REGULATION OF ESG AND GREEN FINANCE STANDARDS IN GLOBAL AND LOCAL MARKETS

Zoyirov Laziz Subkhonovich
Independent researcher,
Tashkent State University of Economics

ESG (Environmental, Social, and Governance) — refers to the consideration of environmental, social, and governance factors when evaluating companies. ESG principles allow investors to assess the long-term sustainability and social responsibility of companies. Green finance refers to financial activities aimed at ensuring environmental sustainability, such as issuing green bonds, financing environmentally friendly projects, etc.

ESG and green finance standards are developing around the world. For example, the ESG reporting standards developed by the International Sustainability Standards Board (ISSB) aim to ensure that companies present ESG information in a uniform format. These standards help make ESG reports more transparent and comparable. Also, the ESG reporting standards developed by the CFA Institute help present the ESG aspects of investment products and reduce the risk of "greenwashing".

ESG and green finance standards in local markets are still in the development stage. For example, the role and importance of ESG principles in the activities of banks are being discussed through seminars organized by the Central Bank of Uzbekistan. In addition, Uzsanoatqurilishbank is developing strategies for the implementation of ESG principles. At the same time, Uzkimyosanoat announced that it has received an ESG rating from S&P Global, which demonstrates the company's commitment to sustainable development.

The regulation of ESG and green finance standards is being implemented differently globally. The European Union, the United Kingdom, the United States and other countries are introducing mandatory requirements for ESG reporting. However, in some countries there is resistance to ESG principles. For example, in the US state of Texas, laws are being passed against ESG principles, and some banks are refusing to apply ESG standards.

In recent years, the role of ESG - environmental, social and governance - criteria in economic and investment decision-making has been increasing worldwide. ESG reflects not only the sustainability of companies' activities, but also the attention of investors, states and the public to responsible development. In the period 2020-2024, the ESG concept has developed rapidly, strengthening its position in the global financial system, despite various economic and political factors. The following analysis highlights the dynamics of ESG development over the past five years, changes in investment flows, the number of funds and the volume of assets.

Table 1 Key trends in ESG development in 2020-2024 [1]

	Years	ESG development main trends
1	2020	World according to To ESG directed assets will reach 40.5 trillion US dollars in 2020 organization reached . $51.1 billion invested in ESG funds entered . Stable bonds market general volume of 732.1 billion US dollars enough .
2	2021	ESG funds number by 36 percent increased to a total of 534 funds enough .
3	2022	ESG funds investments flow to 3.1 billion US dollars fall , front years average of 47 billion US dollars It was much lower . In the USA To ESG against political resistances strengthen and ESG was demand to decrease take came .
4	2023	To ESG was demand again increased , this To ESG was of trust recovery shows . To ESG directed investments again growth started , this To ESG was of trust recovery shows .
5	2024	To ESG directed assets of 53 trillion US dollars ESG funds investments flow again increase this is expected To ESG was demand continue to reach shows .

The period 2020-2024 represents a unique phase for ESG investments. While 2020 saw the beginning of the ESG adoption phase, 2021 saw a sharp increase in demand for this area. In 2022, investment flows declined significantly due to political pressure and a decline in confidence. Nevertheless, in 2023, interest in ESG resumed, and in 2024, global ESG assets reached 53 trillion USD. This confirms that ESG investments have a long-term perspective, and investors are increasingly focusing on making decisions based on sustainability and social responsibility. Financial regulation based on ESG (Environmental, Social and Governance) principles is gaining momentum around the world.

Countries such as the European Union, the United Kingdom, India and Hong Kong are introducing mandatory ESG reporting requirements. For example, the European Union has developed new standards to reduce the risk of "greenwashing" of ESG investment funds. In addition, the International Finance Corporation (IFC) is proposing to introduce a single classification system for green bonds, as there are currently more than 30 different green bond classification systems in the world, which makes it difficult for investors to make decisions. Financial regulation based on ESG principles is gradually developing in Uzbekistan. The Central Bank is organizing seminars on the introduction of ESG principles into the activities of banks. An agreement on the development of the green economy was also signed between the Ministry of Economy and Finance of Uzbekistan and the Global Green Growth Institute (GGGI). In addition, the first private green bond was issued by Saipro Group, which contributes to the development of the green finance market in the country.

The development of ESG and green financial regulation in global and local markets is aimed at ensuring sustainable economic growth and social responsibility. In Uzbekistan, the process

[1] Prepared by the author.

of integrating ESG principles into the financial system is ongoing. However, it is necessary to address issues such as the lack of data in the application of ESG principles, the development of the regulatory framework, and obtaining international ratings. In the future, it will be possible to increase sustainable economic growth and social responsibility by sorting investments based on ESG principles and diversifying the portfolio.

Our country has set the integration of ESG (Environmental, Social and Governance) principles into the economy as a priority task. Through this, the country aims to increase sustainable economic growth and social responsibility.

Financing mechanisms based on ESG principles are developing in Uzbekistan. For example, Uzsanoatqurilishbank began introducing ESG principles into its system in 2018 and developed an ESG strategy in collaboration with the International Finance Corporation in 2023. Also, the state enterprise "Navoiyuran" is implementing ESG principles in practice by introducing international standards such as ISO 37001 and ISO 37301.

There are some problems in applying ESG principles. The lack of information and the complexity of the assessment complicate the decision-making process for investors. Also, the lack of a regulatory framework necessary for the application of ESG principles and the issue of obtaining an international rating are considered urgent.

In Uzbekistan, the processes of integrating ESG principles into the economy and sorting investments based on ESG and diversifying the portfolio are developing. Priority tasks in state policy, efforts of financial institutions to introduce ESG principles, and practical experience support this process. However, it is necessary to solve problems such as the lack of information, the development of the regulatory framework, and obtaining an international rating. In the future, it will be possible to achieve sustainable economic growth and increase social responsibility by selecting investments based on ESG principles and diversifying the portfolio.