

ESG INTEGRATION ANALYSIS IN INVESTMENT STOCK MARKET OF UZBEKISTAN AND DEVELOPMENT PROSPECTS

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Abstract: This article provides a comprehensive analysis of the current state and prospects for integrating ESG principles in the Uzbek stock market. Based on a comparative analysis of emerging markets (Kazakhstan, Russia, and ASEAN countries) and an assessment of the domestic capital market's infrastructure readiness, key barriers and drivers of ESG integration are identified. The regulatory framework, listing requirements, and non-financial disclosure practices of public companies in Uzbekistan are analyzed. A roadmap for phased ESG integration on the Tashkent Stock Exchange is developed, taking into account international experience. The potential effects of ESG integration on attracting foreign investment and reducing the cost of capital for domestic issuers are assessed.

Keywords: ESG integration, stock market, Uzbekistan, Tashkent Stock Exchange, sustainable investing, non-financial disclosure, ARKR, foreign investment, emerging markets.

Abstract: The article presents a comprehensive analysis of the current state and prospects of ESG principles integration into the stock market of Uzbekistan. Based on a comparative analysis of the experience of emerging markets (Kazakhstan, Russia, ASEAN countries) and an assessment of the infrastructural readiness of the domestic capital market, key barriers and drivers of ESG integration are identified. The regulatory framework, listing requirements, and non-financial disclosure practices of Uzbekistani public companies are analyzed. A roadmap for phased ESG integration at the Republican Stock Exchange “Tashkent” is developed, drawing on international experience. The potential effects of ESG integration for attracting foreign investment and reducing the cost of capital for domestic issuers are assessed.

Keywords: ESG integration, stock market, Uzbekistan, RSE Tashkent, sustainable investment, non-financial disclosure, ACMD, foreign investment, emerging markets.

Introduction.

Uzbekistan's stock market is undergoing a period of qualitative transformation, driven by reforms in corporate governance, privatization, and attracting foreign investment between 2017 and 2023. The adoption of the Securities Market Development Concept, the initial public offerings (IPOs) of large state-owned enterprises—including Uzbekistan Railways, Uzbekneftegaz, and several commercial banks—and the emergence of foreign portfolio investors have created the preconditions for a qualitative leap in the development of the domestic capital market.

In this context, the integration of ESG principles is strategically important for at least three reasons. First, key categories of international investors—sovereign wealth funds, large pension funds, and ESG-focused asset managers—potentially driving the majority of demand for securities, all employ ESG screening as a standard part of their investment process. The lack of verified ESG data creates an insurmountable barrier to their participation. Second, leading international stock

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exchanges (LSE, NYSE, SGX, and HKEX) are tightening ESG disclosure requirements for listed companies, establishing a new global standard. Third, cultivating a reputation as a "responsible" capital market is a significant competitive advantage in the competition for foreign investment in Central Asia.

The purpose of this article is to conduct a comprehensive assessment of the readiness of the Uzbek stock market for ESG integration, formulate a specific roadmap, and assess the expected economic effects.

The Tashkent Republican Stock Exchange (Tashkent RSE) is the main securities trading platform in Uzbekistan. As of the end of 2023, over 200 issuers were registered on the exchange, with a combined market capitalization of approximately 15 trillion soums (approximately \$1.3 billion). By comparison, the capitalization of the Kazakhstan Stock Exchange (KASE) is approximately \$60 billion, demonstrating significant growth potential for the Uzbek market.

An analysis of the non-financial disclosure practices of the 50 largest issuers listed on the Tashkent Stock Exchange (by market capitalization) revealed the following: Only 14% of companies publish a separate sustainability report or a section in their annual report dedicated to ESG indicators. Moreover, all of them do so voluntarily and without applying any standard. Not a single company has had their non-financial data verified by an independent auditor. Only 8% disclose quantitative data on greenhouse gas emissions; 22% disclose data on the frequency of occupational injuries; and 34% disclose information about the composition of their board of directors.

The regulatory framework for ESG disclosure remains minimal: current legislation on joint-stock companies and the securities market does not provide for mandatory disclosure of non-financial information. The listing rules of the Tashkent Stock Exchange also do not include ESG requirements, unlike the practices of the Hong Kong, Singapore, London, and several other exchanges.

