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CONTENTS

BRIEF FEEDBACK ON “AGAT CREDIT” MICROFINANCE ORGANIZATION BASED ON THE REPORT OF “KAPDEPO” INVESTMENT COMPANY: CAVEATS FOR LENDERS (BONDHOLDERS)	16
Abduganiev Abdulaziz Alisher ugli	
IMPLEMENTATION OF EU BEST AGRICULTURAL TRADE PRACTICES IN UZBEKISTAN.....	20
Khulkar Karimova Rakhmanali qizi	
THE ROLE OF FOREIGN DIRECT INVESTMENT IN INCREASING SERVICE EXPORTS OF UZBEKISTAN	26
Jamshid Mirzakhmedov	
THE ROLE AND IMPORTANCE OF FINANCIAL MARKETS IN ECONOMIC DEVELOPMENT	30
Baymanova Mavlyuda Djuraevna, Abdullaeva Shohista, Ubaydullaeva Gulchehra Erkabaevna	
КЛИНИЧЕСКАЯ ОЦЕНКА СОСТОЯНИЯ МЕСТНЫХ ИММУННЫХ МЕХАНИЗМОВ ПОЛОСТИ РТА У ПАЦИЕНТОВ НА ЭТАПАХ ОРТОДОНТИЧЕСКОГО ЛЕЧЕНИЯ	36
Рахимбердыев Рустам Абдунасирович, Сайфулаева Азиза Анваровна	
INTEGRATING AI-BASED CUSTOMER ANALYTICS INTO INNOVATIVE RETAIL MARKETING STRATEGIES	40
Ostonaqulova Gulsaraxon Muhammadyoqub qizi	
FINANCIAL STIMULATION OF INNOVATIVE ACTIVITIES OF ENTERPRISES THROUGH INVESTMENTS	48
Bahriddinov Nodirbek Zamirdinovich	
DIGITAL DENTISTRY: LITERATURE REVIEW	52
Tursunov Begzod Sherzodovich, Zokirova Nodira Sobitovna	
THE LATEST ADHESIVE TECHNOLOGIES IN DENTISTRY	56
Rahimberdiyev Rustam Abdunasirovich, Chinibayeva Ibagul Sarsenbayevna	
ENSURING THE ACCEPTABILITY OF QUANTITATIVE AND QUALITATIVE INDICATORS IN THE EFFECTIVE ORGANIZATION OF HOUSING FUNDS IN KHOREZM	61
Otajonov Tohirjon Khojanazar o'g'li	
WAYS TO IMPROVE CUSTOMS ADMINISTRATION IN THE REPUBLIC OF UZBEKISTAN.....	67
Usmonova Dilfuza Ilhomovna	
CLINICAL ASSESSMENT OF THE STATE OF LOCAL IMMUNE MECHANISMS OF THE ORAL CAVITY IN PATIENTS AT DIFFERENT STAGES OF ORTHODONTIC TREATMENT	72
Rakhimberdiyev Rustam Abdunasirovich, Saifulaeva Aziza Anvarovna	
IMPROVING THE ALGORITHM FOR CONTROLLING THE CUSTOMS TRANSIT INFORMATION SYSTEM E-TRANSIT OF THE REPUBLIC OF UZBEKISTAN	76
Musayeva Shoirazimovna	
DEVELOPMENT TRENDS OF THE AUTOMOTIVE BUSINESS IN UZBEKISTAN	82
Saidov Dilshodbek Razzakovich	
INTEGRATION OF MARKETING STRATEGIES IN RETAIL TRADE ACTIVITIES.....	87
Akramov Toxir Abdiraxmanovich	
CHALLENGES OF ADOPTING ISLAMIC FINANCE WITHIN CONVENTIONAL BANKING SYSTEMS	91
Safarov Shuhrat Ismatovich	
CRM SYSTEMS AND THEIR IMPACT ON THE RESULTS OF MARKETING STRATEGY IN DISTRIBUTION COMPANIES	95
Jamoliddinov Fakhriyor Shodiyor o'g'li	
LEXICAL-SEMANTIC ARCHITECTURE OF MODERN WORDNET SYSTEMS	101
Aynura Axmedova	
METHODOLOGY FOR ANALYZING THE EFFECTIVENESS OF INNOVATIVE PROCESSES AT ENTERPRISES.....	108
Kurbanova Shakhnoza Yuldashbayevna	
COMPANY VALUATION IN MERGERS AND ACQUISITIONS: A STRATEGIC AND GOVERNANCE-BASED APPROACH	113
Lee Illarion Georgievich	

