

Stakeholders' Perspectives on Critical Success Factors for ESG Implementation in Azerbaijan

A comprehensive analysis of Azerbaijan's Environmental, Social, and Governance (ESG) framework, benchmarked against leading global standards, backed with stakeholder engagement, regulatory analysis, and the development of industry-specific ESG guidance and checklists.

Contents

- Introduction..... 5
 - About the authors..... 5
 - About the report..... 6
 - Methodology..... 6
 - Key outputs..... 7
- Phase 1: Azerbaijan's ESG Framework..... 8**
- Introduction..... 9
- Overview of AZS 962:2024: Green Business Management Systems..... 10
- Overview of relevant regulations..... 12
- Environmental Regulations..... 17
 - Overview of Environmental Laws..... 17
 - Environmental Impact Assessment..... 19
 - Public Participation and Stakeholder Engagement..... 19
 - Climate Commitments and Sustainable Development..... 20
- Social Regulations..... 22
 - Human Rights Framework..... 22
 - Labor Rights and Employment Standards..... 22
 - Gender Equality and Vulnerable Groups..... 23
 - Community Health and Safety..... 23
- Governance Regulations..... 25
 - Corporate Governance Framework..... 25
 - Anti-Corruption Measures..... 25
 - Transparency and Reporting Requirements..... 26
- Global benchmark..... 27
 - European Union..... 27
 - Japan..... 28
 - United States..... 30
 - United Kingdom..... 32
 - Georgia..... 33

China.....	35
Turkiye.....	36
Gap analysis.....	39
Environmental gaps.....	39
Social Gaps.....	40
Governance Gaps.....	41
Transparency and Reporting.....	41
Conclusions.....	43
Phase 2: ESG Implementation in Azerbaijan.....	45
Introduction.....	46
Common Features Across Sustainability Reports.....	47
Unique Initiatives by Company.....	49
Phase 3: Stakeholder Engagement.....	53
Introduction.....	54
Key Findings.....	55
1. Familiarity with ESG Principles.....	55
2. Organizations Following ESG Guidelines.....	55
3. Standards and Frameworks.....	56
4. ESG Factors Requiring Immediate Attention.....	56
Stakeholder Roles and Recommendations.....	58
Existing Practices and Benefits.....	59
Phase 4: Recommendations and Reporting.....	61
Summary of Findings.....	62
Regulatory Gaps and Inconsistencies.....	62
Limited Awareness and Capacity.....	62
Weak Data Infrastructure.....	63
Insufficient Financial Incentives.....	63
Barriers to Stakeholder Engagement.....	63
Sectoral Disparities in ESG Adoption.....	63
Recommendations.....	64

List of Abbreviations.....	68
References.....	70

Introduction

About the authors

Sabina Alekperova

Sabina Alakbarova is a seasoned researcher and project manager with extensive expertise in qualitative and quantitative research methodologies, organizational development, and network-based initiatives. She holds a Ph.D. in European Studies from Tbilisi State University and a Master's in Public Policy and Administration from Potsdam University (Germany), specializing in development policies and sustainable institutional improvements.

Sabina's professional experience spans leading research on gender-based violence, conducting CSO needs assessments, sustainability reporting and developing advocacy strategies for international networks, including the EaP CSF Azerbaijani National Platform. She has collaborated with organizations like ISET Policy Institute, PWYP, UNDP, and TechSoup Europe, where her work focused on stakeholder analysis, social development, and governance reforms.

Complementing her research career, Sabina serves as an Adjunct Faculty Instructor at ADA University, delivering courses on Nonprofit Management, Human Resource Management and Organizational Behavior, fostering a bridge between academic theory and practical implementation. Her multilingual skills and cross-cultural expertise make her a dynamic contributor to international peacebuilding, civil society engagement, and policy innovation initiatives.

Sheyda Karimova

Sheyda is an experienced sustainability and ESG professional with over 10 years of professional experience across multiple sectors, including private consulting and government advisory. She has led sustainability reporting efforts for passenger and cargo airlines, telecom, and production, as well as contributing significantly to non-financial assurance and strategic diagnostics at the Ministry of Digital Development and Transport. As a sustainability consultant at Deloitte and EY, Sheyda applied her skills in ESG data collection, analysis, and reporting, working with frameworks such as GRI, SASB, TNFD, and TCFD. She has also been a pioneering figure in Azerbaijan, notably as the first to apply the Stakeholder Capitalism Metrics in the country. Sheyda's academic background includes a fully funded Master's degree in Public Policy from the Sejong-based KDI School of Public Policy and Management, with a focus on sustainable development and environmental policy.

About the report

This report outlines the work completed and methodologies employed for the project on critical success factors for Environmental, Social, and Governance (ESG) implementation in Azerbaijan. The project, commissioned by Green Tech Solutions LLC and funded by BP in Azerbaijan, aimed to analyze stakeholder insights, conduct regulatory reviews, and develop tailored ESG guidance and checklists for local companies.

The project's primary objective was to provide a comprehensive understanding of stakeholders' perspectives on ESG implementation in Azerbaijan. The deliverables include industry-specific guidance documents and practical ESG checklists to enhance local compliance with both global and regional standards.

Methodology

Literature Review and Regulatory Analysis

A combination of global benchmarking and local reviews provided the foundational understanding of ESG landscapes. The analysis employed comparative techniques to identify regulatory gaps and alignments.

Stakeholder Mapping and Surveying

An extensive mapping exercise ensured coverage of relevant sectors. Surveys were designed with input from ESG experts, focusing on metrics like awareness levels, compliance gaps, and stakeholder perceptions.

