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# THE IMPACT OF ESG FACTORS ON INVESTMENT STRATEGY FORMATION AND SECURITIES TRADING IN THE CONTEXT OF SUSTAINABLE FINANCE FOR UKRAINIAN ENTERPRISES

## ABSTRACT

This article examines the impact of ESG factors on investment strategy formation and securities trading in the context of sustainable finance for Ukrainian enterprises. The current state of sustainable finance instruments development in Ukraine's stock market has been analyzed, revealing a significant lag behind global trends: the share of securities from companies with public ESG strategies accounts for less than 5% of total trading volume, while green bond issuance does not exceed 0.3% of total corporate bond emissions. Based on empirical data, the main barriers to ESG investing development in Ukraine have been identified: inadequate regulatory framework, information asymmetry, limited stock market liquidity, insufficient market participants' awareness, and weak development of specialized infrastructure.

An assessment of Ukraine's stock market infrastructure readiness for responsible investing principles implementation was conducted across five key components, revealing the highest level of readiness in the trading component (6.8 out of 10 points) and the lowest in the information-analytical component (3.2 points). A survey of 50 public companies established growing awareness of the importance of ESG factors: 68% of respondents believe that ESG criteria integration will positively affect company value in the long term.

Industry-specific implementation of ESG practices in Ukraine was identified, with the energy sector and telecommunications leading, while the lowest integration level is observed in the real estate and retail sectors. Correlation analysis confirmed a positive relationship between the level of ESG practices and company return on assets. Based on the conducted research, a comprehensive set of practical recommendations for market regulators, stock exchanges, institutional investors, and issuers regarding ESG criteria integration into domestic stock market functioning has been developed.

**Keywords:** ESG factors, investment strategies, sustainable finance, stock market, securities trading, green bonds, corporate social responsibility

**JEL Classification:** G11, G15, G18, Q56, M1

## INTRODUCTION

Global financial market development trends demonstrate the growing role of environmental, social, and governance (ESG) factors in investment decision-making processes. Sustainable development has become not merely a fashionable trend but a necessary condition for the long-term competitiveness of companies and financial institutions. According to the Global Sustainable Investment Alliance, assets under management considering ESG criteria reached USD 35.3 trillion in 2022, representing over one-third of the total volume of professionally managed assets worldwide (Global Sustainable Investment Alliance (2022)).

However, despite the rapid growth of ESG investing popularity globally, Ukraine's stock market demonstrates a significant lag in implementing sustainable finance principles. The share of securities from companies with public ESG strategies accounts for less than 5% of total trading volume in the Ukrainian market, while green bond issuance volume

comprises only 0.3% of total corporate bond emissions. This situation limits Ukrainian enterprises' opportunities for attracting international capital and reduces their investment attractiveness in the long term.

The problem is exacerbated by the absence of systematic research on ESG factors' impact on investment strategy formation and securities trading in the Ukrainian context. Most existing scientific works focus on general aspects of sustainable development or on developed countries' experience, leaving the specifics of transformational economies, particularly Ukraine, unaddressed. This creates a significant gap between theoretical developments and the practical needs of domestic stock market participants.

## LITERATURE REVIEW

Research on the relationship between ESG factors and financial markets is actively developing in both global and domestic scientific thought, although the degree of this problem's development differs significantly. Analysis of contemporary scientific literature on ESG investing and sustainable finance allows identifying several key thematic directions that form the theoretical-methodological foundation for studying ESG factors' impact on investment strategies and financial markets functioning.

Fundamental research on ESG investing conceptual foundations is presented in works by Pshenychna (2024), who considers ESG factors as key elements for ensuring inclusive development of enterprises, regions, and the state in Ukraine.

Bulkot et al. (2023) reveal the essence of sustainable investing through the inclusion of environmental, social, and governance factors in investment selection and management processes, as well as through the implementation of UN sustainable development principles in business practice.

Pastor et al. (2020) developed a theoretical model of sustainable investing under equilibrium conditions, demonstrating that although ESG-oriented investments may have lower expected returns, they can show better results during positive shocks related to ESG factors.

This theoretical conclusion is confirmed by empirical research by Dmuchowski et al. (2022), who identified a positive correlation between ESG factors and companies' financial indicators, especially during economic crises.

Zairis et al. (2024), based on a systematic literature review, identify four main thematic directions in sustainable finance research: value creation, green bonds, ESG ratings, and sustainable finance, as well as banking and financial risk management. This allows for structuring the research field and determining promising directions for further scientific investigations.

Of particular interest for our research are works devoted to ESG investing issues in the context of Ukraine's sustainable development. Dyakovskiy (2024) analyzes the role of ESG investments in environmental restoration, social development, and governance improvement in Ukraine, emphasizing their importance for attracting foreign investors and ensuring sustainable economic development.

Maslak et al. (2022) consider ESG practices as an instrument for strengthening the resilience of socially responsible businesses in Ukraine, contributing to increased transparency, accountability, and investment attractiveness of enterprises.