A REVIEW OF THE LITERATURE ON CAD/CAM TECHNOLOGIES IN DENTAL ECTOPROSTHETICS	118
Tursunov Begzod Sherzodovich, Hazratqulov Asrbek Ulugbek ugli	
TRENDS AND DIFFICULTIES IN THE INTEGRATION OF DIGITAL TECHNOLOGIES IN ORTHOPEDIC DENTISTRY	123
Khojimurodov Burkxon Ravshanovich	
PRIORITY DIRECTIONS FOR IMPROVING THE MECHANISM OF ENHANCING THE ECONOMIC SECURITY LEVEL OF THE KASHKADARYA REGION	127
Tuyev Abdurahmon Yusubovich	
THE ROLE OF PSYCHOPHYSIOLOGICAL TRAINING OF DRIVERS IN REDUCING ROAD TRAFFIC ACCIDENTS	132
Uralbayev Anvar Ubaydullayevich	
THE ROLE OF SUSTAINABLE DEVELOPMENT PRINCIPLES IN DEVELOPING GREEN MARKETING STRATEGIES FOR ENTERPRISES	135
Sapayev Akhmad Durdibayevich	
MANAGEMENT MODEL OF INFORMATION RESOURCES IN SMALL BUSINESS ENTITIES AND ITS IMPACT ON ECONOMIC EFFICIENCY	140
Yo'ldoshev Nodirbek Ne'matjon o'g'li	
WAYS TO DEVELOP THE INVESTMENT ACTIVITY OF COMMERCIAL BANKS THROUGH THE SECURITIES MARKET	145
Yuldashev Fozil Turapovich	
INTERNATIONAL EXPERIENCE IN THE USE OF CROSS-BORDER REMITTANCES IN THE DEVELOPMENT OF THE NATIONAL ECONOMY	152
Gimranova O. B.	
FREE ECONOMIC ZONES AND FOREIGN INVESTMENT	158
Sheraliyeva Saida Azatovna	
ISSUES OF FORMATION AND MANAGEMENT OF PRODUCT ASSORTMENT IN RETAIL ENTERPRISES	162
Safarov Baxtiyor Djurakulovich	
STATE SUPPORT IN THE REPUBLIC OF UZBEKISTAN FOR ORGANIZING SHORT-TERM SCIENTIFIC INTERNSHIPS OF YOUNG SCIENTISTS ABROAD	167
Kabashev Tairjon	
LEGAL FOUNDATIONS OF DIVIDEND POLICY: EVIDENCE FROM DEVELOPED AND DEVELOPING COUNTRIES	172
Eshev Furqat A'zamovich	
IMPROVING SMART CITY GOVERNANCE BASED ON DIGITAL PLATFORMS: A HUMAN-CENTERED APPROACH	176
Rakhimova Madina Shukhrat qizi	
THE INVESTMENT CLIMATE AND ITS IMPACT ON THE DEVELOPMENT OF FOREIGN TRADE: A CASE STUDY OF UZBEKISTAN	182
Mirzamukhamedova Shakhzoda Akmaljon qizi	
CONSUMER CREDITS IN USA	187
Zunnunova Xulkar Muxtorovna	
INSTITUTIONAL BASES AND FUNCTIONAL MECHANISMS OF CONTROLLING IN THE EFFECTIVE MANAGEMENT OF THE RAILWAY TRANSPORT SYSTEM	194
Kayumov Zafarbek Odil ugli	
ANALYSIS OF CUSTOMER RELATIONSHIP MANAGEMENT PROCESSES AND PROBLEMS IN SERVICE ENTERPRISES	199
Ismailova Ma'mura Eldorovna	
PROBLEMS FACED BY COMMERCIAL BANKS IN BANK RISK MANAGEMENT AND WAYS TO ADDRESS THEM	205
Qayimova Ismigul Ilhom qizi, Tuxsanov Eldor Dilmurod o'g'li	

