



IMPLEMENTATION OF ESG PRINCIPLES IN THE CORPORATE SECTOR

Omonov Sardor O'lmasovich

PhD, Associate Professor, "Corporate Finance and Securities"
Department, Tashkent State University of Economics, Uzbekistan
Email: s.omanov@tsue.uz

Abstract

This article studies the introduction of ESG (environmental, social, governance) principles in the corporate sector, examining the views of various economists and researchers on the characteristics, organizational aspects and impact of ESG principles. The introduction of ESG principles and directions of its application in international practice are analyzed using the example of Honda. Based on the analysis, relevant conclusions and proposals are given.

Keywords: ESG principles, environmental principles, social principles, governance principles, investment attractiveness, green investor, social responsibility, investment.

Introduction

Today representatives of the corporate sector in the world are focusing not only on achieving economic efficiency in their activities, but also on assuming social responsibility to society and preserving the environment. In this process, the implementation of ESG principles plays an important role in the effective organization of various projects in the environmental, social and governance areas of companies. Therefore, the implementation of ESG principles has become a modern model of corporate governance and serves the long-term sustainable development of companies. The environmental component of ESG encourages enterprises to use energy-efficient technologies, reduce emissions and expand renewable energy sources. This approach not only reduces environmental risks, but also provides economic benefits by reducing the operating costs of enterprises. The social direction is focused on employee health, working conditions, gender equality and strengthening cooperation with local communities. Through social responsibility initiatives, enterprises create a positive image in society and strengthen the trust of stakeholders. The governance principle requires the strict implementation of transparency, accountability and anti-corruption measures. This reduces agency problems and makes the company more reliable and open to investors. Governance structures based on ESG principles reduce financial risks and contribute to increased corporate sustainability. In this regard, ESG principles enhance the market competitiveness of companies and make them attractive for global investments. Companies that adhere to ESG are seen by investors as stable corporate structures capable of creating long-term value. As a result, enterprises managed with environmental and social responsibility increase their investment attractiveness and attract interest from a wide range of investor groups. The ability of enterprises to raise capital increases and the level of capitalization steadily increases. Therefore, the study of these issues is relevant.



Literature Review

According to the analysis of C. Huang and R. Mo, “as global climate change and social sustainable development issues are increasingly being addressed, investments guided by environmental, social and governance (ESG) principles have gradually become an important component of the international financial system. As a basis for assessing the sustainability performance of enterprises and institutions, the ESG concept not only changes the direction of valuation in capital markets, but also helps to redirect global financial resources to greener, lower-carbon and more inclusive directions” [1]. It is emphasized that ESG principles are one of the important directions in transforming the global economy into a green economy.

According to the team of authors led by V. Balon, “by studying the best practices of developed economies, such as the rule of law and governance systems, governments and businesses in developing countries have achieved sustainable economic growth and have begun to focus on social welfare. Therefore, corporate social responsibility has emerged as the most interesting area of business management and has received considerable attention in recent years. According to the results of research on corporate social responsibility, social responsibility should include not only the economic goals of the enterprise (e.g., improving brand image, increasing profits, achieving competitive advantage), but also the needs and demands of society (e.g., education, health, poverty reduction). Such responsible programs should adhere to government standards and procedural guidelines (e.g., accountability, transparency). At the same time, corporate social responsibility also involves public-private partnerships in the economic growth of the country. helps to strengthen” [2]. Corporate social responsibility programs in companies can be seen as a practical expression of the social principle in ESG principles. We can consider that these programs serve as a clear example of increasing the value of capital through social and environmental projects.

T. Tarjo et al. noted that “as a result of the company’s accountability through corporate social responsibility, the market value of the firm can improve. The positive effect of corporate social responsibility is felt in companies with strong employee loyalty and its importance is increasing. The impact of corporate social responsibility on the value of the company also depends on the economic situation. Corporate social responsibility expands the range of investors interested in the company’s shares by improving the reputation and image of companies in society” [3]. Social and environmental principles not only serve to create additional value for the company, but also help to form a social environment and traditions in the company.

