, Equity, and Inclusion (DEI), labor practices, and community impact. While they tend to be more subjective, qualitative metrics provide crucial insights into a company's culture and values.

In general terms, a metric is a quantitative or qualitative measure used to track progress and evaluate success. In the context of ESG, metrics measure a company's performance on environmental, social, and governance issues, providing a similar function to other business metrics like revenue or profitability indicators. The content of ESG metrics is often shaped by specific standards, frameworks, or regulations requiring detailed information on particular topics.

The purpose of the forthcoming research paper is to analyze existing methodologies for assessing the influence of ESG factors on industries and their broader impacts. Companies will increasingly need to provide precise information on various ESG topics. ESG metrics may include indicators such as greenhouse gas emission intensity, waste production levels, and board gender diversity. After reviewing a range of literature, the core research question for the paper is: How can effective methodologies be identified for measuring the impact of ESG factors?

## RESEARCH METHODOLOGY

The research paper primarily analyzes recent secondary sources and contemporary literature on methodologies for assessing ESG factors. However, the primary research component, which aims to study mechanisms for improving ESG implementation, involves collecting original data. This data will be gathered through questionnaires and interviews conducted with representatives from major industries.

## ANALYSIS AND RESULTS

As it is stated by *Shen* [7] the ESG factors involves distinct tools-ESG standards, frameworks, regulations, and questionnaires. Each contributes differently to sustainability reporting and management. If to be more specific: standards - offer detailed disclosure criteria including specific performance measures or metrics; frameworks provide a high-level context and guiding information without specifying metrics, prescribing high-level disclosures and standards are followed; regulations include a set of rules or guidelines directed by regulatory authorities to govern ESG practices, and have impact over market dynamics shaping fundamental changes;  and finally questionnaires, managed by third parties, aim to assess sustainability performance through an ESG metrics, with participation from companies. But one of the limitations, that methodology tends to be less accessible to the public and less transparent compared to standards or frameworks.(Figure 1)


Figure 1. Key Tools Supporting ESG Factor Assessment.

According to the British Business Bank [8], ESG affects various aspects of business operations such as supply chains, hiring practices, and facilities management. Therefore, it is important to adopt a structured approach to understand, plan, and measure the implementation of ESG activities. From the perspectives outlined by Shen [7], the first essential stage in measuring the effectiveness and successful implementation of ESG is to identify the organization's priority areas. In short, this means deciding what to focus on and what to measure. Consequently, different ESG areas may require different types of measurement.

As *Farmer [*5] states there are environmental, social and governance metrics.(Figure 2)

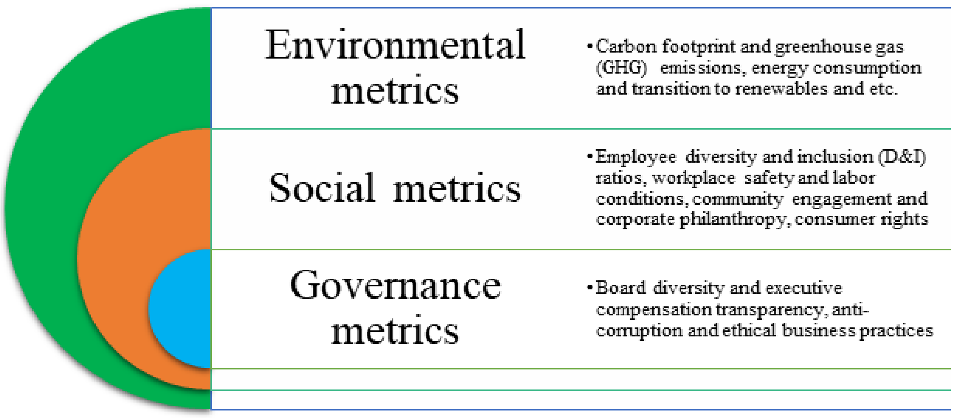


Figure 2. Core ESG Metric Categories.

Environmental metrics – carbon footprint and greenhouse gas (GHG) emissions, energy consumption and transition to renewables, water usage and waste management, supply chain sustainability, biodiversity impact, and deforestation policies.

Social metrics – employee diversity and inclusion (D&I) ratios, workplace safety and labor conditions, community engagement and corporate philanthropy, consumer rights, product safety and data privacy, and human rights compliance in supply chains.

Governance metrics – board diversity and executive compensation transparency, anti-corruption and ethical business practices, shareholder rights and corporate voting policies, ESG risk management and compliance frameworks, and public disclosure of ESG reports.

Table №1 below summarizes the metrics to clarify distinctions and categorize them accordingly [6].

After a review of the literature and case studies, it can be concluded that in order to define an effective methodology for measuring the impact of ESG factors, an organization should begin by prioritizing ESG issues– whether these concern environmental protection or societal improvement. The next stage is the identification of ESG regulations in the company's operating region. An example is the CSRD for companies doing business in the EU, or the U.S. Securities and Exchange Commission (SEC) Climate Disclosure Rule for publicly listed firms in the United States. Finally, organizations should refer to the main standards or frameworks that provide specific performance measures or metrics on these topics, as prescribed by applicable regulations. These may include metrics that support better management of the material issues a company has already identified.

Table 1. Key ESG Indicators by Category.

| Environmental | Social | Governance |
|---|---|---|
| **GHG emissions** | Employee Diversity and Inclusion | Cybersecurity |
| **Amount of Scope 1,2 and 3 emissions** | Percentage of gender/ racial or ethnic representation for management and employees | Number of data breaches, percentage breaches, involving personality and identifiable information |
| **Energy management** | Labor practices | Business ethics |
| **Total energy consumed, percentage renewable electricity** | Percentage of active workforce covered under collective agreements | Amount of net revenue in countries that have lowest rankings in transparency International's corruption perception index |
| **Waste management** | Employee health and safety | Business model resilience |
| **Total weight of waste diverted from disposal** | Total recordable incident rate | Amount of material recycled and processed as waste energy |
| **Water management** | Pay equity | Remuneration |
| **Total water consumption from all areas with water stress** | Ratios of standard entry level wage by gender | Annual total compensation ratio of CEO |

## CONCLUSION AND SUGGESTIONS

To sum up, with effective measurement methods, it can be concluded that the variability of many ESG metrics is one of the main challenges companies face today. Unlike financial datasets, which are mostly numerical, ESG metrics can include both quantitative and qualitative data to help investors and other stakeholders understand a company's actions and intentions.

Quantitative metrics are numerical values that can be easily calculated and compared over time or between companies. They convey information about quantities, percentages, distances, and similar data points. However, unlike financial metrics, ESG quantitative metrics often use a variety of measurement units.

On the other hand, qualitative metrics are generally more challenging to collect, compute, and compare than their quantitative counterparts. However, because they describe qualities, characteristics, strategies, processes, and actions that cannot be numerically measured, they are highly valuable for complementing and contextualizing quantitative data disclosures.

When reporting on ESG issues, companies typically use a combination of both quantitative and qualitative metrics. This dual approach enables them to present a more holistic view of their sustainability performance to stakeholders.

Both quantitative and qualitative metrics are essential for measuring a company's ESG performance. By using a combination of the two, organizations can gain a more comprehensive understanding of ESG-related challenges and work to improve areas in which they have weaknesses.

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