DESIGN OF ENGINEERING STRUCTURES AND CONSTRUCTION OF A REGIONALLY BRANCHED HIGHWAY COMPLEX.....	209
Yakubov Maqsadkhon Sultaniyazovich, Norinov Muhammadyunus Usibjonovich, Zikraev Akmaljon Alimovich	
THE ROLE OF COOPERATIVE RELATIONS IN THE SUSTAINABLE DEVELOPMENT OF THE REGIONAL TOURISM MARKET	216
Mirzabayev Jamshid Irkinovich	
THE ROLE OF FREE ECONOMIC ZONES IN IMPROVING THE INVESTMENT CLIMATE OF THE KHOREZM REGION.....	221
Masharipov Sardorbek Farxadovich	
ANALYSIS OF ORGANIZATIONAL AND ECONOMIC INDICATORS OF INNOVATIVE POTENTIAL MANAGEMENT IN TEXTILE INDUSTRY ENTERPRISES	228
Khosilov Shavkat Bekmurodovich	
MAIN WAYS TO DEVELOP INTEREST RATE RISK MANAGEMENT PRACTICES IN COMMERCIAL BANKS OF UZBEKISTAN	234
Seytnazarov Daniyar Baxadirovich	
THEORETICAL AND METHODOLOGICAL ASPECTS OF ESG STRATEGY IMPLEMENTATION.....	239
Xusenova Mexrangiz	

THEORETICAL AND METHODOLOGICAL ASPECTS OF ESG STRATEGY IMPLEMENTATION

Xusenova Mexrangiz

Westminster International University in Tashkent

Graduate School, PhD (Full-Time Student)

E-mail: mex.xusenova@wiut.uz

Abstract: The ESG approach enables companies to create sustainable value through environmental responsibility, social impact, and high-quality corporate governance. The purpose of this article is to provide a systematic analysis of the theoretical and methodological foundations of ESG strategy implementation. The study examines the evolution of the ESG concept, key theoretical frameworks (stakeholder theory, institutional theory, and legitimacy theory), as well as methodological models applied in the development and evaluation of ESG strategies. The research findings indicate that ESG strategy serves as an effective tool for enhancing corporate competitiveness, mitigating risks, and ensuring long-term financial sustainability. The article contributes to the strengthening of the scientific and theoretical basis for ESG strategy formation and establishes a methodological platform for further empirical research.

Key words: ESG strategy, sustainable development, corporate governance, stakeholder theory, methodological approaches.

Annotatsiya: ESG yondashuvi kompaniyalarga ekologik mas'uliyat, ijtimoiy ta'sir va korporativ boshqaruv sifati orqali barqaror qiymat yaratish imkonini beradi. Ushbu maqolaning maqsadi ESG strategiyasini joriy etishning nazariy va metodologik asoslarini tizimli tahlil qilishdan iborat. Tadqiqotda ESG konsepsiyasining evolyutsiyasi, asosiy nazariy yondashuvlar (manfaatdor tomonlar nazariyasi, institutsional nazariya va legitimlik nazariyasi), shuningdek ESG strategiyalarini ishlab chiqish va baholashda qo'llaniladigan metodologik modellar ko'rib chiqiladi. Tadqiqot natijalari ESG strategiyasi kompaniyalar raqobatbardoshligini oshirish, risklarni kamaytirish va uzoq muddatli moliyaviy barqarorlikni ta'minlashda muhim vosita ekanligini ko'rsatadi. Mazkur maqola ESG strategiyasini shakllantirishning ilmiy-nazariy asoslarini chuqurlashtirishga hamda keyingi empirik tadqiqotlar uchun metodologik platforma yaratishga xizmat qiladi.

Kalit so'zlar: ESG strategiyasi, barqaror rivojlanish, korporativ boshqaruv, manfaatdor tomonlar nazariyasi, metodologik yondashuvlar.

Аннотация: Подход ESG позволяет компаниям формировать устойчивую ценность за счёт экологической ответственности, социального воздействия и высокого качества корпоративного управления. Целью данной статьи является системный анализ теоретических и методологических основ реализации ESG-стратегии. В исследовании рассматриваются эволюция концепции ESG, ключевые теоретические подходы (теория заинтересованных сторон, институциональная теория и теория легитимности), а также методологические модели, применяемые при разработке и оценке ESG-стратегий. Результаты исследования показывают, что ESG-стратегия является важным инструментом повышения конкурентоспособности компаний, снижения рисков и обеспечения долгосрочной финансовой устойчивости. Статья способствует углублению научно-теоретических основ формирования ESG-стратегии и созданию методологической платформы для дальнейших эмпирических исследований.

Ключевые слова: ESG-стратегия, устойчивое развитие, корпоративное управление, теория заинтересованных сторон, методологические подходы.