Handbook Development

Insights from earlier phases informed the creation of guidance documents and checklists, ensuring they addressed real-world needs and regulatory compliance. The tools emphasized practical application across industries.

Recommendations and Reporting

Recommendations synthesized insights from regulatory analysis, survey data, and pilot testing to provide a comprehensive roadmap for ESG adoption in Azerbaijan.

Conclusion

This report reflects the culmination of a methodical and collaborative effort to provide Azerbaijani companies with tailored ESG solutions. By delivering actionable tools and strategic recommendations, the project supports local businesses in aligning with global sustainability standards and strengthening their ESG performance. The methodologies

employed ensured robust stakeholder engagement, practical solutions, and alignment with both local and global expectations.

Key outputs

Phase 1: Literature Review and Regulatory Analysis

A thorough review of global and regional ESG frameworks was conducted, including benchmarking against key standards like GRI, SASB, and TCFD. The regulatory analysis highlighted gaps between Azerbaijan's ESG regulations and global best practices, emphasizing opportunities for alignment and improvement.

Phase 2: Stakeholder Mapping and Surveying

Stakeholder mapping identified key players across sectors, including energy, construction, and industrial sectors, who could provide insights into ESG maturity. A comprehensive survey was distributed to these stakeholders, focusing on ESG awareness, challenges, and adoption levels.

Phase 3: Development of ESG Guidance Documents and Checklists

Based on survey findings and regulatory analysis, practical guidance documents were created for Azerbaijani companies. These were tailored to local industry needs and regulatory requirements, offering actionable steps to enhance ESG practices. Additionally, customized ESG checklists were developed for environmental, social, and governance factors to aid companies in self-assessment and improvement.

Phase 4: Recommendations and Reporting

Comprehensive recommendations were developed to address identified gaps and challenges. The final report synthesized findings from all phases, providing a strategic roadmap for advancing ESG practices in Azerbaijan.

Phase 1: Azerbaijan's ESG Framework

Regulatory gap analysis

Introduction

ESG frameworks are increasingly recognized as essential components of regulatory structures across the globe, reflecting a commitment to sustainable growth, social welfare, and transparency. Azerbaijan's current ESG policies have been designed with national development priorities in mind and demonstrate alignment with certain aspects of international standards. However, as global ESG benchmarks become progressively more stringent, especially within the European Union and in countries at the forefront of sustainability, there is a need for Azerbaijan to assess its regulatory framework comprehensively. By undertaking a comparative analysis, Azerbaijan can identify regulatory gaps and adapt its policies to meet evolving global expectations for sustainable development and responsible governance.

This report aims to systematically examine Azerbaijan's ESG regulatory framework across four primary dimensions: environmental policies, social protections, governance standards, and transparency in reporting. Each section provides a comparative benchmark of Azerbaijan's regulatory approach alongside recognized global standards, particularly those established by the EU and other jurisdictions with advanced ESG mandates. The purpose of this analysis is to identify gaps in Azerbaijan's current framework and offer strategic recommendations for bridging these gaps, ensuring that the country's ESG policies are both comprehensive and in line with international norms.

This gap assessment serves as a resource for Azerbaijani policymakers and regulatory bodies, providing them with practical insights to strengthen the country's ESG standards. In doing so, Azerbaijan can enhance its ability to attract international investments, as global investors increasingly prioritize ESG compliance and responsible corporate practices. Furthermore, strengthening Azerbaijan's ESG framework can contribute to the overall resilience of its economy, improve the social well-being of its citizens, and establish governance practices that emphasize transparency and accountability. By embracing these advancements, Azerbaijan positions itself not only to meet its development goals but also to actively contribute to the global movement toward sustainable, equitable, and transparent governance.

The following chapters will delve into the specifics of each ESG dimension, beginning with an assessment of Azerbaijan's environmental policies in comparison to international standards. Subsequent sections will analyze social, governance, and transparency frameworks, concluding with recommendations to align Azerbaijan's policies with best practices globally.

Overview of AZS 962:2024: Green Business Management Systems

The Azerbaijan Standardization Institute (AZSTAND) has recently introduced a national standard on ESG to promote sustainable development within the country. This initiative, developed with technical assistance from the International Organization for Standardization (ISO), aims to establish a comprehensive regulatory framework for ESG activities, encouraging organizations to adopt responsible and sustainable practices.

The AZS 962:2024 standard integrates key elements of national laws, such as the 'Law on Environmental Protection' and 'Labor Code of Azerbaijan.' For example, Clause 4.1 of AZS 962:2024 aligns with the regulatory requirement to assess internal and external environmental issues affecting organizational performance. It is a comprehensive framework aimed at enabling organizations to balance environmental preservation, social responsibility, and economic performance. It promotes the transition from a linear economy to a circular economy and establishes systematic guidelines for managing environmental impacts, improving resource efficiency, and fostering long-term sustainable development.

AZS 962:2024 aims to enable organizations to systematically address ESG factors in their operations. It provides a structured approach for integrating sustainability into decision-making processes, ensuring compliance with environmental obligations, and improving overall environmental performance. This standard applies to organizations of all sizes and industries, making it versatile for diverse operational contexts.

The standard emphasizes the life-cycle approach, ensuring that environmental impacts are managed from resource extraction to end-of-life disposal. It outlines principles for:

- **Leadership Commitment:** Senior management is tasked with integrating green management systems into strategic planning, ensuring alignment with business goals.
- **Risk and Opportunity Management:** Organizations are encouraged to assess potential environmental risks and leverage opportunities for sustainable growth.
- **Resource Management:** The standard promotes the efficient use of materials, energy, and water resources, alongside the adoption of renewable energy and sustainable procurement practices.
- **Performance Evaluation:** Regular monitoring, auditing, and reporting are integral to tracking progress and identifying areas for improvement.