S. Javeed et al. noted that “in order to increase the economic efficiency of employees, companies need to introduce internal management procedures focused on corporate social responsibility. Also, the board of directors should implement effective corporate strategies to improve the efficiency of decision-making and further increase shareholder wealth” [4].

Today, in international practice, “corporate social responsibility means that companies undertake obligations to develop their activities in accordance with the values of society, as well as to meet the requirements of stakeholders. The three main areas of corporate social responsibility effectiveness are environmental, social and economic. Innovations should also comply with the standards and goals of



corporate social responsibility and sustainability. Therefore, companies are paying more attention to corporate social responsibility as an integral part of innovation strategies, and interest in the relationship between innovation and corporate social responsibility is growing” [5]. The extent to which ESG principles are implemented in a company is evident from the scope of measures and projects in corporate social programs, as well as the scale of financing.

B. Tuyen et al. emphasize that “today, the attention of enterprises to corporate social responsibility is increasing. The literature on corporate social responsibility and innovation emphasizes two different relationships between them. According to the shareholder theory, on the one hand, corporate social responsibility programs stimulate company innovation. According to the supporters of the theory of corporate social responsibility, corporate social responsibility demonstrates that the company has integration, honesty and business ethics in its business activities” [6].

In national practice, a number of studies have also been conducted by local economists and researchers. In particular, F. Esanov [7] analyzed the preparation for the introduction of ESG principles and ESG principles in the context of banks. N. Musayeva [8] studied the integration of ESG indicators and financial analysis. It should be noted that D. Khairova and M. Sayfullayeva [9] focused on the issues of forming ESG reports.

Analysis and results

Today, the implementation of ESG (environmental, social and governance) principles on a global scale is one of the modern mechanisms that is receiving special attention not only from regulators, but also from participants in the corporate sector. For this reason, various regulatory mechanisms have been developed for the implementation and assessment of ESG principles. In particular, in international practice, the ESG index is used to assess the effectiveness of the implementation of ESG principles across countries. This index helps to assess risks based on a developed methodology in the areas of environmental, human rights and health and safety, and a score is formed based on indicators formed in these areas. The environmental criterion, which is one of the main components of the ESG index, is assessed with a share of 30 percent and assesses the impact of countries on the environment, the culture of using natural resources and environmental safety measures. The 50 percent of the ESG index is assessed based on the human rights dimension and is formed on the basis of fundamental indicators such as civil liberties, gender equality, and the sustainability of social protection mechanisms. The health and safety dimension, which accounts for 20 percent of the total score, assesses the level of epidemiological risk management, safe working conditions, and the state's sanitary and epidemiological stability. Table 1 below analyzes the performance of the top 10 countries in the ESG index.



Table 1 Top 10 countries in the ESG index [10]

Countries	Scoring	Rating in 2025
Iceland	14,61	1
Finland	15,21	2
Sweden	15,74	3
Norway	15,96	4
Australia	19,50	5
Switzerland	19,82	6
Portugal	19,87	7
Estonia	19,89	8
New Zealand	19,93	9
Denmark	20,44	10

As we can see from Table 1, Iceland is the country with the highest score, with a score of 14.61. Denmark rounds out the top 10 with a score of 20.44.

It is worth noting that the deep integration of ESG principles into the corporate governance system has become one of the main indicators determining the value of a company in modern capital markets. Today, ESG principles are interpreted as a strong institutional factor that reduces risks and increases the stability of expected profits in the formation of long-term strategic decisions of investors. Therefore, today, corporate structures use ESG principles to achieve such results as transparency of environmental management, efficiency of resource use, implementation of social criteria, protection of employee rights, ensuring gender equality, establishing constructive dialogue with stakeholders, improving the quality of corporate governance, increasing the independence of supervisory boards, transparency of audit processes and guaranteeing the rights of shareholders. The importance of ESG ratings in the process of making investment decisions is increasing. Currently, investors interpret ESG indicators as an important indicator of the long-term stability of the company and its ability to manage risks. ESG principles and their components, environmental, social and governance principles, have a positive impact on the investment attractiveness of companies. High ESG results help reduce company-specific risks and increase investor confidence. However, it should not be overlooked that ESG activities inevitably entail additional costs for the company and may reduce the company's profitability in the short term.