INTRODUCTION

Over the past few decades, the requirements imposed on companies within the global economic environment have undergone profound transformation. Growing attention to climate change mitigation, efficient resource utilization, social inclusion, and transparency in corporate governance has highlighted the importance of integrating sustainability considerations into business activities. As a result, approaches focused exclusively on short-term financial performance are increasingly being complemented by broader strategic frameworks

aimed at ensuring long-term sustainable development (Elkington, 1997; Porter & Kramer, 2011). In this context, the ESG (Environmental, Social, and Governance) concept has emerged as a comprehensive theoretical and practical platform for evaluating corporate performance and embedding sustainability principles into strategic management processes. Empirical evidence indicates that companies incorporating ESG factors into their decision-making processes demonstrate higher levels of financial resilience, investment attractiveness, and reputational strength (Friede, Busch, & Bassen, 2015; Broadstock et al., 2021). In particular, the implementation of an ESG strategy contributes to effective risk management, stronger stakeholder engagement, and sustainable long-term value creation (Eccles, Ioannou, & Serafeim, 2014).

The ESG concept was formally introduced in 2004 as part of the United Nations initiative Who Cares Wins, initially serving as a risk assessment framework for institutional investors (UN Global Compact, 2004). While ESG considerations were first applied primarily within investment analysis, they have since evolved into a core component of corporate strategy. The ESG approach evaluates corporate performance across three interrelated dimensions: environmental impact, social responsibility, and governance quality. Contemporary academic literature increasingly recognizes ESG strategy as a significant driver of firm value. For instance, Khan, Serafeim, and Yoon (2016) differentiated between material and immaterial ESG factors and demonstrated that firms prioritizing material ESG indicators achieve superior financial outcomes. These findings underline the economic relevance of ESG strategy alongside its reputational benefits.

ESG strategy should not be regarded as an isolated element of corporate management; rather, it represents an integrated system aligned with a company's overall strategic objectives (Porter & Kramer, 2011). By embedding sustainable development principles at the core of strategic decision-making, firms orient their operations toward long-term value creation. This perspective emphasizes balanced value generation for stakeholders rather than a narrow focus on short-term profit maximization. From the standpoint of institutional theory, the development of ESG strategy is influenced by external pressures such as regulatory frameworks, investor expectations, and societal norms (DiMaggio & Powell, 1983; Aguilera et al., 2007). Simultaneously, stakeholder theory highlights the importance of harmonizing the interests of diverse stakeholder groups as a foundation for sustainable corporate development (Freeman, 1984). Together, these theoretical perspectives provide a robust conceptual basis for understanding the formation and implementation of ESG strategy.

LITERATURE REVIEW

The concept of ESG (Environmental, Social, and Governance) is widely regarded as a multidisciplinary approach that has emerged at the intersection of contemporary corporate governance and strategic management theories. In academic literature, ESG is often interpreted as a logical evolution of the concepts of sustainable development, corporate social responsibility (CSR), and responsible investment (Eccles & Klimenko, 2019). While traditional CSR frameworks have largely emphasized voluntary and philanthropic corporate activities, the ESG concept represents a more integrated approach that is embedded within both strategic and operational decision-making processes and relies on clearly defined and measurable indicators (Bansal, Kahn, & Serafeim, 2021). As a result, ESG contributes to reducing subjectivity in the assessment of corporate performance and enables greater comparability across firms and industries.

Contemporary research increasingly recognizes ESG as a key determinant of firm value. A comprehensive meta-analysis of more than 2,000 empirical studies conducted by Friede, Busch, and Bassen (2015) identified a predominantly positive relationship between ESG performance and financial outcomes. These findings provide strong empirical support for the view that ESG strategies are not merely normative or ethical initiatives but also represent economically justified managerial practices. Consequently, ESG has become an integral element of value creation and long-term corporate sustainability.

Stakeholder theory constitutes one of the most influential theoretical foundations underpinning ESG strategy. According to Freeman (1984), companies should pursue their objectives by considering the interests of a broad range of stakeholders, including employees, customers, suppliers, local communities, and public authorities, in addition to shareholders. ESG strategy can be viewed as an operational mechanism for implementing stakeholder theory in practice. Specifically, the environmental dimension addresses the interests of ecological stakeholders, the social dimension focuses on human capital and societal groups, and the governance dimension emphasizes the alignment and balance of interests among shareholders, management, and oversight bodies (Aguilera et al., 2007). Recent empirical studies demonstrate that stakeholder-oriented ESG strategies enhance corporate reputation, mitigate operational and reputational risks, and contribute to improved long-term financial performance (Harrison, Phillips, & Freeman, 2020). From this perspective, ESG strategy functions as a systematic framework for managing and harmonizing stakeholder relationships.