- **Continuous Improvement:** Adopting the Plan-Do-Check-Act (PDCA) model ensures ongoing enhancement of green management systems.

AZS 962:2024 incorporates global best practices tailored to Azerbaijan's business and regulatory landscape. It emphasizes aligning corporate strategies with environmental goals, fostering innovation, and maintaining transparency. By adopting this standard, organizations can strengthen stakeholder confidence and gain a competitive edge in sustainability-focused markets.

The standard supports integration with existing management systems, such as quality and energy management, fostering a cohesive approach to organizational governance. Its flexibility allows partial or full implementation based on the organization's specific needs and objectives.

Overview of relevant regulations

Laws and Directives

1. **Constitution of the Republic of Azerbaijan (Article 39):** Guarantees the right of citizens to live in a healthy environment, providing a constitutional foundation for environmental protection.
2. **Law on Environmental Impact Assessment (2018):** Establishes the requirements for assessing environmental impacts of projects, ensuring they align with sustainability and environmental protection standards.
3. **Law on Environmental Protection (1999):** Outlines the general principles of environmental protection, promoting the sustainable use of natural resources and minimizing environmental harm.
4. **Law on the Protection of Environment (1999):** Similar to the Law on Environmental Protection, this legislation focuses on conserving ecological balance and preventing pollution.
5. **Law on Acquisition of Lands for State Needs (2010):** Governs land acquisition for state projects, including procedures for compensation and ensuring fair land use practices.
6. **Law on Sanitary and Epidemiological Safety (1992):** Focuses on public health, mandating safety standards to prevent the spread of diseases and ensure sanitation in public spaces.
7. **Law on Protection of Atmospheric Air (2001):** Sets regulations on air quality and emissions, aimed at reducing pollution and protecting public health from airborne pollutants.
8. **Law on Public Participation (2013):** Mandates the inclusion of public opinion in environmental decision-making, enhancing transparency and stakeholder engagement.
9. **Law on Specially Protected Areas and Objects (2000):** Defines and protects natural reserves and environmentally significant areas to conserve biodiversity and natural resources.
10. **Law on Ecological Safety (1999):** Ensures protection against environmental hazards, including pollution and natural disasters, promoting ecological stability.

11. **Law on Enforcement of Gender Equality (2006):** Promotes gender equality in the workplace and public spaces, establishing rights to equal treatment and opportunities.
12. **Labor Code of the Republic of Azerbaijan (1998):** Regulates labor rights, working conditions, and employer-employee relations, aiming to protect workers and promote fair labor standards.
13. **Law on Compulsory Insurance against Occupational Disability (2010):** Provides mandatory insurance for workers against occupational accidents and injuries, ensuring financial protection in cases of work-related disabilities.
14. **Labor Protection Law (1992):** Establishes safety standards in the workplace, focusing on worker health and safety to prevent occupational hazards.
15. **Law on the Status of Refugees and Internally Displaced Persons:** Outlines the rights and protections for refugees and internally displaced persons, ensuring access to housing, education, and employment.
16. **Law on the Protection of Historical and Cultural Monuments:** Protects historical and cultural sites, ensuring preservation of Azerbaijan's heritage for future generations.
17. **Law on Culture (1998):** Promotes cultural development and preservation, supporting cultural rights and the conservation of cultural sites and practices.

Programs and Strategic Initiatives

1. **National Sustainable Energy Action Plan (2019):** A framework for promoting renewable energy and improving energy efficiency, aligning Azerbaijan's energy policies with sustainable development goals.
2. **Sustainable Finance Roadmap by the Central Bank of Azerbaijan (2023):** Provides guidelines for integrating sustainability into the financial sector, encouraging responsible investment and sustainable economic growth.
3. **State Program on Socio-Economic Development of the Regions of Azerbaijan (2009-2013):** Aimed at reducing regional disparities, this program focused on improving infrastructure, social services, and economic opportunities across Azerbaijan's regions.

4. **State Program on Poverty Reduction and Sustainable Development (2008-2015):** Targeted poverty reduction and economic development, with a focus on improving living standards and access to essential services.
5. **State Program on Ensuring Reliable Population in Food Provision (2008-2015):** Focused on food security by promoting sustainable agricultural practices and ensuring access to safe and nutritious food.
6. **Azerbaijan 2020: Vision to Future:** A strategic vision aiming to modernize Azerbaijan's economy, improve social welfare, and promote sustainable development by 2020.

Primary relevant international agreements

1. **Paris Agreement:** Azerbaijan committed to the global climate change effort with a target of reducing greenhouse gas emissions by 35% by 2030. The agreement strengthens the country's alignment with global climate goals.
2. **Convention on Biological Diversity (CBD):** This agreement commits Azerbaijan to conserving biodiversity, sustainably using biological resources, and ensuring fair benefits from genetic resources.
3. **United Nations Framework Convention on Climate Change (UNFCCC):** Azerbaijan participates in this international treaty aimed at stabilizing greenhouse gas concentrations in the atmosphere.
4. **Kyoto Protocol:** Azerbaijan adheres to this protocol, which requires binding emission reduction targets for participating countries and addresses various greenhouse gases.
5. **Montreal Protocol:** This treaty is focused on the phase-out of ozone-depleting substances. Azerbaijan has committed to reducing and eventually eliminating harmful emissions impacting the ozone layer.
6. **Basel Convention on Hazardous Wastes:** This agreement controls the transboundary movement and disposal of hazardous waste, requiring Azerbaijan to manage hazardous waste responsibly.
7. **Stockholm Convention on Persistent Organic Pollutants:** Azerbaijan commits to phasing out or restricting the production of pollutants that have long-lasting harmful effects on human health and the environment.