Kryvomaz et al. (2023) emphasize the importance of ESG criteria for Ukraine's post-war reconstruction, particularly through the implementation of green construction principles, which enhance the country's resilience in the long term. Honta et al. (2022) propose the adaptation of the EU sustainable finance taxonomy for Ukraine's post-war reconstruction projects, which will allow effective risk management and attraction of "green" investments.

Gernego et al. (2024) demonstrate how ESG practices can enhance the efficiency of financial resource attraction for international projects in Ukraine, improve companies' reputation, and build sustainable relationships with counterparties and communities.

A key issue studied in contemporary literature concerns the impact of ESG factors on companies' financial indicators and investment decisions. Aich et al. (2021) analyze structural relationships between different ESG factors and their impact on investment decision-making, emphasizing the importance of understanding these interdependencies for forming effective investment strategies.

Iazzolino et al. (2023) demonstrate the industry-specific impact of ESG factors on the financial efficiency of European companies, noting that some sectors are more sensitive to this impact, creating opportunities for investors to form diversified sustainable portfolios.

Salzmann (2023) found that companies with strong ESG practices in the Eurozone demonstrate lower sensitivity to macroeconomic factors, particularly to energy price fluctuations, which increases their resilience under market instability conditions.

Research on the Chinese market conducted by Bai et al. (2022) and Wang (2023) shows that companies with high ESG indicators have better access to financing, particularly through the reduction of financial constraints and an increase in trade credit volumes, although this effect is less pronounced in primary economic sectors.

Fan and Michalski (2020), using the Australian market as an example, demonstrate that ESG criteria integration improves the Sharpe ratio and reduces crash risk for momentum strategies, offering investors both capital increase and risk mitigation.

Significant attention in contemporary research is devoted to innovative financial instruments of sustainable finance, particularly green bonds. Huang (2024) analyzes the role of green bonds and ESG investments as catalysts for sustainable finance and green economic growth in resource-rich economies, emphasizing the need for targeted strategies and appropriate regulatory apparatus for their successful integration.

Ding (2024) examines possibilities of integrating green finance and ESG investing to promote responsible investments by aligning financial profitability with positive social and environmental outcomes. Chernyshova and Shogenova (2024) analyze how investment strategies focused on ESG factors can enhance economic development stability and investment trends.

A separate group of research comprises works devoted to the challenges and prospects of ESG investing development. Yunus et al. (2024) note methodological problems and regulatory fragmentation that hinder effective integration of ESG factors into investment decisions and risk assessment.

Mangla and Yadav (2024) emphasize the need for standardized reporting, data quality improvement, and enhanced stakeholder interaction for effective ESG factors integration into investment decisions.

Singh et al. (2022) study the impact of the Russian-Ukrainian conflict on investor priorities, revealing that after February 2022, the energy and aerospace defense sectors became net recipients of profitability spillover effects from ESG investments.

Ni (2023) identifies key drivers of widespread corporate ESG practices implementation: technological progress, supportive policy, investor demand, and social responsibility, which are crucial for promoting sustainable development and forming a resilient global economy.

Zhang and Chang (2024) analyze the role of ESG ratings in investments, risk management, corporate governance, and sustainable development, emphasizing the importance of visualization methods for supporting informed investment decisions and increasing public trust.

Parveen (2025) emphasizes the need for improving the regulatory framework, increasing transparency, and developing coordinated reporting standards for successful ESG factors integration into financial decision-making processes, which will ultimately contribute to sustainable economic growth and increased investor confidence.

However, despite significant scientific contributions, comprehensive research that would integrate analysis of ESG factors' impact on investment strategies and securities trading specifically in the context of sustainable finance for Ukrainian enterprises has not yet been conducted. Most existing works focus on individual aspects of the problem, leaving unaddressed the systemic interaction between ESG factors, investment strategies, and securities trading mechanisms in the Ukrainian stock market.

## AIMS AND OBJECTIVES

The aim of the article is to analyze the impact of ESG factors on investment strategy formation and securities trading mechanisms in the context of sustainable finance for Ukrainian enterprises, as well as to develop practical recommendations for integrating responsible investing principles into the functioning of the domestic stock market.

To achieve the stated objective, the following research tasks have been defined:

1. Systematize theoretical and methodological approaches to integrating ESG factors into investment strategies and identify the main types of ESG-oriented investment strategies applied in international capital markets.

2. Conduct a comparative analysis of the performance of different ESG investment strategies in international markets based on profitability, risk, and risk-adjusted return metrics.
3. Diagnose the current state of sustainable finance instruments in Ukraine's stock market and identify its differences from the EU countries' markets.
4. Identify key barriers (regulatory, informational, infrastructural, and institutional) that hinder the development of ESG investing in Ukraine.
5. Assess the readiness level of Ukraine's stock market infrastructure for implementing responsible investment principles across five key components and develop recommendations for improving each of them.

