

ESG INVESTMENT SCORE AND PORTFOLIO DIVERSIFICATION

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ESG principles refer to the consideration of environmental, social and governance factors when evaluating companies. These principles allow investors to assess the long-term sustainability and social responsibility of companies. Companies that adhere to ESG principles often have high quality of management, social responsibility and environmental sustainability, which increases their financial stability.

ESG portfolio diversification. Portfolio diversification is the process of distributing investments across different assets, industries and geographical regions in order to reduce risks and generate stable returns. ESG diversification takes into account the following aspects: Sector diversification: Distribution of companies that meet ESG criteria across different sectors. For example, investing in sectors such as clean energy, healthcare, technology and financials. Geographic diversification: Distribution of companies that meet ESG criteria across different geographical regions. This approach reduces political and economic risks across countries. Asset diversification: Investing in a variety of assets that meet ESG criteria, such as stocks, bonds, real estate, and alternative investments.

ESG-based investments and portfolio diversification in Uzbekistan. Foreign investments and ESG integration: Foreign investment volume: In 2024, the volume of foreign investments and loans to Uzbekistan amounted to 493.7 trillion soums. Among the countries with a share of 67.6%, China (27.9%), Russia (13.2%) and Turkey (6.8%) are leading. Integration of ESG principles: Uz sanoat qurilish bank began to introduce ESG principles into its system in 2018. In 2023, the bank, in cooperation with the International Finance Corporation, developed an ESG strategy and developed procedures for energy policy, water conservation and waste management.

Project financing: As part of the strategy of the Republic of Uzbekistan for the transition to a "green" economy, it is planned to expand the scope of

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financing projects based on ESG principles. This is aimed at ensuring environmental sustainability and increasing social responsibility.

The main problems in the application of ESG principles: Lack of data: The application of ESG principles is faced with the problems of lack of data and complexity of assessment. This complicates the decision-making process for investors. Regulatory problems: The lack of a regulatory framework necessary for the application of ESG principles and the relevance of the issue of obtaining an international rating are emphasized.

In recent years, climate change and environmental problems have attracted global attention and are fundamentally changing the activities of the economy and financial sectors. In such processes, the concept of green insurance (Green Insurance) has begun to play an important role. It is aimed at ensuring stability in the insurance sector, protecting against environmental risks and encouraging green investments. In particular, since 2022, the green insurance market has been growing rapidly, showing new opportunities and important trends. Below, we analyze the key indicators and market dynamics in the green insurance sector for the period 2022-2024.

Table 1 Development dynamics of the green insurance market in 2022-2024¹

	Years	Green on insurance (Green Insurance) main indicators and trends
1	2022	Global green insurance market The size is 2.5 billion US dollars. Insurers by green of bonds emissions by 40 percent increased . Insurance \$250 billion invested in green bonds entered .
2	2023	Devices with related ESG investments in the field insurance companies worth 2.8 trillion US dollars arrived . Sector general in assets stable investments share from 20 percent to 36 percent increased . Global climate insurance "climate insurance solutions" market approximately 115 billion US dollars reached (22 percent growth) . Insurance of the field stable investments "sustainable investments" AUM amount 2.8 trillion US dollar organization reached .
3	2024	Global "Green Insurance" market volume of 3.5 billion US dollars organization did . 9.8 billion US dollars by 2033 up to a dollar growth forecast is being done , between 2026 and 2033 annual growth rate of 14.5 percent organization will reach .

¹ Prepared by the author.

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The global green insurance market has shown significant growth rates during 2022-2024. While the market size in 2022 was approximately 2.5 billion USD, in 2023 the share of sustainable investments in total assets increased from 20% to 36%, and the market for climate insurance solutions reached 115 billion USD. In 2024, the value of the green insurance market is forecast to reach 3.5 billion USD, and the growth rate is expected to remain around 14.5% annually. These indicators demonstrate not only the economic importance of the green insurance sector, but also its place in the global climate policy and sustainable financial investments. Thus, green insurance continues to develop as an important tool that combines finance and ecology, and is expected to be used more widely in the future.

The government of Uzbekistan has set a priority for integrating ESG (Environmental, Social and Governance) principles into the economy. The Presidential Decree adopted in 2022 pays special attention to the introduction and development of ESG principles. This aims to achieve sustainable economic growth and increase social responsibility in the country.

Financing mechanisms based on ESG principles are developing in Uzbekistan. For example, Uz sanoatqurilishbank began implementing ESG principles in its system in 2018 and developed an ESG strategy in collaboration with the International Finance Corporation in 2023. Also, the Navoiyuran State Enterprise is implementing ESG principles in practice by introducing international standards such as ISO 37001 and ISO 37301.

There are some problems in applying ESG principles. The lack of information and the complexity of the assessment complicate the decision-making process for investors. The lack of a regulatory framework necessary for the application of ESG principles and the issue of obtaining an international rating are also considered urgent.

Portfolio diversification based on ESG principles in Uzbekistan is still at an early stage. However, there are opportunities to reduce risks and generate stable income by distributing investments across different assets, industries and geographical areas, taking into account ESG principles.

In Uzbekistan, the processes of integrating ESG principles into the economy and sorting investments based on ESG and diversifying the portfolio are developing. Priorities in state policy, efforts by financial institutions to



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introduce ESG principles, and practical experience support this process. However, it is necessary to address problems such as the lack of information, the development of the regulatory framework, and obtaining an international rating. In the future, it will be possible to increase sustainable economic growth and social responsibility through sorting investments based on ESG principles and diversifying the portfolio.