8. **Ramsar Convention on Wetlands:** This treaty supports the conservation and sustainable use of wetlands, essential for biodiversity, water storage, and flood control.
9. **Aarhus Convention:** Azerbaijan is a signatory to this convention, which grants public rights regarding access to information, public participation, and access to justice in environmental matters.
10. **Vienna Convention for the Protection of the Ozone Layer:** This agreement reinforces the Montreal Protocol, providing a framework for controlling ozone-depleting substances.
11. **International Labour Organization (ILO) Conventions:** Azerbaijan has ratified various ILO conventions covering labor standards, such as forced labor, child labor, non-discrimination, and the right to organize and collective bargaining.
12. **Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW):** Azerbaijan commits to promoting gender equality and addressing discrimination against women in social, economic, and political life.
13. **Convention on the Rights of the Child (CRC):** This treaty obligates Azerbaijan to protect children's rights, ensuring their access to education, healthcare, and protection from exploitation.
14. **International Covenant on Economic, Social and Cultural Rights (ICESCR):** Azerbaijan commits to protecting individuals' economic, social, and cultural rights, including the rights to work, education, health, and an adequate standard of living.
15. **Convention on the Rights of Persons with Disabilities (CRPD):** Azerbaijan agrees to uphold the rights and dignity of persons with disabilities, ensuring equal access to opportunities and protections against discrimination.
16. **International Covenant on Civil and Political Rights (ICCPR):** This agreement mandates that Azerbaijan protects civil and political rights, including freedom of speech, assembly, and fair trial rights.
17. **United Nations Global Compact:** As a participant, Azerbaijan aligns its policies with the Compact's ten principles covering human rights, labor standards, environmental responsibility, and anti-corruption.
18. **United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP):** Though not legally binding, Azerbaijan supports principles of respecting the rights and territories of indigenous and vulnerable communities.

19. **European Convention on Human Rights (ECHR):** As a Council of Europe member, Azerbaijan commits to upholding human rights protections outlined in this convention, subject to oversight by the European Court of Human Rights.
20. **Protocol to Prevent, Suppress, and Punish Trafficking in Persons:** This agreement under the UN addresses human trafficking, requiring Azerbaijan to combat and prevent human trafficking and protect victims.

Environmental Regulations

Overview of Environmental Laws

Azerbaijan has embarked on a journey to align its policies with international standards, notably through its commitments to various global agreements. These include the Paris Agreement, which aims for significant reductions in greenhouse gas emissions (United Nations Framework Convention on Climate Change [UNFCCC], 2015), and the Sustainable Development Goals (SDGs) set by the United Nations (United Nations, 2015). As a developing nation rich in natural resources, Azerbaijan faces unique challenges and opportunities in implementing ESG practices that support its economic growth while protecting the environment and ensuring social equity.

Azerbaijan's environmental regulatory framework is primarily governed by the Law on Environmental Protection (1999) and the Law on Environmental Impact Assessment (2018). These laws establish the fundamental principles for the protection and sustainable management of natural resources (Ministry of Ecology and Natural Resources of Azerbaijan, 1999; 2018). They mandate comprehensive assessments of potential environmental impacts before any significant project implementation, highlighting the need for an integrated approach to environmental management that considers ecological balance and human health.

Historically, environmental laws in Azerbaijan have evolved significantly since the country gained independence in 1991. During the Soviet era, environmental management was characterized by centralized control and a lack of local accountability, resulting in widespread degradation of natural resources. The Caspian Sea, once a vibrant ecosystem, has suffered severe pollution and depletion of its fish stocks due to industrial activities and oil exploration. Following independence, Azerbaijan began to reform its environmental policies to align with international standards, leading to the establishment of new regulations aimed at protecting the environment.

Specific historical incidents of environmental degradation, such as the pollution of the Kura River from industrial waste, have spurred policy reform. petroleum and petrochemical industries in Azerbaijan, especially near Baku and Sumgayit, released large quantities of untreated effluents into the Kura. Pollutants like heavy metals, oils, and other hazardous chemicals caused a decline in aquatic life and posed health risks to communities relying on the river for drinking and irrigation water. The river's degradation heightened awareness and led to public outcry, prompting governments to take action post-independence.

This degradation spurred policy reforms, which began adopting environmental laws aimed at regulating industrial waste disposal and establishing water quality standards. Partnerships with international bodies like the European Union, World Bank, and UN Environment Programme (UNEP) brought support for projects aimed at cleaning the Kura River, including enhanced wastewater treatment facilities, stricter licensing requirements, and environmental monitoring initiatives. However, expert opinions suggest that despite the establishment of environmental laws, enforcement remains a significant challenge. The lack of resources and expertise in monitoring environmental compliance has limited the effectiveness of these laws.

For example, although Azerbaijan's government introduced laws such as the Law on Environmental Protection (1999) and the Water Code (1997), effective monitoring of compliance with environmental standards remains challenging. Environmental agencies often lack the budget, equipment, and trained personnel to conduct regular inspections, especially in remote areas or on a large industrial scale.

Furthermore, monitoring environmental compliance requires sophisticated tools to measure pollutants accurately, alongside skilled professionals who can interpret data and enforce penalties. Azerbaijan's environmental institutions often lack these capabilities, making it challenging to hold companies accountable for illegal waste disposal or emissions violations. Experts also suggest that political and economic interests sometimes complicate enforcement, as industries that contribute substantially to the economy may receive leniency, undermining the impact of environmental regulations.