## METHODS

The study employed the following methods and analytical approaches:

1. Theoretical generalization and systematization - for researching conceptual foundations of sustainable finance and ESG investing.
2. Analysis and synthesis - for determining the essence and components of ESG factors, as well as identifying their impact on enterprise investment strategy formation.
3. System-structural analysis - for studying Ukraine's stock market infrastructure and assessing its readiness for ESG criteria implementation.
4. Statistical methods (grouping, comparative analysis, graphical method) - for analyzing the current state of sustainable finance instruments development in Ukraine's stock market and comparing with international experience.
5. Expert survey - for assessing Ukraine's stock market infrastructure readiness for ESG criteria implementation.
6. Questionnaire survey - for evaluating ESG factors' impact on Ukrainian enterprises' investment strategies.
7. Correlation analysis - for identifying the relationship between the ESG practices implementation level and companies' financial indicators.
8. Regression analysis - for building a mathematical model of ROA dependence on the ESG practices index.
9. Forecasting methods (trend extrapolation, scenario analysis) - for forming a long-term ESG investing development forecast in Ukraine until 2030.
10. Comparative analysis - for comparing development indicators of securities markets of companies with an ESG strategy in Ukraine and EU countries.
11. Abstract-logical method - for formulating research conclusions.

## RESULTS

ESG factors integration into investment strategies represents a systematic process of including environmental, social, and governance criteria into traditional investment analysis and decision-making. Based on an analysis of contemporary scientific approaches, four main ESG investing strategies applied in international capital markets can be identified:

1. Negative screening - excluding from the investment portfolio securities of companies that do not meet defined ESG criteria.
2. Positive screening - targeted selection for investment of companies with the highest ESG ratings in corresponding industries.
3. ESG integration - systematic inclusion of ESG factors in traditional financial analysis.
4. Thematic investing - focus on specific themes or assets related to sustainable development (e.g., renewable energy, green construction, sustainable transport).

Comparative analysis of these strategies' effectiveness, conducted based on international data for 2018-2023, demonstrates that portfolios formed using ESG integration and thematic investing methods provided higher risk-adjusted returns compared to traditional investment strategies (Table 1).

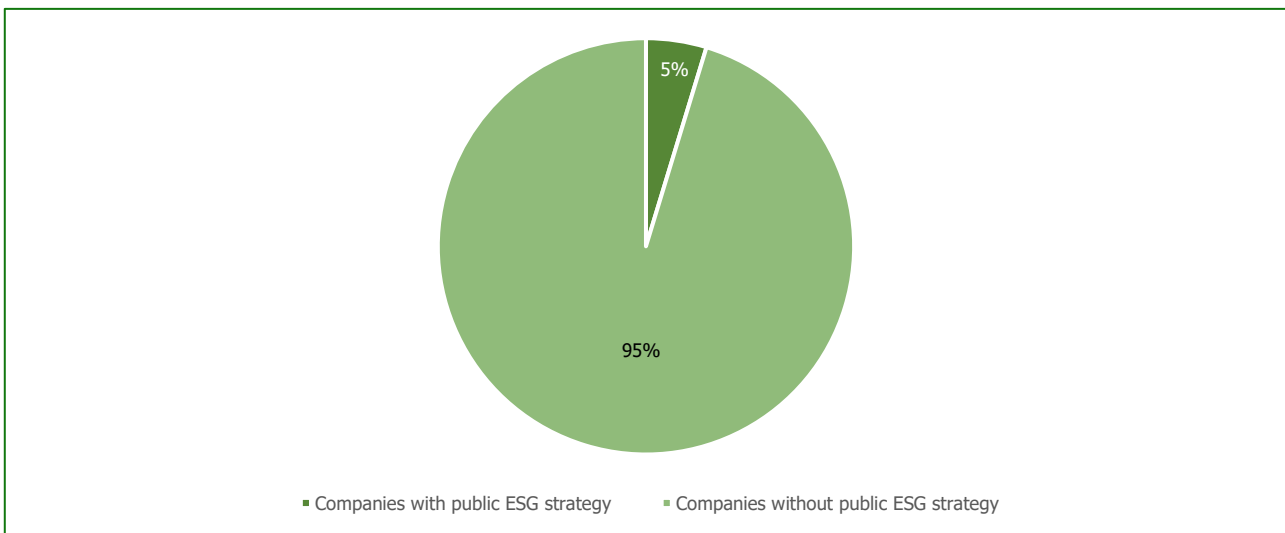
**Table 1. Comparative Effectiveness of ESG Investment Strategies in International Markets (2018-2023).** (Source: calculated by author based on Company ESG Risk Ratings. (2023), Bloomberg L.P. (2023), Bloomberg NEF. (2023))

Strategy	Average Annual Return (%)	Sharpe Ratio	Maximum Drawdown (%)
Negative screening	8.2	0.68	-22.4
Positive screening	9.1	0.73	-20.1
ESG integration	10.3	0.82	-18.3
Thematic investing	11.5	0.86	-19.7
Traditional strategies	8.7	0.65	-24.8

A detailed analysis of how ESG factors impact companies' financial performance demonstrates that the environmental component of ESG contributes to reducing operational costs by 8-15% through the implementation of energy-efficient technologies and optimization of resource utilization. The social component ensures an increase in labor productivity by 12-18% through improved working conditions, employee development programs, and corporate culture formation. The governance component reduces the risks of corporate conflicts and improves the quality of strategic decisions, leading to increased investor confidence and a reduction in the cost of capital by 50-100 basis points for companies with high corporate governance standards.