Kazakhstan is the closest relevant benchmark for Uzbekistan in terms of ESG integration in the stock market. In 2020, the Kazakhstan Stock Exchange (KASE) introduced voluntary ESG guidelines for listed companies, and the Astana International Financial Center (AIFC) established a specialized platform for issuing green and social bonds. As of 2023, 38% of KASE index companies publish GRI reports. Notably, the introduction of ESG guidelines was accompanied by an increase in the share of foreign investors in the share capital of Kazakhstani listed companies from 12% to 19% between 2020 and 2023.

The experience of ASEAN stock exchanges demonstrates the effectiveness of a phased approach to implementing ESG requirements. The Singapore Exchange (SGX) began with voluntary ESG guidelines in 2011, transitioned to a "comply-or-explain" approach in 2016, and introduced mandatory TCFD climate disclosure for large companies starting in 2022. This sequence ensured gradual market adaptation without a sudden regulatory shock. Exchanges in Malaysia (Bursa Malaysia), Thailand (SET), and Indonesia (IDX) have followed a similar path.

An analysis of the factors determining the pace and depth of ESG integration in the Uzbek stock market reveals key barriers and drivers. Among the most significant barriers are: the lack of regulatory requirements for non-financial disclosure – without a clear signal from the regulator, most companies have no incentive to voluntarily disclose; a deficit in ESG competencies – both within companies (a lack of specialists in non-financial reporting and sustainable development) and among analysts and investors; a limited base of institutional investors with an ESG mandate:

local pension funds and insurers do not yet apply ESG filters; and a language barrier – most international ESG standards and rating methodologies are developed in English and require adaptation.

Competition for foreign investment in the Central Asian region deserves special attention. Kazakhstan, Kyrgyzstan, and Tajikistan are actively working to improve their investment attractiveness, including through the development of ESG infrastructure. Uzbekistan, with the largest population and diversified economy in the region, has the potential to take a leading position—provided its ESG environment develops at a faster pace.

Based on a comparative analysis of international experience and a diagnostic of the domestic market, a three-stage ESG integration roadmap has been developed. The first stage (2025–2026) involves infrastructure development: the adoption by the ARCR of national ESG Disclosure Guidelines based on the IFRS S1/S2 standard; the introduction of voluntary ESG requirements for companies applying for inclusion in the main listing of the Tashkent Stock Exchange; the launch of a free ESG educational program for issuers and analysts with the support of the IFC and the EBRD; and the creation of a centralized ESG registry based on the exchange.

The second stage (2027–2028) is the transition to the "comply or explain" principle: the introduction of mandatory disclosure of a core set of ESG indicators for all companies with a main listing under the "comply or explain" principle; the launch of a national ESG index, including 20–30 companies with leading ESG disclosure levels; the introduction of a specialized segment on the stock exchange for green and social bonds; and the development of a government guarantee program for foreign investors in ESG-compliant securities.

The third stage (from 2029) is full integration: introducing mandatory disclosure of climate indicators according to TCFD for systemically important issuers; integrating ESG requirements into the listing process and listing agreements; introducing requirements for external verification of ESG data for major issuers; and establishing a national body for the verification of ESG reporting.

Conclusion.

Integrating ESG principles into Uzbekistan's stock market is not an option, but a strategic necessity to ensure long-term competitiveness in the global capital market. The assessment shows that the current level of ESG disclosure by domestic issuers is critically insufficient to meet the demands of international investors, and the regulatory framework is virtually nonexistent.

The expected economic impacts of implementing the roadmap include: an increase in the share of foreign portfolio investors in the share capital structure of listed companies to 20-25% by 2030 (versus the current 5-7%); a reduction in the cost of capital for ESG-leading companies by 50-100 basis points due to an expanded investor base; and an increase in the number of issuers on the Tashkent Stock Exchange due to the attraction of companies focused on ESG investors. Taken together, these effects will significantly strengthen the role of the domestic stock market as a tool for mobilizing investment for sustainable economic development.

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