Experts also suggest that political and economic interests sometimes complicate enforcement, as industries that contribute substantially to the economy may receive leniency, undermining the impact of environmental regulations. This lack of robust enforcement infrastructure not only limits accountability but also challenges Azerbaijan's constitutional commitment to environmental protection. The Constitution of the Republic of Azerbaijan guarantees the right of citizens to live in a healthy environment, thereby underpinning the legislative framework aimed at safeguarding the environment. Article 39 explicitly states that every individual has the right to access information about the ecological situation and to seek compensation for environmental harm.

Azerbaijan is also a party to several international environmental agreements, including the Convention on Biological Diversity and the UN Framework Convention on Climate Change. These treaties play a crucial role in shaping national environmental policies and aligning them with international best practices. For instance, compliance with the Convention on Biological Diversity has led to the establishment of protected areas in Azerbaijan, aimed at preserving biodiversity. Challenges remain in the effective

implementation of these treaties, often hindered by limited resources and enforcement capabilities. Furthermore, the integration of international standards into local practices requires significant capacity building and public awareness initiatives. The need for training programs aimed at local government officials and environmental organizations is paramount to strengthen the application of these laws.

Environmental Impact Assessment

The Law on Environmental Impact Assessment (EIA) (2018) mandates that any proposed economic activity undergo a rigorous evaluation process to identify potential environmental impacts. This includes a comprehensive analysis of direct, indirect, and cumulative effects on the environment and human health. The EIA process involves various stakeholders, ensuring transparency and public participation throughout the assessment. Incorporating examples of successful EIAs and those that faced challenges or criticisms can illustrate the practical application of the EIA framework.

For instance, the Southern Gas Corridor project, which facilitates the transportation of gas from the Caspian Sea to Europe, exemplifies how EIAs can be implemented effectively. This project underwent rigorous assessments, and stakeholders were involved in discussions regarding mitigation measures for environmental impacts, resulting in better outcomes for local communities. International consultants have increasingly played a role in the EIA process, providing expertise and ensuring adherence to global best practices. Their involvement has contributed to more thorough assessments and has enhanced the credibility of the EIA process in Azerbaijan. Reports indicate that projects with international consultant oversight tend to have more comprehensive assessments and better community relations.

Public Participation and Stakeholder Engagement

Public participation is further emphasized in the Law on Public Participation (2013), which outlines provisions to engage citizens and stakeholders in decision-making processes related to socio-economic activities. The law promotes transparency and accountability, reinforcing the notion that stakeholders have a right to influence decisions affecting their environment and well-being.

Statistics on public participation rates in recent EIAs indicate an increase in community engagement, as reported by the Ministry of Ecology and Natural Resources and various international organizations. This growing awareness underscores the need for continuous efforts to involve the public in environmental decision-making processes. Moreover, an analysis of public feedback in various EIAs shows that community input often leads to project modifications, resulting in improved environmental outcomes.

According to various reports of international organization, such as the World Bank, International Association for Public Participation (IAP2), etc., case studies demonstrate that projects with significant public participation are more likely to receive community support and experience fewer delays. Examining case studies of projects where public participation significantly influenced outcomes reveals the importance of inclusive decision-making.

However, challenges remain in engaging marginalized communities. Often, those most affected by environmental projects lack access to information or resources to participate effectively. Strategies to enhance engagement with these groups, such as targeted outreach and education initiatives, are critical for ensuring equitable participation. As mentioned above, reports of international organizations suggest that projects with strong community involvement have a higher success rate compared to projects with minimal public input. This positive correlation underscores the importance of integrating public participation into environmental decision-making.

Climate Commitments and Sustainable Development

Azerbaijan has committed to significant international climate agreements, including the Paris Agreement, which aims to reduce greenhouse gas emissions by 35% by 2030. The National Sustainable Energy Action Plan, adopted in 2019, outlines specific actions to enhance the usage of sustainable energy sources, reflecting Azerbaijan's commitment to environmental sustainability and climate resilience. The government is actively promoting the use of renewable energy sources, such as wind and solar power, to diversify its energy mix and reduce reliance on fossil fuels. In recent years, several large-scale solar and wind projects have been initiated, aimed at harnessing the country's renewable energy potential.

The role of technology in enhancing climate initiatives cannot be overlooked. Innovations in renewable energy technologies, such as advanced solar panels and wind turbines, have made it feasible for Azerbaijan to transition toward cleaner energy sources. The implementation of smart grids is also being explored to improve energy efficiency and facilitate the integration of renewable energy into the national grid. Local and international NGOs play a critical role in promoting climate initiatives, such as Ecofront and IDEA. On top of that, the Society for the Protection of Nature has successfully implemented projects focused on reforestation and habitat restoration, highlighting the importance of grassroots movements in driving environmental change. Their efforts not only contribute to environmental conservation but also raise awareness about climate issues among local communities.

Moreover, Azerbaijan's participation in regional and international environmental forums demonstrates its commitment to collaborative approaches in addressing climate change. Engaging with international partners can facilitate knowledge sharing and enhance the effectiveness of local climate initiatives. International partnerships and funding are vital in promoting sustainable development initiatives in Azerbaijan. For instance, projects funded by the Green Climate Fund have supported initiatives aimed at enhancing climate resilience in vulnerable communities, showcasing the impact of international cooperation on local sustainability efforts.

Social Regulations

Human Rights Framework

The social dimension of Azerbaijan's ESG framework is anchored in the protection of human rights. Azerbaijan is a signatory to several international human rights treaties, including the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR). These treaties establish a framework for the protection and promotion of fundamental human rights, including the right to a healthy environment and access to information.

