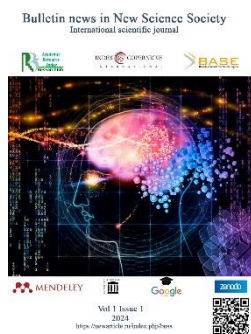


THE IMPACT OF ESG FACTORS ON THE INVESTMENT PROCESS

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Annotation: *This study explores the influence of Environmental, Social, and Governance (ESG) factors on the investment process, highlighting their growing significance in shaping investor decisions. Drawing on recent research (2023-2025), including meta-analyses from NYU Stern, PRI reports, and industry-specific studies, the analysis demonstrates that ESG integration enhances financial performance, mitigates risks, and aligns portfolios with global sustainability trends. Statistical data from the Global Sustainable Investment Alliance projects sustainable investment assets reaching \$53 trillion by 2025, underscoring ESG's transformative role. Despite challenges such as political opposition and sector-specific variations, ESG factors are increasingly vital for long-term value creation and risk management in modern investment strategies.*

Keywords: *ESG (Environmental, Social, Governance), Sustainable Investing, Financial Performance, Risk Management, Portfolio Diversification, Investment Process, Sustainability Trends, Global Sustainable Investment.*

In the modern financial market, alongside traditional financial indicators, environmental, social responsibility, and corporate governance (ESG) criteria are increasingly gaining importance in investment decision-making processes. ESG principles not only contribute to the sustainable development of companies but also serve as a tool for creating long-term value and reducing risks for investors.

In recent years, the influence of ESG factors on global investment flows has significantly strengthened, with investors preferring to consider social and environmental responsibility alongside financial returns. National and international investment funds are implementing sustainable investment principles by incorporating ESG criteria as key selection factors in their strategies.

The integration of ESG factors into investment processes directly impacts companies' financial performance, determining their market reputation, risk levels, and long-term sustainability. Therefore, there arises a necessity to deeply study the importance of ESG criteria and their impact on investment decisions in the contemporary investment environment.

These factors – environmental, social, and governance issues – are viewed by investors not only as tools for managing risks but also for enhancing long-term returns. Recent studies, particularly from 2023-2025, indicate that investments considering ESG improve financial outcomes and reduce risks. For instance, a meta-analysis by NYU Stern School of Business aggregating over 1,000 studies from 2015-2020 confirms a positive correlation between ESG and financial performance, with 58% of studies showing higher returns for companies with strong ESG ratings. This analysis emphasizes that incorporating ESG into investment decisions allows for portfolio diversification and sustainability.

According to other researchers, ESG factors fundamentally transform the investment process. A 2023 article in Frontiers journal, examining Chinese companies, argues that digital transformation strengthens the link between ESG and financial performance. Researchers believe that high-ESG companies reduce operational risks and become more attractive to investors, as they preserve long-term value. Additionally, the PRI (Principles for Responsible Investment) 2025 report, synthesizing 30 industry studies, highlights a positive correlation between ESG ratings and equity returns, though nuanced by geography, market capitalization, and

sector. For example, in the US and Europe, ESG-integrated portfolios showed 1-2% higher risk-adjusted returns.

Regarding statistical analyses, ESG investments are growing rapidly. According to the Global Sustainable Investment Alliance, sustainable investment assets increased by 34% over the past two years, projected to reach \$53 trillion by 2025, representing one-third of global assets under management. KEY ESG statistics show that 51% of North American investors emphasize unified global standards, and 53% stress the disclosure of ESG risk factors. A 2023 ScienceDirect study found a negative correlation between ESG ratings and financial success in some cases, but most research indicates ESG enhances company value through carbon emission reduction and innovation. The 2024 Frontiers study on China's environmentally impactful industries shows ESG systems improve financial outcomes, though social obligations may increase costs during economic downturns.

Overall, researchers recommend integrating ESG into the investment process, as it not only provides financial benefits but also aligns with global trends. For example, Stanford researchers note that large institutional investors use ESG to reduce risks, focusing mainly on "E" (environment) and "G" (governance). According to CFA Institute data, analyzing ESG information is a key tool for identifying company risks, becoming even more critical in 2025. However, political conflicts, such as anti-ESG laws in the US, may complicate this process. Thus, ESG investments ensure sustainable growth in the future, but adaptation to countries and sectors is required.