An important methodological aspect of integrating ESG factors into investment strategies is assessing their impact on companies' financial performance. The analysis of scientific research conducted has identified six main channels through which ESG factors impact company value: reduction of operational costs through efficient resource utilization; minimization of regulatory and legal risks; increased labor productivity through improved employee relations; optimization of capital investments considering long-term environmental and social trends; revenue growth through innovation and sustainable product development; and reduction of capital cost due to lower risks and access to "green" financing.

Analysis of Ukraine's stock market's current state demonstrates the initial stage of sustainable finance instruments development. As of the end of end-2023, trading volume of securities from companies with public ESG strategies comprised only 4.7% of total trading volume on Ukrainian exchanges (Figure 1).



**Figure 1. Trading Structure in Ukraine's Stock Market by ESG Criteria, 2023.** (Source: analysis of Ukraine's Stock Market, 2023; Ferro et al., (2025))

Figure 1 reflects the initial stage of sustainable finance instruments development in Ukraine, where only almost 5% of total trading volume accounts for securities of companies that have a public ESG strategy.

Particularly indicative is the comparison of green bond market development in Ukraine and EU countries. While in the European Union, green bond issuance volume in 2023 reached 11.2% of total corporate bond issuance, in Ukraine, this indicator does not exceed 0.3% (Table 2).

**Table 2. Comparative Indicators of Green Bonds Market Development, 2023.** (Source: calculated by author based on Review of Ukraine's financial markets and corporate governance system for sustainable recovery (2025), National Securities and Stock Market Commission (2024), Climate Bonds Initiative. (2024))

Share in total corporate bond issuance (%)	Ukraine	EU	Poland	Czech Republic
Green bond issuance volume (million EUR)	28.3	182700	3850	1270
Share in total corporate bond issuance (%)	0.3	11.2	8.1	4.3
Number of green bond issuers	2	412	29	14
Average green bond yield (%)	16.8	3.4	5.2	4.7

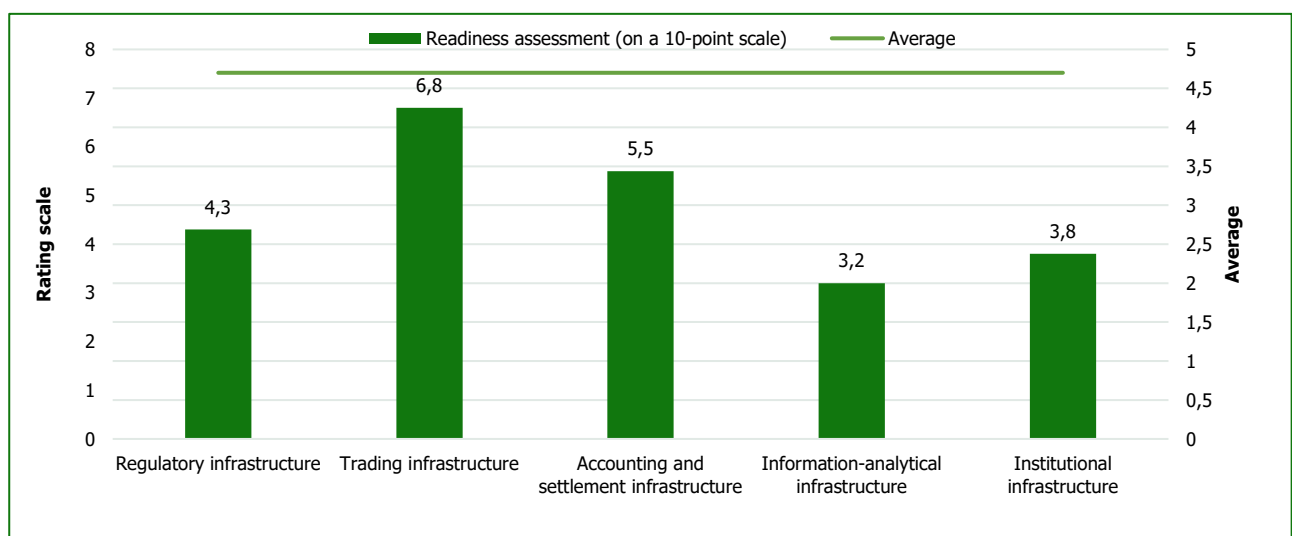
The conducted analysis also revealed the main problems of ESG investing development in Ukraine's stock market:

1. Regulatory barriers: absence of a special regulatory framework for green and social bond issuance and circulation, and insufficient regulation of ESG reporting requirements.
2. Information asymmetry: lack of standardized and verified information about Ukrainian enterprises' ESG indicators.
3. Limited liquidity: insufficient quantity of ESG-oriented financial instruments and low stock market liquidity overall.
4. Insufficient awareness: a low level of understanding of ESG investing advantages among domestic investors and issuers.
5. Infrastructure constraints: absence of specialized ESG indices, insufficient infrastructure development for green securities issuance and circulation.

