

IMPLEMENTATION OF THE “ESG”
CONCEPT IN JOINT-STOCK COMPANIES

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Abstract. *The article examines the principles of ESG (environmental, social and governance aspects) in corporate governance and their impact on the organization's performance, analyzes the factors that contribute to the sustainable development of companies, strengthening their social responsibility and environmental sustainability, As well as increasing corporate value through the implementation of ESG standards, scientifically based proposals and recommendations were also developed that assess the impact of ESG principles on economic performance, investment attractiveness and corporate reputation.*

Keywords: *ESG principles, corporate governance, innovative mechanisms, sustainable development, environmental sustainability, social responsibility, responsible investment, digital technologies, corporate performance, corporate reputation, investment attractiveness.*

Introduction. Today, one of the main criteria that international financial institutions prioritize when choosing companies and securities is compliance with ESG principles. World practice shows that the integration of ESG standards into the corporate governance system is an important factor in increasing the investment attractiveness of companies, ensuring long-term sustainable development and strengthening corporate reputation. At the same time, innovative mechanisms - digital technologies, "green" investments, new business models aimed at saving resources and responsible corporate governance instruments - are the main tools in the process of implementing ESG principles in practice [2].

A review of the relevant literature. According to Chen (2024), the main mechanisms by which ESG influences innovation through different directions have been identified: environmental sustainability promotes green innovation, social responsibility promotes inclusive innovation, and strong corporate governance ensures strategic innovation [2]. According to Li (2025), integrating environmental, social, and corporate governance (ESG) principles into corporate strategic management can significantly improve corporate social responsibility (CSR) practices and enhance competitiveness in sustainable development. In the research of Liping et al. (2025), the development of the concept of sustainable development has encouraged more enterprises to disclose environmental, social, and corporate governance (ESG) information, and ESG behavior is also viewed as a positive strategic move to implement the new development concept [3].

Research methodology. The analysis of innovative mechanisms for integrating ESG principles into the corporate governance system and their impact on efficiency used literature review, comparative analysis, statistical data analysis and economic indicators, logical thinking, data grouping, synthesis and inductive-deductive methods, statistical and economic analysis methods.

Analysis and results. Modern concepts of corporate governance of joint-stock companies are based not only on financial indicators, but also take into account the comprehensive impact of the organization's activities. ESG (Environmental, Social, Governance) principles reflect just such a comprehensive approach. These principles constitute a set of important criteria for assessing the company's attitude to the environment, society and governance system.

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| 19 | ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 15 Issue: 04 in April-2026 https://www.gejournal.net/index.php/IJSSIR |
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ESG is an acronym for "Environmental", "Social", and "Governance", and is a set of principles for companies' activities based on environmental protection, improving social conditions, treating employees and customers fairly, and good corporate governance. Companies that adhere to ESG principles are committed to reducing environmental damage, caring for employees and customers, and operating transparently and honestly [5].

The concept of ESG was first used in 2004 in the UN report "Who Cares Wins". After that, the whole world realized that business should not only make money, but also help solve environmental and social problems.

It is worth noting that more than 90% of companies on the S&P 500 list worldwide publish ESG reports. The S&P 500 is a list of the 500 largest US companies, some of which, such as Apple, Microsoft, Amazon, Tesla, etc., are considered a guiding force in the global market. ESG has already become the norm for them. The Decree of the President of the Republic of Uzbekistan No. 16 dated January 30, 2025 "On the State Program for the Implementation of the Strategy "Uzbekistan – 2030" in the Year of Environmental Protection and the "Green Economy"" stipulates that our country will transition to a "green" economy by 2030. ESG is the main tool in this regard. ESG is the pursuit of sustainable, reliable and long-term profit while taking care of nature. It is not just for large corporations, even small business participants can start with these principles with simple steps [4].

Key ESG trends for 2024:

Standardization of reporting: International standards (GRI, TCFD, SASB) have been consolidated to replace many fragmented regulations, increasing reporting quality and data transparency.

Combating greenwashing: Regulatory scrutiny of false environmental claims has increased, and companies are being forced to substantiate their ESG data.