Institutional theory provides additional explanatory insight into the drivers of ESG strategy formation by emphasizing the role of the external environment. As proposed by DiMaggio and Powell (1983), organizations

adapt their structures and practices in response to institutional pressures in order to maintain legitimacy. These pressures may take normative, coercive, or mimetic forms. In the ESG context, institutional pressures arise through regulatory requirements, international standards, investor expectations, and societal norms (Kostova & Roth, 2002). For example, initiatives aimed at introducing mandatory ESG disclosure requirements within the European Union have significantly accelerated the adoption and formalization of ESG strategies among firms (Christensen, Hail, & Leuz, 2021).

Within the institutional theory framework, ESG strategies are often interpreted as instruments through which companies seek to enhance legitimacy and reinforce their acceptance as responsible market participants. At the same time, the literature acknowledges that ESG practices driven exclusively by external pressure may remain largely symbolic rather than substantive. Such superficial adoption increases the risk of practices commonly referred to as “greenwashing” (Delmas & Burbano, 2011). Consequently, recent studies emphasize the importance of aligning ESG strategy with genuine organizational commitment and internal capabilities to ensure its long-term effectiveness and credibility.

RESEARCH METHODOLOGY

Given the complexity, multi-stage structure, and context-dependent nature of ESG strategy implementation, there is no single universal methodology for its analysis. Contemporary academic research therefore applies integrated methodological frameworks that combine qualitative and quantitative research methods (Bansal, Kahn, & Serafeim, 2021). From a theoretical perspective, the systems approach plays a central role in the analysis of ESG strategy, as it conceptualizes ESG not as a collection of isolated indicators, but as a holistic system closely interconnected with corporate strategy, operational processes, and the external business environment (Eccles & Klimenko, 2019). Accordingly, ESG strategy is examined in conjunction with a company’s strategic objectives, organizational culture, and governance structure.

From a methodological standpoint, three principal approaches to studying ESG strategy can be distinguished: the conceptual–modeling approach, the indicator-based approach, and the empirical–statistical approach. These approaches are complementary in nature and collectively enable a comprehensive and in-depth assessment of ESG strategy implementation and outcomes.

The scientific literature proposes a range of conceptual models for ESG strategy implementation, most of which position ESG as a core component of corporate strategy. The concept of Creating Shared Value, introduced by Porter and Kramer (2011), provides a theoretical rationale for integrating economic and social objectives within ESG strategy. Contemporary ESG models generally encompass several sequential stages: (1) identification of material ESG issues through materiality assessment, (2) formulation of strategic objectives, (3) operational integration into business processes, (4) monitoring and evaluation, and (5) reporting and stakeholder communication (Khan, Serafeim, & Yoon, 2016). These stages form a continuous and iterative cycle, ensuring the dynamic development and ongoing improvement of ESG strategy. Eccles and Klimenko (2019) conceptualize ESG strategy as a “value creation strategy” and emphasize that ESG should be embedded not merely as a compliance mechanism, but as a driver of innovation and competitive advantage, thereby enhancing its long-term effectiveness.

A key methodological challenge in ESG research relates to the selection and interpretation of ESG indicators. ESG metrics are developed by various rating agencies and international organizations, resulting in considerable heterogeneity across measurement frameworks (Berg, Kölbl, & Rigobon, 2022). This diversity complicates cross-company comparability and the aggregation of research findings. Environmental indicators typically include energy consumption, waste generation, water usage, and carbon emissions. Social indicators focus on labor conditions, employee well-being, gender equality, and community engagement, while governance indicators assess board structure, shareholder rights, transparency, and adherence to ethical standards (OECD, 2020). The academic literature highlights challenges related to indicator subjectivity and data quality. Some studies suggest that existing ESG ratings may not fully capture firms’ actual sustainability performance (Christensen, Hail, & Leuz, 2021). Consequently, methodological best practices increasingly recommend the use of multi-source data and customized indicator systems tailored to firm-specific contexts.

Empirical evaluation of ESG strategy effectiveness commonly employs regression analysis, panel data models, structural equation modeling, and composite index construction (Broadstock et al., 2021). Among these methods, panel data analysis is particularly effective for assessing the dynamic impact of ESG strategies over time, as it accounts for firm-specific heterogeneity and improves the robustness of empirical results (Wooldridge, 2010). To address potential endogeneity concerns—arising from the possibility that financially successful firms may invest more heavily in ESG activities—advanced econometric techniques, including instrumental variable methods, are frequently applied (Albuquerque et al., 2020). These methodological refinements enhance the reliability and interpretability of empirical findings.