Among regulatory barriers, the absence of a national taxonomy of sustainable economic activities is particularly critical, complicating the classification and verification of "green" projects. Information asymmetry is exacerbated by the lack of mandatory ESG disclosure requirements and the poor quality of voluntary reporting. The liquidity problem is associated with a limited number of institutional investors with ESG mandates and insufficient development of the collective investment market. Infrastructural constraints include the absence of specialized ESG analytical platforms, a negligible number of certified green bond verifiers (only 2 organizations as of 2023), and a shortage of educational programs in ESG investing.

Assessment of Ukraine's stock market infrastructure readiness for responsible investing principles implementation was based on analysis of five key components: regulatory infrastructure, trading infrastructure, accounting and settlement infrastructure, information-analytical infrastructure, and institutional infrastructure.

Assessment results, obtained through an expert survey of 25 stock market professionals (representatives of regulators, exchanges, depositories, investment companies, and issuers), showed the highest level of readiness in trading infrastructure (6.8 out of 10 points), explained by Ukrainian exchanges' technical capability to implement trading of ESG-oriented financial instruments. The lowest scores were received by information-analytical infrastructure (3.2 points), confirming the problem of information asymmetry and the absence of standardized approaches to ESG rating in Ukraine (Figure 2).

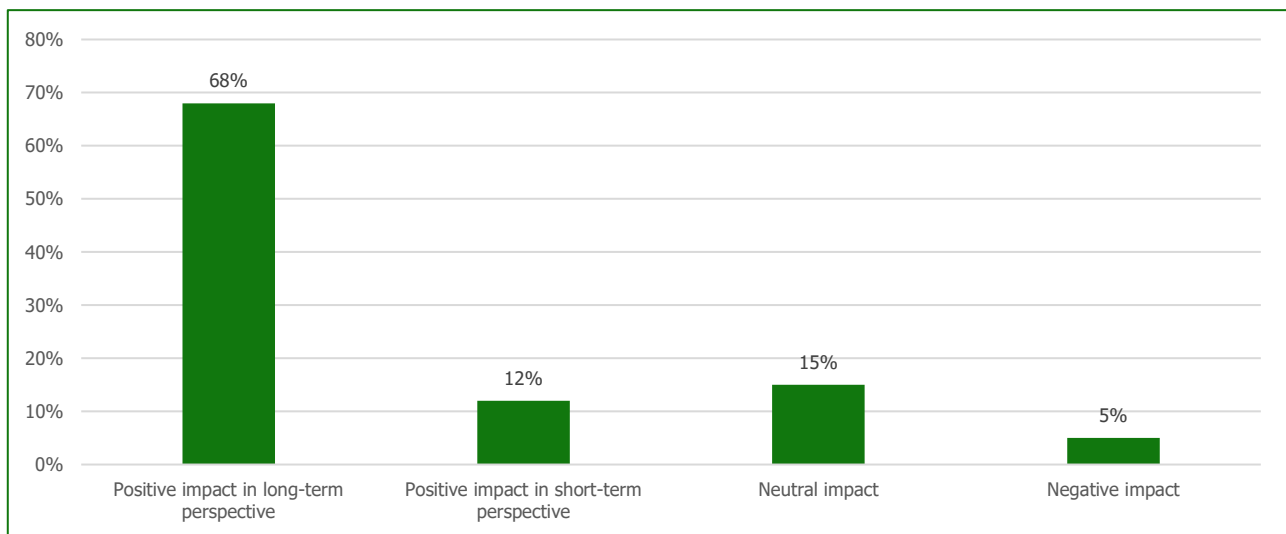


**Figure 2. Assessment of Ukraine's Stock Market Infrastructure Readiness for ESG Criteria Implementation (on a 10-point scale).** (Source: calculated based on Ferro et al. (2025), Review of Ukraine's financial markets and corporate governance system for sustainable recovery (2025))

Based on the conducted analysis, recommendations were developed for improving each infrastructure component to ensure effective functioning of sustainable finance mechanisms enterprises (Useche et al., (2024), Elamer et al., (2024), Cherchata et al., (2022), Kupalova et al., (2025)):

1. Regulatory infrastructure: development of special legislation for green bond issuance and circulation; establishment of ESG information disclosure requirements for public companies; implementation of tax incentives for issuers and investors.
2. Trading infrastructure: creation of specialized sections for trading ESG-oriented securities; development and implementation of ESG indices; introduction of special listing conditions for issuers with high ESG indicators.
3. Accounting and settlement infrastructure: implementation of green securities marking standards; development of methodology for accounting ESG criteria in securities collateral assessment; adaptation of clearing and settlement procedures for new types of financial instruments.
4. Information-analytical infrastructure: creation of a national ESG rating system; ensuring access to consolidated ESG information about issuers; development of ESG reporting verification methodology.
5. Institutional infrastructure: creation of specialized investment funds with an ESG mandate; development of an independent green bond's verification institute; introduction of educational programs on responsible investing.

A survey of 50 public companies representing various economic sectors was conducted to assess the impact of ESG factors on Ukrainian enterprises' investment strategies. Survey results indicate growing awareness of the importance of ESG factors: 68% of respondents believe that ESG criteria integration into corporate strategy will positively affect company value in the long term (Figure 3).