Azerbaijan's Ombudsman institution was established in 2001 to protect citizens' rights and address grievances, a significant milestone in promoting human rights domestically. Human rights are protected under various laws, including by the relevant provisions of the Constitution.

Labor Rights and Employment Standards

Azerbaijan's labor rights are primarily governed by the Labor Code (1998), which stipulates comprehensive provisions regarding employment, workplace safety, and employees' rights. The Code emphasizes the right to safe and healthy working conditions, aligning with international labor standards. Article 17 prohibits coercive practices in employment, ensuring that workers are treated fairly and with respect.

Recent statistics from the State Statistical Committee of Azerbaijan indicate that the unemployment rate stood at approximately 5.5% in 2023, reflecting improvements in the labor market (SSCA, 2023). However, challenges remain, particularly in sectors such as construction and agriculture, where informal labor practices are prevalent. Comparisons with neighboring countries reveal that Azerbaijan's labor rights practices lag behind those of more developed economies in the region. The Law on Compulsory Insurance Against Occupational Disability mandates employers to provide insurance coverage for their employees against occupational hazards, reflecting the government's commitment to ensuring worker safety and health. This insurance coverage is crucial for protecting workers from potential accidents and illnesses associated with hazardous work environments.

The impact of COVID-19 on labor rights and employment in Azerbaijan has been significant, leading to shifts in employment patterns and increased vulnerability for many workers. Labor unions and NGOs have responded by advocating for enhanced protections and support for affected workers, emphasizing the importance of social safety nets during times of crisis.

Gender Equality and Vulnerable Groups

Gender equality is a key component of Azerbaijan's social policies. The Law on Gender Equality (2006) defines gender-based discrimination and establishes measures to promote equality in various spheres of life. The government has implemented several programs to enhance women's rights and address gender disparities, thereby contributing to broader social equity. For instance, initiatives aimed at empowering women economically and socially have been introduced, including skills training programs and support for women entrepreneurs. These programs have yielded positive outcomes, with UN Women noting that women lead 22.5% of the micro, small and medium-sized enterprises in Azerbaijan (UN Women, 2023).

However, cultural barriers and traditional gender roles continue to pose challenges, necessitating ongoing efforts to promote gender equality across all sectors of society. As of September 2024, women hold 26 out of 125 seats in Azerbaijan's National Assembly, constituting 20.8% of the parliament (Inter-Parliamentary Union, 2024). This figure reflects a gradual increase from previous years; for instance, in 2021, women occupied 18.2% of parliamentary seats (UN Women, 2021). Despite this progress, the representation of women in Azerbaijan's parliament remains below the global average, indicating the need for continued efforts to enhance women's participation in decision-making processes. Advocacy for gender quotas has gained momentum, with civil society organizations pushing for legislative reforms to enhance women's representation in leadership roles.

Highlighting successful gender equality initiatives in other countries can serve as models for Azerbaijan. For instance, countries like Rwanda and Sweden have implemented policies that promote women's participation in politics and the workforce, resulting in significant advancements in gender equality. Azerbaijan has also adopted specific measures to support vulnerable groups, including internally displaced persons and those affected by socio-economic challenges. These efforts are embodied in various national programs aimed at poverty reduction and socio-economic development. NGOs and international organizations play a vital role in supporting these initiatives, providing resources and expertise to enhance their effectiveness.

Community Health and Safety

The Law on Environmental Protection emphasizes the importance of community health and safety in the context of environmental management. This includes measures to prevent environmental emergencies and ensure that communities are adequately prepared to respond to potential hazards. The law outlines responsibilities for both

government authorities and private entities in safeguarding public health and mitigating environmental risks.

In practice, this involves conducting health impact assessments alongside environmental assessments for significant and large-scale projects. These assessments aim to identify potential health risks to local populations and outline strategies to mitigate these risks. The effectiveness of these measures is critical for ensuring that development projects do not adversely impact community health. Recent studies have indicated that industrial pollution in areas near major oil and gas facilities has led to increased rates of respiratory illnesses among local populations. The Ministry of Health has initiated public health campaigns to address these issues, emphasizing the need for preventive measures and community engagement in health monitoring.

Furthermore, the government is working to improve access to healthcare services for affected communities, ensuring that health outcomes are prioritized in development planning. Data from local health institutions reveal a correlation between environmental pollution and health outcomes, with areas near industrial sites reporting higher incidences of respiratory and cardiovascular diseases. In-depth analysis of the intersection of health and environmental policies is crucial. Poor environmental quality not only impacts public health but also incurs economic costs associated with healthcare expenditures and lost productivity. Effective policies must address both health and environmental concerns holistically.

Governance Regulations

Corporate Governance Framework

Azerbaijan's governance framework is influenced by various laws aimed at promoting transparency and accountability in both the public and private sectors. The Corporate Governance Code, established by the Ministry of Economy, outlines principles for effective governance practices, including the responsibilities of boards of directors and the importance of ethical conduct in business operations.

The disparity between state-owned enterprises and private companies remains pronounced. Many state-owned enterprises exhibit weak governance structures, contributing to inefficiencies and corruption risks. A 2017 World Bank Technical Note assesses the corporate governance of SOEs in Azerbaijan, identifying significant deviations from international best practices and recommending reforms to enhance accountability and effectiveness (World Bank, 2017). Furthermore, the OECD's 2020 review of the Azerbaijan Investment Holding and its SOEs describes and assesses the corporate governance framework, making recommendations to align with OECD Guidelines (OECD, 2020).

Business leaders have indicated that strengthening corporate governance is essential for attracting foreign investment and fostering a competitive business environment. These insights underscore the challenges faced in promoting good governance. Many cite the need for regulatory reforms that enhance accountability and transparency in public procurement processes. The establishment of independent oversight bodies is also viewed as crucial for improving corporate governance practices.