Currently, studying the impact of ESG factors on investment processes is considered relevant for several important reasons. Firstly, climate changes, social inequalities, and corporate scandals occurring in the global economy are encouraging investors to apply additional criteria beyond traditional financial analysis. Events observed during the COVID-19 pandemic demonstrated that

companies adhering to ESG principles achieved more stable results during crisis conditions and managed to maintain investor confidence.

Secondly, the regulatory environment is rapidly changing, with many countries adopting laws mandating ESG reporting. The European Union, the United States, and other developed nations are requiring financial institutions to disclose ESG risks, making it necessary to consider these factors in investment strategies. Furthermore, younger generation investors and institutional investors want to direct their capital not only for financial returns but also to create positive social and environmental impact. Therefore, the global volume of ESG investments is growing exponentially year by year, and it is projected to constitute 50 percent of all investments by 2030.

Conducting a comparative analysis is essential for evaluating the impact of ESG factors on global investment markets, as this process helps identify differences between various countries and regions. The following table provides an opportunity to compare the current state of global ESG investments, indicators of developed and developing countries, and Uzbekistan's position in this field.

The analysis results reflect Uzbekistan's initial position in the ESG investment sector and future development opportunities, making it possible to assess the country's level of adaptation to international trends. The data presented in the table is based on the 2024 situation and includes the latest market trends and forecasts.

Global esg investment status and comparison with uzbekistan

Table 1

Indicator	Glob	Develop	Developi	Uzbekist
s	al Status	ed Countries	ng Countries	an
ESG Assets Volume (2024)	\$25.1 trillion USD	\$2.15 trillion USD (2022)	Significa nt growth	50 billion soums green corporate bonds (UzMRC)

Growth Rate	84% growth expected by 2026	6-fold increase (2018-2022)	Rapid growth	Initial stage
Share in Total Assets	21.5 % (2026 forecast)	15-25%	5-10%	Less than 1%
Regulatory Base	Strong and developed	High level	Formation stage	Initial stage
Number of Investors	85% of investors emphasize ESG delivers good results	High	Medium	Low

The data from the presented comparative analysis table shows that while Uzbekistan has significant opportunities in the ESG investment sector, it lags considerably behind global trends. While the global volume of ESG assets amounts to \$25.1 trillion USD, in Uzbekistan this indicator remains limited to 50 billion soums in green corporate bonds. Developed countries increased their ESG investments by 6 times during 2018-2022, and developing countries are also showing rapid growth, while Uzbekistan is still in its initial stage.

There is a particularly large gap in the development level of the regulatory base, with developed countries having strong and fully formed ESG legislative systems, while this field is just beginning to take shape in Uzbekistan. Analysis of investor numbers shows that while 85% of investors globally emphasize that ESG delivers good results, the number of investors considering these factors in Uzbekistan is still low. However, the direction of state investment funds toward green projects in the country and the holding of the first ESG workshop conference are evaluated as positive trends. In this situation, the most important task for

Uzbekistan is to gradually implement ESG principles and develop its own national model using international experience.

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ESG (Environmental, Social, Governance) factors have become a pivotal influence in the investment process, reshaping how investors assess opportunities and manage risks. Research from 2023-2025 consistently shows that integrating ESG considerations enhances financial performance, reduces operational risks, and aligns portfolios with global sustainability trends. Studies, such as NYU Stern's meta-analysis and PRI's 2025 report, confirm a positive correlation between strong ESG ratings and higher risk-adjusted returns, with sustainable investment assets projected to reach \$53 trillion by 2025, per the Global Sustainable Investment Alliance. While challenges like political opposition and sector-specific variations persist, ESG integration fosters long-term value creation and resilience. Investors are increasingly prioritizing environmental and governance factors, leveraging ESG data as a critical tool for risk management and sustainable growth, making it indispensable in modern investment strategies.

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