**Figure 3. Assessment of ESG Factors Impact on Company Value.** (Source: based on survey results, Ferro et al. (2025), Review of Ukraine's financial markets and corporate governance system for sustainable recovery (2025))

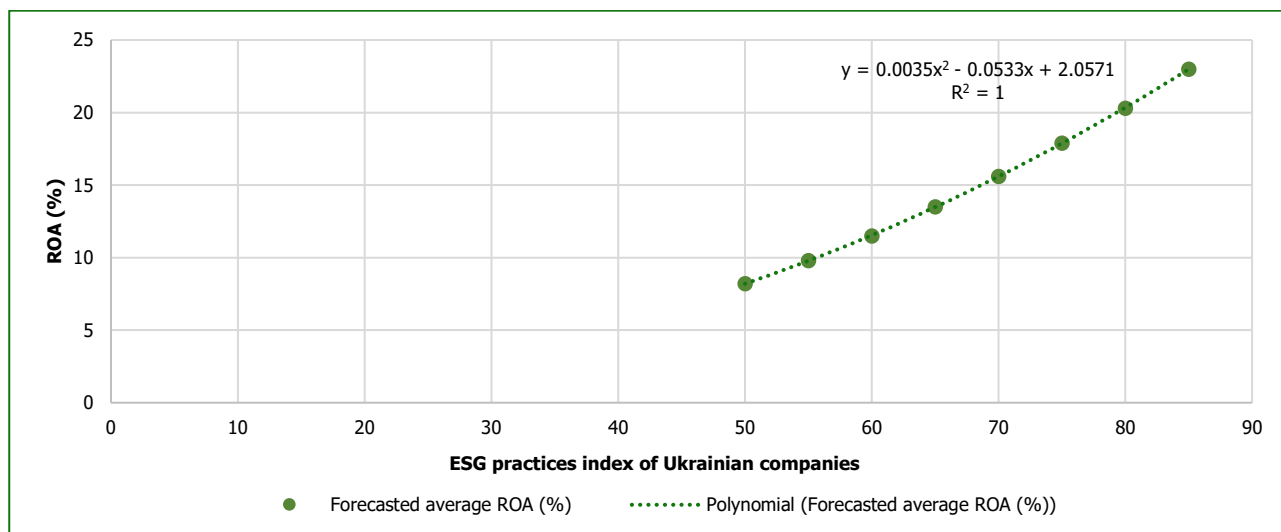
These data show that the majority of respondents (80%) expect a positive impact from ESG criteria integration into corporate strategy, with most of them (68%) believing that this positive impact will manifest specifically in the long-term perspective. Only 5% of surveyed companies expect a negative impact of ESG factors on company value. However, despite a positive perception of ESG principles, only 23% of surveyed companies have a formalized ESG strategy, and 31% of companies have implemented an ESG reporting system. This indicates a significant gap between understanding the importance of ESG factors and the practical implementation of corresponding principles in enterprise activities.

Analysis of industry-specific ESG factors integration (Table 3) demonstrates that the highest level of ESG practices implementation is observed in the energy sector and telecommunications industry, while the lowest level is in the real estate and retail trade sectors.

**Table 3. Level of ESG Factors Integration by Economic Sectors of Ukraine.** (Source: calculated by the author based on survey data and companies' financial reporting)

Sector	ESG Strategy Presence (% of companies)	ESG Reporting Implementation (% of companies)	Share of "Green" Investments in Total Volume (%)
Energy	42	58	12.3
Telecommunications	38	45	8.7
Metallurgy	29	35	6.4
Agro-industrial complex	25	32	5.8
Banks and financial services	20	28	3.2
Pharmaceuticals	18	22	4.1
Food industry	12	18	2.7
Real estate	8	12	1.9
Retail trade	5	10	1.2

Correlation analysis of the relationship between ESG practices level and companies' financial indicators revealed a positive correlation between ESG strategy presence and return on assets (ROA) in the long term, confirming the hypothesis about the positive impact of ESG factors on enterprises' financial efficiency (Figure 4).



**Figure 4. Forecasted Average ROA (%) from ESG Practices of Ukrainian Companies until 2030.**

As Figure 4 demonstrates, there is a non-linear relationship with accelerated ROA growth when increasing the level of ESG practices, reflecting the synergy effect from implementing ESG principles in company activities. The high coefficient of determination ( $R^2 = 1$ ) indicates good explanatory power of the model. The polynomial model shows accelerated ROA growth with increasing ESG practices index, which may reflect the scale effect and synergy from implementing ESG initiatives. When the ESG practices index reaches 85 points by 2030, the average ROA of Ukrainian companies may reach 23%, which is significantly higher than under a linear forecast.

Based on the conducted research, practical recommendations were developed for different stakeholder groups regarding ESG investing development in Ukraine's stock market (Lu et al., (2025), Zelinska et al., (2025)):

1. For market regulators: develop national strategy for sustainable finance development with clear goals and indicators; implement regulatory framework for green bonds and other ESG-oriented financial instruments issuance and circulation; establish ESG disclosure requirements for public companies with phased implementation of mandatory ESG reporting; develop tax incentive system for issuers and investors focusing on ESG investing; create national system for green financial instruments verification and certification.