The analysis of Table 2 shows that the introduction of ESG principles in companies significantly increases investment attractiveness. Environmental measures, in particular, reducing the carbon footprint and using green energy, while reducing operating costs, prove the existence of a sustainability strategy for investors. Social initiatives increase the company's internal efficiency by enhancing employee health, gender equality and social responsibility and reduce the level of risk in the eyes of investors.



Table 2 The role of implementing ESG principles in companies in increasing investment attractiveness[11]

Indicators	Project Areas	Positive Impact on the Company	Positive Impact on Investors	Impact on Investment Attractiveness
Environmental	Carbon footprint reduction, green energy, waste management	Lower operating costs, improved energy efficiency	Increased confidence in companies with sustainability strategies	Stronger capital inflows into green projects
Social	Employee health and safety, gender equality, corporate social responsibility, digital inclusion	Higher workforce efficiency and productivity	Companies with strong social stability are perceived as lower-risk investments	Long-term support from investors
Governance	Transparent reporting, board independence, anti-corruption measures	Reduced agency costs, enhanced risk management efficiency	Greater reliability and lower perceived risk for investors	Sustainable growth in market capitalization
ESG Reporting and Transparency	International standards: GRI, SASB, TCFD	Reduced information asymmetry	More accurate evaluation and decision-making by investors	Improved conditions for raising capital
Green Innovation	Green technologies, innovative solutions	Long-term profitability	Innovative companies attract the attention of global investment funds	Increased investment demand
Stakeholder Relations	Sustainable relationships with communities, government institutions, and customers	Enhanced reputational capital	Companies with strong reputations are viewed as safer assets	Higher priority in investors' portfolios

Transparent reporting in the field of governance, independence of the supervisory board and anti-corruption measures reduce agency costs and enhance the company's credibility. This directly affects the sustainable growth of capitalization. ESG reporting and transparency in accordance with international standards reduce information asymmetry and make the decision-making process more transparent for investors. Green innovations, on the other hand, can provide long-term profitability and attract the attention of global investors to the company. Sustainable relations with stakeholders increase the company's capital and make it a low-risk investment asset.

Honda's environmental strategy for 2050 shows that it is based on clear and long-term plans to achieve global environmental sustainability (Table 4). In the direction of a zero-emission economy, the company's goal of achieving complete carbon neutrality is being implemented by increasing the share of EV models and conducting regular reporting on CO₂. As a result of these initiatives, greenhouse gas emissions are expected to be significantly reduced.



Table 3 Honda's environmental project goals for 2050 [11]

Key Areas	Strategic Goals (2050)	Measures for 2025–2031	Expected Environmental Outcomes
Carbon-Neutral Economy	Achieve full carbon neutrality	Increase the share of electric vehicle (EV) models; strengthen CO ₂ reporting and monitoring	Significant reduction in greenhouse gas emissions
Energy Efficiency	Use 100% renewable energy	Implement energy-efficient technologies in manufacturing facilities	Reduction in production costs and energy consumption
Circular Use of Natural Resources	Utilize 100% recyclable raw materials	Wastewater recycling, zero-waste production initiatives	Reduced environmental pressure and resource depletion
Biodiversity Conservation	Protect and preserve natural ecosystems	Environmental impact assessments, expansion of green areas	Restoration and preservation of ecosystems

In terms of energy efficiency, Honda plans to switch to 100% renewable energy sources, and production costs will be reduced by introducing energy-saving technologies at factories. In the direction of natural resource circulation, the goal is to introduce 100% recyclable raw materials and reduce waste to zero by recycling wastewater. This will help minimize pressure on nature. Measures such as protecting natural areas and expanding green zones are being implemented to preserve biodiversity. These ecosystem-related initiatives contribute to the restoration of the natural environment and the strengthening of biological sustainability.

