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Internship organizing committee:

Anita Jankovska, PhD, Internship Program Manager Baltic Research Institute of Transformation Economic Area Problems (Latvia).
Oleh Holovko, PhD, Head of the Black Sea Scientific Research Institute of Economics and Innovation (Ukraine).

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Maksym Zhytar
Doctor of Economic Sciences, Full Professor,
Professor at the Department of Finance
Borys Grinchenko Kyiv Metropolitan University

Житар М.О.
доктор економічних наук, професор, професор кафедри фінансів
Київського столичного університету імені Бориса Грінченка

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MODERN CHALLENGES OF IMPLEMENTING ESG STANDARDS IN CORPORATE FINANCIAL STRATEGIES: ADAPTING TO GLOBAL TRENDS

СУЧАСНІ ВИКЛИКИ ВПРОВАДЖЕННЯ ESG-СТАНДАРТІВ У ФІНАНСОВІ СТРАТЕГІЇ КОМПАНІЙ: АДАПТАЦІЯ ДО ГЛОБАЛЬНИХ ТРЕНДІВ

The implementation of ESG standards (Environmental, Social, and Governance) in corporate financial strategies has become one of the key directions of global business transformation. The relevance of this issue is determined not only by environmental and social challenges but also by a paradigm shift in the evaluation of corporate value that incorporates non-financial factors. The growing interest of investors, regulators, and consumers in sustainability requires businesses to conduct a more profound analysis of ESG components, which are increasingly viewed as critical indicators of competitiveness and financial resilience [1].

From 2001 to 2024, the global economy has demonstrated a rising trend in the integration of ESG factors into corporate governance. The strengthening of regulatory frameworks, such as the EU Non-Financial Reporting Directive, underscores the necessity for transparency and accountability in corporate activities. In the United States, the Securities and Exchange Commission (SEC) is developing reporting requirements that include disclosures of climate risks and social governance practices. These initiatives are driving businesses to transition from declarative reporting practices to the integration of ESG principles into financial models, influencing capital allocation and risk management strategies [2].

The impact of ESG standards on companies' financial performance is supported by numerous empirical studies. For instance, analyses conducted by consulting firms indicate a positive correlation between strong ESG performance and long-term corporate value. Specifically, high ESG scores contribute to reduced capital costs and enhanced operational efficiency. In the medium term, this ensures financial stability and mitigates risks associated with the loss of investment appeal.

Global experience demonstrates the practical benefits of adopting ESG principles. For example, Siemens in Germany has integrated environmental and social criteria across all aspects of its corporate governance, leading to cost optimization and improved investor attractiveness. Similarly, Microsoft in the United States has committed to becoming carbon-negative by 2030, reflecting the growing importance of sustainable innovations as a means of maintaining trust among consumers and partners [3].

In Ukraine, the integration of ESG standards faces significant barriers. These include a lack of awareness among top managers regarding the strategic importance of sustainability, the absence of unified regulatory requirements, and limited financial resources. Additionally, low trust in non-financial reporting significantly undermines the ability to attract foreign capital. Overcoming these challenges requires a comprehensive approach that incorporates international best practices, the establishment of a robust regulatory framework, and the promotion of educational initiatives in the field of ESG.

Financial institutions play a pivotal role in the transformation of ESG practices. Banks, insurance companies, and investment funds have begun to consider environmental, social, and governance risks when making credit and investment decisions. For example, European financial institutions are actively issuing green bonds and other mechanisms to support sustainable projects. These initiatives encourage businesses to adapt to new conditions while simultaneously creating incentives to reduce their negative environmental impact [4–5].

An analysis of mergers and acquisitions (M&A) shows that ESG factors are increasingly considered during due diligence processes. Significant risks identified due to weak ESG compliance can result in reduced asset valuations or even the termination of deals. Evidence shows that companies neglecting environmental and social aspects in their operations become less attractive to strategic investors [6].

In conclusion, the adoption of ESG standards is becoming an integral component of modern financial strategies, enabling businesses to remain competitive in the face of global changes. Based on international experience and current analytical data, it can be argued that ESG not only fosters the long-term stability of companies but also aligns with the expectations of investors focused on socially responsible investments.

Table 1

Recommendations for Implementing ESG Standards

Area	Recommendations
Strategy	Develop a long-term sustainability strategy integrated into all levels of management.
Reporting	Ensure high-quality and transparent non-financial reporting in compliance with international standards.
Personnel Training	Organize training sessions to raise ESG awareness among employees and management.
Financing	Utilize green financial instruments to implement environmental projects.
Partnerships	Establish partnerships with international organizations to exchange best practices.

Thus, the implementation of ESG standards in corporate financial strategies is not only a response to modern environmental, social, and governance challenges but also a tool for ensuring long-term financial sustainability. Considering the shifts in global trends in corporate governance, ESG components are becoming an integral part of business strategy. An analysis of current practices indicates that companies ignoring these standards lose competitive advantages in the market, including access to capital and investor trust. In this context, institutional investors and regulators play a crucial role in encouraging enterprises to adopt transparent and responsible practices.

Changes in the regulatory environment and growing investor interest are driving increased attention to the non-financial aspects of reporting. The introduction of EU directives and the development of new SEC requirements in the United States are pushing businesses to transition from formal information disclosure to the actual integration of ESG objectives into financial models. This process involves not only higher demands for corporate transparency but also the adaptation of companies to global sustainability trends. In the medium and long term, such integration will help minimize risks and improve business profitability.

Global experience demonstrates that companies successfully adopting ESG principles gain significant advantages. For example, Siemens has integrated environmental criteria across all aspects of its operations, allowing it to optimize costs and strengthen its market position. Similarly, Microsoft is actively implementing carbon footprint reduction programs, which not only enhance its reputation but also drive innovation. These cases highlight that ESG is not merely a trend but a strategic management tool for companies [4; 6].

Ukrainian businesses face significant challenges in integrating ESG standards. The primary barriers include an underdeveloped regulatory framework, limited financial resources, and a low level of awareness among top management regarding the benefits of sustainable development. Additionally, a lack of trust in non-financial reporting significantly complicates the attraction of foreign investments. Addressing these issues requires a comprehensive approach, including the adaptation of international experience, the creation of an effective regulatory framework, and the promotion of educational initiatives in the ESG domain.

In conclusion, adapting to global trends through the implementation of ESG standards is strategically vital for Ukrainian companies. This will not only enhance their competitiveness but also facilitate Ukraine's integration into the global economic space. Implementing recommendations such as developing a clear sustainability strategy, ensuring high-quality non-financial reporting, and fostering active collaboration with international organizations could become decisive factors in achieving sustainable growth amid global transformations.

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