2. For stock exchanges: implement ESG indices for the Ukrainian market; create specialized platforms for green and social bonds trading; develop ESG criteria for listing and implement special conditions for issuers with high ESG indicators; ensure aggregation and public access to ESG information about issuers; initiate educational programs on responsible investing for market participants.
3. For institutional investors: integrate ESG criteria into investment decision-making processes; develop proprietary ESG screening methodologies adapted to Ukrainian realities; implement ESG activism practice and interaction with companies regarding ESG practices improvement; create specialized investment products with an ESG mandate; implement regular reporting on ESG factors consideration in investment activities.
4. For issuers: develop and implement a corporate ESG strategy with clear goals and indicators; ensure regular ESG reporting based on international standards (GRI, SASB, TCFD); implement an ESG risk and opportunity management system; integrate ESG factors into strategic decision-making processes; expand the practice of green and social bonds issuance for sustainable projects financing.

Implementation of the proposed recommendations will enhance the efficiency of ESG factors integration into the functioning of Ukraine's stock market and contribute to the development of sustainable finance for domestic enterprises.

## DISCUSSION

The necessity and prospects of ESG factors implementation in enterprise investment strategies and securities trading practice remain subject to discussion among scientists. Pastor et al. developed a theoretical model of sustainable investing demonstrating that although ESG-oriented investments may have lower expected returns, they can show better results during positive shocks related to ESG factors.

Conversely, Dmuchowski, P., Dmuchowski, W., Baczevska-Dąbrowska, A., & Gworek, B. (Dmuchowski et al., 2022) identified a positive correlation between ESG factors and companies' financial indicators, especially during economic crises. Overall, we agree with the authors' assertion that ESG practices implementation can encompass both specific economic sectors (energy, metallurgy, telecommunications, etc.) and enterprises directly. The result of ESG criteria integration at the enterprise level is improved financial efficiency, reflected in real economic dimension - ROA growth, improved access to financing, and additional income formation.

The proposed model for assessing ESG factors' impact on investment strategy formation will contribute to the implementation of sustainable finance principles in Ukrainian enterprises. ESG practices implementation in the long term will allow radical transformation of investment processes, minimizing risks and achieving sustainable development goals. Improvement of ESG assessment methodological tools is important for enhancing investment decision effectiveness in Ukraine and stock market development as a sustainable finance mechanism.

## CONCLUSIONS

This study has generated several significant findings that contribute to understanding ESG investing development in Ukraine:

1. Systematization of theoretical-methodological approaches revealed four main types of ESG-oriented investment strategies applied in international capital markets: negative screening, positive screening, ESG integration, and thematic investing. Six main channels through which ESG factors impact company value were identified: operational cost reduction through efficient resource utilization (8-15%), minimization of regulatory and legal risks, increased labor productivity through improved employee relations (12-18%), optimization of capital investments considering long-term environmental and social trends, revenue growth through innovation and sustainable product development, and reduction of capital cost by 50-100 basis points for companies with high corporate governance indicators.
2. Comparative analysis of ESG investment strategies' effectiveness in international markets for 2018-2023 demonstrated that portfolios formed using ESG integration methods (Sharpe ratio 0.82, average annual return 10.3%) and thematic investing (Sharpe ratio 0.86, return 11.5%) provide significantly higher risk-adjusted returns compared to traditional investment strategies (Sharpe ratio 0.65, return 8.7%). Maximum drawdown for ESG-integrated portfolios (-18.3%) was 6.5 percentage points lower than for traditional strategies (-24.8%), confirming the economic feasibility of implementing ESG criteria in investment processes and their ability to reduce portfolio volatility during crisis periods.

3. Diagnostics of Ukraine's stock market's current state revealed a significant lag in sustainable finance principles implementation compared to EU countries. The share of securities from companies with public ESG strategies comprises only 4.7% of total trading volume, while in EU countries this indicator exceeds 40%. Particularly critical is the situation with green bond market development: their share in total corporate bond emissions in Ukraine is 0.3% versus 11.2% in the EU (37-fold lag), with only 2 green bond issuers operating in Ukraine compared to 412 in the EU. The average green bond yield in Ukraine (16.8%) is 4.9 times higher than in the EU (3.4%), indicating significantly higher risk premiums and underdevelopment of the sustainable finance market.
4. Five groups of key barriers to the development of ESG investing in Ukraine were identified: regulatory (absence of special legislation for green bond issuance, absence of a national taxonomy of sustainable economic activities, insufficient ESG reporting regulation); informational (lack of standardized and verified information about ESG indicators, low quality of voluntary reporting, absence of mandatory ESG disclosure requirements); liquidity (limited number of ESG-oriented financial instruments, limited circle of institutional investors with ESG mandates, insufficient collective investment market development); awareness (low level of understanding of ESG investing advantages, only 23% of surveyed companies have a formalized ESG strategy despite 68% recognizing its importance); infrastructural (absence of specialized ESG indices, only 2 certified green bond verifiers as of 2023, lack of ESG-analytical platforms and educational programs).
5. An expert assessment of Ukraine's stock market infrastructure readiness for responsible investing principles implementation across five components has revealed: the highest readiness level in trading infrastructure (6.8/10 points) due to the technical capability of Ukrainian exchanges to implement ESG-oriented instruments trading; regulatory infrastructure scored 4.5 points, accounting and settlement infrastructure 5.3 points, institutional infrastructure 4.8 points; the lowest scores for information-analytical infrastructure (3.2 points), confirming the information asymmetry problem and the absence of standardized ESG rating approaches. Based on this assessment, comprehensive recommendations were developed for improving each infrastructure component: for regulators – development of a national sustainable finance strategy, implementation of a regulatory framework for green bonds, establishment of ESG disclosure requirements, creation of a tax incentive system; for stock exchanges – implementation of ESG indices, creation of specialized platforms for green and social bond trading, development of ESG listing criteria; for institutional investors – integration of ESG criteria into decision-making processes, development of ESG screening methodologies, creation of specialized investment products with ESG mandates; for issuers – development of a corporate ESG strategy with clear goals, provision of regular ESG reporting based on international standards (GRI, SASB, TCFD), implementation of ESG risk management systems.