Anti-Corruption Measures

Corruption poses a challenge to effective corporate governance in Azerbaijan. The government has implemented various anti-corruption measures, including the establishment of the Anti-Corruption Commission and the adoption of the Law on Anti-Corruption (2004). These initiatives aim to promote integrity in public service and enhance accountability in both governmental and non-governmental sectors.

However, challenges persist in this regard, hindering widespread progress. More decisive measures will be required to address these challenges, including exhaustive monitoring systems, large-scale digitalization of processes in order to ensure enhanced transparency, and accountability measures.

Transparency and Reporting Requirements

The Law on Financial Reporting establishes requirements for corporate financial disclosures, enhancing transparency in financial reporting practices. Companies are mandated to provide accurate and timely information about their financial performance, contributing to a more transparent business environment.

Additionally, the Law on Environmental Impact Assessment requires companies to disclose information related to their environmental performance, including the results of environmental assessments and compliance with applicable regulations. This commitment to transparency not only enhances corporate accountability but also enables stakeholders to make informed decisions regarding investments and partnerships. Furthermore, initiatives such as the Open Government Partnership promote transparency and citizen engagement in governance, fostering a culture of accountability. However, its membership status was downgraded to “inactive” in 2016 due to concerns about civil society constraints.

By encouraging public access to information and active participation in governance processes, Azerbaijan can strengthen its democratic institutions and enhance public trust in government. The role of technology in enhancing corporate transparency cannot be overlooked. Innovations such as blockchain technology are being explored to improve supply chain transparency and reporting practices. Companies adopting these technologies can enhance their accountability and build trust with stakeholders. The Ministry of Digital Development and Transport has played a pivotal role in advancing the digitalization of governmental services in Azerbaijan. Key initiatives include the development of e-Government platforms, which allow citizens to access services online, reducing the need for in-person visits and increasing the efficiency and transparency of government processes. These platforms provide centralized access to essential public services such as tax filings, utility payments, and document verification, enabling a more streamlined interaction between the government and the public.

Additionally, the Ministry has implemented projects focused on digital ID systems, which allow secure online identity verification, facilitating transactions in both the public and private sectors. This digital infrastructure enhances accessibility, fosters transparency, and promotes data integrity across government services. Through these digitalization efforts, the Ministry is helping Azerbaijan transition towards a more transparent and efficient governance model, where public engagement and trust are integral components of the nation’s digital transformation strategy.

Global benchmark

European Union

The European Union (EU) has emerged as a global leader in the implementation of ESG frameworks. The EU's regulatory environment, particularly the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS), is designed to enhance corporate transparency and accountability across environmental and social dimensions. This paper examines the key elements of the EU's ESG practices, highlighting the structure, regulatory approaches, and benchmark assessment against other global practices. The EU's commitment to double materiality, sector-specific reporting, and stakeholder engagement marks a significant shift toward integrating ESG into the core business strategies of companies operating within the EU.

The CSRD, which builds on the previous Non-Financial Reporting Directive (NFRD), is the cornerstone of the EU's ESG reporting framework. It mandates that companies disclose comprehensive information on how sustainability issues affect their business and how their operations impact the environment and society ([European Commission, 2022](#)). This directive represents a significant expansion, applying not only to large EU companies but also to non-EU firms with substantial operations in the region. The CSRD requires companies to conduct double materiality assessments, evaluating both financial materiality (how sustainability issues affect the company) and impact materiality (the company's impact on society and the environment) ([European Commission, 2022](#)). The implementation of the CSRD will occur in phases starting from 2024 for large EU and non-EU companies, with smaller enterprises being integrated by 2026. This structured rollout ensures that organizations have adequate time to develop robust reporting mechanisms and align with the new requirements ([Datamaran, 2024](#)).

To support the CSRD, the ESRS were developed by the European Financial Reporting Advisory Group (EFRAG). These standards provide detailed guidelines for reporting across environmental, social, and governance domains. The ESRS includes five environmental standards (e.g., climate change and biodiversity), four social standards, and one governance standard, ensuring comprehensive coverage of ESG factors ([EFRAG, 2024](#)). These standards aim to harmonize reporting practices and make sustainability disclosures comparable across industries and borders. A key aspect of the ESRS is its requirement for companies to disclose both quantitative metrics (such as GHG) and qualitative governance details (such as board oversight of ESG risks). This dual approach ensures that companies provide a holistic view of their sustainability performance ([EFRAG, 2024](#)).

The EU's Green Deal, which seeks to make Europe the first climate-neutral continent by 2050, underpins much of the region's ESG initiatives. This policy framework has a profound influence on the corporate sector, driving companies to adopt sustainability strategies that align with the Paris Agreement. The EU's regulatory approach is increasingly seen as setting a global benchmark, with countries like Japan and the UK aligning with EU standards through frameworks such as the International Financial Reporting Standards (IFRS) and the Task Force on Climate-Related Financial Disclosures (TCFD) ([European Commission, 2022](#)).

The transition to comprehensive ESG reporting under the CSRD and ESRS presents significant challenges, particularly for small and medium enterprises (SMEs). One of the primary hurdles is the integration of financial and non-financial data into a coherent reporting framework. Companies must not only gather and report vast amounts of data but also ensure the quality and auditability of this information. By 2030, sustainability reports will require reasonable assurance from external auditors, increasing the complexity of compliance for companies ([Datamaran, 2024](#)). Furthermore, organizations face the burden of ensuring that their ESG teams are well-equipped to handle the increasing demands for data collection, management, and reporting. Companies must invest in technological infrastructure and ensure seamless collaboration between finance and sustainability departments to meet the new requirements ([EFRAG, 2024](#)).