Conclusions

Based on the study of the implementation of ESG (environmental, social, governance) principles in the corporate sector of Uzbekistan and their impact on investment attractiveness, the following conclusions and proposals have been developed:

Firstly, although the regulatory and legal framework of Uzbekistan on ESG is gradually being strengthened, the practical integration of ESG in enterprises has not yet been fully formed. Therefore, special attention should be paid to the effective organization of the implementation of these measures; Secondly, it is advisable to develop a single national methodology for ESG standards for the corporate sector of Uzbekistan and introduce mandatory annual ESG reports for companies; Thirdly, in the social direction, companies should allocate more financial resources to employee safety, training programs, gender equality and the formation of an inclusive work environment.



References

1. Conghao Huang, Ran Mo. Legal factors driving ESG investment growth: Evidence from cross-border regulatory reforms. // *Finance Research Letters*, Volume 85, Part B, November 2025. - P. 2.
2. Virendra Balon, Sri Yogi Kottala, K.S.Reddy. Mandatory corporate social responsibility and firm performance in emerging economies: An institution-based view. // *Sustainable Technology and Entrepreneurship* Volume 1, Issue 3, September–December 2022.
3. Tarjo Tarjo, Alexander Anggono, Rita Yuliana, Prasetyono Prasetyono, Muh Syarif, Muhammad Alkirom Wildan, Muhammad Syam Kusufi. // *Corporate social responsibility, financial fraud, and firm's value in Indonesia and Malaysia*. // *Heliyon*, Volume 8, Issue 12, December 2022.
4. Sohail Ahmad Javeed, Rashid Latief, Xiang Cai, Tze San Ong, Sun Qian, Ahsan Ul Haq. What is the role of the board sustainable committee for corporate social responsibility? The moderating effect of gender diversity and ownership concentration. // *Journal of Cleaner Production*, Volume 379, Part 2, 15 December 2022.
5. M. Isabel González-Ramos, Fátima Guadamillas, Mario J. Donate. The relationship between knowledge management strategies and corporate social responsibility: Effects on innovation capabilities. // *Technological Forecasting and Social Change*, Volume 188, March 2023.
6. Bui Quang Tuyen, Do Vu Phuong Anh, Nguyen Phuong Mai, To Quang Long. Does corporate engagement in social responsibility affect firm innovation? The mediating role of digital transformation. // *International Review of Economics & Finance* Volume 84, March 2023, Pages 292-303.
7. Esanov, F. (2025). O'ZBEKISTONNING MOLIYAVIY SEKTORIDA ESG TAMOYILLARINING STRATEGIK TADBIQ ETILISHI: DRAYVERLAR, MUAMMOLAR VA BANKLARDA BARQAROR RIVOJLANISH UCHUN YO'L XARITASI. MOLIYA VA BANK ISHI, 11(2), 52–61.
8. N.Musayeva. ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE) KO'RSATKICHLARI VA MOLIYAVIY TAHLIL INTEGRATSIYASI. // *Journal of Contemporary World Studies*, Published May 15, 2025. - B. 1
9. Xairova D.R., Sayfullayeva M.I. O'ZBEKISTONDA ESG TAMOYILLARINI JORIY ETISH ("O'ZBEKNEFTGAZ" AJ MISOLIDA). // *NEFT VA GAZ SANOATIDA INNOVATSIYALAR*, 3-son, 2023. - B. 64.
10. <https://risk-indexes.com/esg-index/> - done by author on the basis of Risk Watch Initiative platform materials.
11. <https://www.honda.com/environment> - done by author on the basis of Honda's web-site materials.