Overall, this research confirms that while Ukraine's stock market demonstrates significant potential for ESG investing development, its realization requires a systematic approach combining regulatory reforms (priority in the short term), market infrastructure development (medium-term focus), and stakeholder awareness enhancement (continuous process). The established positive correlation between ESG practices implementation and financial performance ( $R^2=1$ ), combined with growing corporate awareness of ESG importance (68% of surveyed companies), creates favorable conditions for accelerated sustainable finance market development in Ukraine, particularly in the context of post-war reconstruction and European integration processes.

The results of this study open several promising directions for further research. First, an in-depth investigation of the mechanisms through which individual ESG components (environmental, social, and governance) impact the financial performance of companies across different industries is warranted to develop sector-specific approaches to ESG integration. Second, an important direction is research on the effectiveness of different ESG rating models in the Ukrainian context and the development of a national ESG assessment methodology adapted to the specifics of a transitional economy. Third, analysis of behavioral aspects of investment decision-making considering ESG factors by Ukrainian investors in the post-war reconstruction context is promising. Fourth, the impact of European integration processes and harmonization of Ukrainian legislation with EU norms on sustainable finance market development requires separate investigation. Fifth, studying the opportunities and mechanisms for attracting international "green" capital to finance critical infrastructure reconstruction projects in Ukraine is relevant. Finally, an important direction is research on the impact of digital technologies (blockchain, artificial intelligence, big data) on ESG investing infrastructure development and enhancing the transparency of Ukrainian companies' ESG reporting.

## ADDITIONAL INFORMATION

### AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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### CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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## ВПЛИВ ESG-ФАКТОРІВ НА ФОРМУВАННЯ ІНВЕСТИЦІЙНОЇ СТРАТЕГІЇ ТА ТОРГІВЛЮ ЦІННИМИ ПАПЕРАМИ В КОНТЕКСТІ СТАЛОГО ФІНАНСУВАННЯ ДЛЯ УКРАЇНСЬКИХ ПІДПРИЄМСТВ

У роботі досліджено вплив факторів ESG на формування інвестиційної стратегії та торгівлю цінними паперами в контексті сталого фінансування для українських підприємств. Проаналізовано сучасний стан розвитку інструментів

сталого фінансування на фондовому ринку України, що виявило значне відставання від світових тенденцій: частка цінних паперів компаній із публічними ESG-стратегіями становить менш ніж 5% від загального обсягу торгів, водночас випуск «зелених» облігацій не перевищує 0,3% від загального обсягу емісії корпоративних облігацій. На основі емпіричних даних виявлено основні бар'єри для розвитку ESG-інвестування в Україні: неналежна нормативно-правова база, інформаційна асиметрія, обмежена ліквідність фондового ринку, недостатня поінформованість учасників ринку, слабкий розвиток спеціалізованої інфраструктури.

Проведено оцінку готовності інфраструктури фондового ринку України до впровадження принципів відповідального інвестування за п'ятьма ключовими компонентами, які виявили найвищий рівень готовності в торговельному компоненті (6,8 із 10 пунктів) та найнижчий – в інформаційно-аналітичній складовій (3,2 бала). Опитування 50 публічних компаній установило зростання обізнаності щодо важливості факторів ESG: 68% респондентів вважають, що інтеграція ESG-критеріїв позитивно вплине на вартість компанії в довгостроковій перспективі.

Було визначено галузеве впровадження практик ESG в Україні, при цьому лідирують енергетичний сектор і телекомунікації, а найнижчий рівень інтеграції спостерігаємо в секторах нерухомості та роздрібно́ї торгівлі. Кореляційний аналіз підтвердив позитивний зв'язок між рівнем ESG-практик і рентабельністю активів компанії. На основі проведеного дослідження розроблено комплексний набір практичних рекомендацій для регуляторів ринку, фондових бірж, інституційних інвесторів та емітентів щодо інтеграції ESG-критеріїв у функціонування вітчизняного фондового ринку.

**Ключові слова:** ESG-фактори, інвестиційні стратегії, ста́ле фінансування, фондовий ринок, торгівля цінними паперами, зелені облігації, корпоративна соціальна відповідальність

**JEL Класифікація:** G11, G15, G18, Q56, M1