In summary, an integrated methodological model for ESG strategy analysis can be proposed, encompassing three analytical levels: the strategic level (objectives and policies), the operational level (implementation mechanisms), and the outcome level (performance indicators and results). Such an integrated approach enables a comprehensive evaluation of ESG strategy effectiveness and provides a robust methodological foundation for linking theoretical constructs with empirical analysis in future research.

ANALYSIS AND RESULTS

The theoretical frameworks examined in this study highlight the complex and multidimensional nature of ESG strategy. Stakeholder theory provides a normative and ethical foundation by emphasizing the importance of balancing the interests of diverse stakeholder groups. Institutional theory, in turn, explains how ESG strategies are shaped by external pressures such as regulatory requirements, investor expectations, and societal norms. Legitimacy theory further contributes by elucidating the role of ESG strategy in enhancing social acceptance and corporate reputation. However, no single theoretical perspective fully captures the multifaceted nature of ESG strategy when applied in isolation.

For instance, while stakeholder theory effectively explains value-oriented and socially responsible corporate behavior, it offers limited insight into the economic motivations underlying ESG strategy. Institutional theory, although useful in explaining conformity to external pressures, may overemphasize organizational passivity and understate the role of managerial agency and strategic innovation (Aguilera et al., 2007). Consequently, recent academic research increasingly favors a multi-theoretical approach that integrates economic, institutional, and social perspectives in the analysis of ESG strategy (Bansal et al., 2021). This integrative framework enables a more nuanced understanding of ESG strategy as a dynamic outcome of multiple interacting forces.

An important issue highlighted in the literature concerns the potential divergence between ESG strategy formulation and its practical implementation. Several studies point to discrepancies between ESG disclosures and actual sustainability outcomes, often associated with the risk of symbolic implementation practices commonly referred to as “greenwashing” (Delmas & Burbano, 2011). Rather than framing this issue solely as a limitation, contemporary research emphasizes the opportunity to improve ESG strategy design through more robust evaluation mechanisms. The methodological approaches discussed in this study underscore the importance of incorporating qualitative assessments alongside quantitative metrics. Exclusive reliance on numerical indicators may overlook governance quality, managerial commitment, and contextual factors that shape ESG outcomes.

Accordingly, a comprehensive evaluation of ESG strategy should integrate quantitative performance measures with qualitative analysis of internal governance processes, decision-making frameworks, and organizational context (Christensen et al., 2021). Such an approach enhances the credibility, effectiveness, and long-term impact of ESG strategy, reinforcing its role as a substantive driver of sustainable corporate development rather than a purely symbolic initiative.

CONCLUSIONS AND RECOMMENDATIONS

This article provides a systematic analysis of the theoretical and methodological foundations underlying the implementation of ESG strategy. The findings demonstrate that the ESG concept has evolved into an integral component of contemporary corporate governance and strategic management. ESG strategy enables companies not only to address environmental and social responsibilities but also to enhance long-term economic stability, resilience, and competitiveness in an increasingly complex global business environment.

The theoretical analysis confirms that stakeholder theory, institutional theory, and legitimacy theory each illuminate distinct yet complementary dimensions of ESG strategy. Their integrated application offers a more comprehensive understanding of the multifaceted nature of ESG strategy, highlighting its ethical, institutional, and strategic-economic foundations. Such a multi-theoretical perspective allows ESG strategy to be interpreted not merely as a compliance-driven initiative, but as a value-oriented and strategically embedded managerial approach.

From a methodological perspective, the study emphasizes the critical importance of indicator selection, data quality, and appropriate empirical techniques in the assessment of ESG strategy. The diversity of ESG measurement frameworks and the challenges associated with comparability underscore the need for integrated methodological models that combine quantitative indicators with qualitative analysis. This approach enhances the robustness and interpretability of ESG-related research findings.

Overall, the results of this study establish a solid theoretical and methodological basis for further empirical investigation. Future research may focus on examining the impact of ESG strategy across different industries, institutional contexts, and geographical regions, as well as exploring its dynamic effects over time. By contributing

to the conceptual clarification and methodological structuring of ESG strategy analysis, this article supports both academic inquiry and the effective practical implementation of ESG principles in corporate strategy.

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