Sustainability in the supply chain: Monitoring the social (labor conditions) and environmental impacts of not only the company itself, but also its entire supply chain has become the norm.

Artificial intelligence (AI) and ESG: AI and data analytics are being widely used to automate ESG reporting, track carbon emissions, and effectively manage green technologies.

Social capital: There is an increased focus on DEI (diversity, equality, and inclusion), human rights, labor conditions, and employee well-being.

In Uzbekistan, ESG: The principles of sustainable development are being actively implemented through the transition to a green economy, the introduction of renewable energy sources, and tax system reforms [6].

Table 1.

Responsible corporate governance models based on ESG

| Model | Importance | Application result | In international practice |
|-------------------------------------|--|---|-----------------------------|
| Active engagement with shareholders | Increasing trust and transparency | The number of investors will increase by 15%. | Unilever Stakeholder Forum |
| ESG reporting | formation in line with international standards | Simplify risk assessment for investors | Apple Sustainability Report |
| Compliance and ethics systems | Anti-corruption measures | Improving position in international rankings | Toyota Compliance Policy |

In order to attract investment in major international projects and reforms underway in Uzbekistan, it is required to introduce ESG standards. In accordance with the Decree of the President of the Republic of Uzbekistan No. PQ-4388 dated July 9, 2019, Uzbekneftegaz JSC is tasked with

publishing a report on economic, social and environmental issues (ESG), including in accordance with the Global Reporting Initiative (GRI), starting from the end of 2020. For this purpose, various initiatives have been developed with the involvement of international consulting companies for the sustainable development and implementation of ESG standards, PwC and BCG will conduct diagnostics of the ESG profile and develop recommendations for its improvement, BCG consultants will provide important reports on the company's "As is" state, the development of ESG strategy. In this regard, they will assess and analyze the carbon footprint, efficient use of resources (E) and corporate culture, labor safety and relations with society (S). In this: E (Ecological) - the level of energy efficiency, waste management and implementation of green technologies in production processes is analyzed; S (Social) - the creation of safe working conditions for employees, respect for human rights and the effectiveness of relations with local communities are studied; The "As is" model - shows the true picture of the current situation and determines the level of compliance with international ESG standards. This analysis plays an important role in developing a long-term sustainable development strategy for large companies such as "Uzbekneftegaz" [7].

In accordance with the Decree of the President of the Republic of Uzbekistan No. PQ-4388 dated July 9, 2019, Uzbekneftegaz JSC is obliged to publish a report in accordance with ESG, including the Global Reporting Initiative (GRI), starting from the end of 2020, various initiatives were carried out for the sustainable development and implementation of ESG standards with the involvement of international consulting companies, as well as diagnostics of the ESG profile of PwC and BCG companies, and recommendations were developed for its improvement. In 2022, an ESG Responsibility Center was established and a separate ESG Implementation Department was opened. Authorized employees developed a draft of the company's ESG goals and their indicators, as well as a detailed analysis of the company's activities in accordance with the requirements of ESG rating agencies, and based on the analysis, a "Roadmap of measures to prepare for obtaining an ESG rating" was developed. In this regard, based on the recommendations of international consultants, an independent unit responsible for the implementation of ESG standards was established at Uzbekneftegaz JSC, and the company's ESG goals and their indicators, as well as the initial "roadmap" for the implementation of ESG principles, were approved. This roadmap envisages the involvement of an international consulting company in preparing the ESG report and supporting the ESG rating. The Ministry of Economic Development and Poverty Reduction, in collaboration with the Asian Development Bank, will engage a qualified foreign expert to address the following issues, including: studying the level, goals, and plans for the introduction of ESG principles in state-owned enterprises; reviewing current international best ESG practices and rating systems that state-owned enterprises can use to achieve ESG certification; and projects being implemented in society to achieve ESG goals, including reducing greenhouse gas emissions, rational use of resources, reducing the company's carbon footprint, and the widespread introduction of renewable energy sources [8].

In order to strengthen its international credit rating through an IPO, it is important for Uzbekneftegaz JSC to develop a long- and medium-term strategy and obtain a Sustainable Development Rating (ESG) from international rating agencies. The international rating agency Sustainable Fitch has comprehensively studied the activities of Uzbekneftegaz JSC in the areas of environmental, social and corporate governance (ESG) and provided the company with its first ESG rating. The assignment of this rating demonstrates that the Company's work in this area is consistent with the "Year of Environmental Protection and Green Economy". According to the agency's conclusions, Uzbekneftegaz JSC was recognized as worthy of an ESG rating of "3" and 50 points. This is a high result for the oil and gas industry and reflects the company's consistent reforms in the field of sustainable development, environmental responsibility and management efficiency. Such an assessment reflects the bold step taken by Uzbekneftegaz JSC towards a sustainable business model in a context of high environmental requirements for the industry. For information, it is worth noting

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| 21 | ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 15 Issue: 04 in April-2026 https://www.gejournal.net/index.php/IJSSIR |
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that the ESG rating is assessed on a five-point scale from "1" (highest) to "5". Uzbekneftegaz JSC evaluates the obtained result as an important stage in the further improvement of the corporate sustainability strategy. Today, Uzbekneftegaz JSC is conducting systematic work on the implementation of ESG standards with the involvement of international experts, including: the company's ESG profile was diagnosed by international consultants (BCG and PwC) and recommendations for improvement were developed; the ESG Responsibility Center - a committee responsible for coordinating the implementation of ESG standards and organizational issues was established; a structural unit directly responsible for the implementation of ESG standards was established; a draft of the company's ESG goals and their indicators was developed. Current issues of ESG include the main concepts related to ESG in production departments and gas processing plants, historical aspects of the origin of these standards; UN Sustainable Development Goals (UN SDG); Regulatory and legal acts adopted in the field of ESG in the Republic of Uzbekistan; These include the results of studies conducted by international consultants such as BCG, EY and McKinsey. In accordance with the recommendations of the strategy consultant - "BCG" and the corporate governance consultant - "PwC" involved in "Uzbekneftegaz" JSC, an "ESG" responsibility center was established in the joint-stock company, the main task of which is to introduce advanced "ESG" standards into the company's business processes [8]. Accordingly, within the framework of the transformation of Uzbekneftegaz JSC, in accordance with the current international ESG agenda, the company is working to systematize and disclose its activities in the environmental, social and corporate governance (ESG) areas. At the same time, in accordance with the best practices of leading oil and gas companies, targets for reducing greenhouse gas emissions, electricity and water consumption, as well as carbon emissions, are being compared. Uzbekneftegaz JSC has made a significant contribution to the social climate of the country ("S" block), namely, the company's high requirements for compliance with occupational safety, support for employees' families and youth, as well as ensuring the social sector in the regions [9].

In the development of a long-term development strategy at Uzbekneftegaz, the consultants of the "Big Three" management consulting company Boston Consulting Group (BCG) are working in the following business segments: geological exploration; production; oil refining and gas chemistry; marketing and sales; ESG. The purpose of this work is to increase the company's financial and operational efficiency and adapt the strategy of Uzbekneftegaz to changes in the industry, including the introduction of corporate practices in the field of ESG. Based on the results of diagnostics conducted in the business segments "Geological exploration and production", "Oil and gas refining and gas chemistry", "Sales and marketing", "Sustainable development and ESG", a report on the medium and long-term development strategy of Uzbekneftegaz is being prepared by BCG [15].

Conclusions and recommendations. The analysis showed that the integration of ESG (Environmental, Social, Governance) principles into the corporate governance system, innovative approaches, especially digital technologies, "green" financing and responsible management models, significantly increase not only the financial performance of companies, but also their investment attractiveness, corporate reputation, social responsibility and efficiency. ESG innovations help companies effectively manage risks, reduce operating costs and create new market opportunities. In addition, they strengthen employee loyalty and increase brand confidence. To implement the above measures, it is necessary to create a separate unit with specialists for the center, to attract experienced consultants and experts from leading international oil and gas companies to coordinate work on "ESG", and to provide them with training. This will ensure a stable and successful future for companies.

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| 22 | ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 15 Issue: 04 in April-2026 https://www.gejournal.net/index.php/IJSSIR |
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