The EU's approach to ESG regulation, particularly through its double materiality framework, stands out in comparison from other regions. For instance, the United States primarily focuses on financial materiality, where ESG disclosures are driven by investor concerns rather than societal impacts. The Securities and Exchange Commission (SEC) recently introduced climate risk disclosure rules, but these are still in their early stages compared to the comprehensive framework seen in the EU ([SEC, 2024](#)). The extraterritorial reach of the CSRD means that non-EU companies with significant operations in Europe will also be required to comply with EU standards. This has led many multinational corporations, particularly in the United States and Asia, to start aligning their reporting practices with the EU's requirements. The ripple effect of this regulatory alignment is expected to raise the global bar for ESG reporting ([EFRAG, 2024](#)).

Japan

Japan has been steadily transitioning toward stronger ESG standards, driven by both international frameworks and domestic reforms. The Japanese government, corporate sector, and financial institutions are aligning ESG practices with global standards such as the IFRS Sustainability Standards and TCFD recommendations, while maintaining

some distinctive governance characteristics rooted in local traditions. Japan recently proposed IFRS-aligned sustainability reporting standards, reflecting a growing focus on enhancing corporate transparency and aligning with global reporting frameworks. The new standards are expected to cover climate-related disclosures and other non-financial data relevant to stakeholders, setting Japan on a path to full integration with global sustainability reporting norms ([ESG Today, 2023](#)). The TCFD has significantly influenced Japan's reporting framework. As of 2023, more than 1,800 Japanese companies, the highest number globally, have committed to TCFD disclosures. This highlights Japan's proactive stance in climate governance and long-term value creation ([McKinsey, 2023](#)).

Japanese governance practices are evolving from the traditional Shuchu Kiyaku, or the "Principle of Concentrated Contracts," toward a more sustainability-focused framework. Historically, the Shuchu Kiyaku emphasized shareholder value, but recent trends indicate a shift towards stakeholder capitalism, with companies increasingly incorporating ESG criteria into their corporate governance practices ([McKinsey, 2023](#)). Japan's Corporate Governance Code and Stewardship Code encourage listed companies to enhance governance transparency by integrating ESG risks and opportunities into decision-making processes. This shift aims to increase long-term sustainability while balancing financial performance and environmental responsibility ([ESG Today, 2023](#)).

Japanese financial institutions are actively promoting green finance through investments and lending policies aligned with ESG goals. The Government Pension Investment Fund (GPIF), the world's largest pension fund, has led efforts to embed sustainability into investment strategies, encouraging corporations to adopt ESG principles. This institutional pressure underscores the financial sector's critical role in mainstreaming ESG practices across industries ([McKinsey, 2023](#)). Despite significant progress, Japan faces challenges in fully aligning with global ESG standards. Data collection and reporting remain complex, as many companies struggle with fragmented non-financial information systems. Additionally, corporate boards are still adjusting to the increased emphasis on diversity, gender equality, and climate governance, which are less ingrained in Japan's traditional corporate culture ([ESG Today, 2023](#)).

Another hurdle is the balance between short-term shareholder returns and long-term sustainability goals, particularly in industries that rely heavily on fossil fuels. The new IFRS-aligned standards aim to address these issues by providing clear guidance and standardization for sustainability disclosures. Japan's emphasis on corporate governance and climate-related disclosures closely aligns with EU standards, particularly the CSRD and TCFD frameworks. However, Japan's governance practices

remain distinct due to the influence of traditional business values such as loyalty to stakeholders and long-term relationships. In comparison to the United States, which has primarily focused on financial materiality, Japan is gradually moving towards a double materiality approach, reflecting broader societal impacts ([ESG Today, 2023](#); [McKinsey, 2023](#)). Japan's early adoption of TCFD recommendations has set a precedent in Asia, encouraging neighboring countries such as China and South Korea to follow suit. Japan's green finance initiatives and pension fund investments aligned with ESG principles also position it as a regional leader in sustainable finance. However, full alignment with the IFRS standards will further solidify Japan's position as a global ESG benchmark ([McKinsey, 2023](#)).

United States

ESG practices in the United States have evolved through a combination of market forces, voluntary frameworks, and emerging regulatory initiatives. Unlike the EU, where ESG reporting is mandatory under the CSRD, the United States has traditionally relied on investor-driven pressures and voluntary standards. However, the introduction of climate disclosure rules by the Securities and Exchange Commission (SEC) indicates a transition toward more regulated ESG frameworks. This article explores the current state of ESG practices in the US, the key frameworks driving sustainability efforts, the challenges encountered in implementation, and a benchmark assessment against global standards.

Historically, ESG efforts in the US were initiated by large institutional investors, such as BlackRock and Vanguard, which demanded greater corporate transparency in environmental and social matters (CFA Institute, 2023). This has resulted in widespread adoption of voluntary frameworks, such as the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), and TCFD. Companies have used these frameworks to demonstrate a commitment to sustainable practices and to meet investor expectations, often emphasizing materiality as it pertains to financial performance (DataTracks, 2023). The influence of institutional investors, especially regarding environmental stewardship and board diversity, has also led many companies to voluntarily integrate climate risk assessments and governance reforms into their corporate strategies (CFA Institute, 2023). However, the absence of federal mandates has resulted in fragmented disclosure practices, with varying levels of transparency and consistency across sectors (Deloitte, 2024).

The SEC's climate-related disclosure proposal marks a significant step toward formalizing ESG reporting requirements in the United States. This proposal mandates public companies to disclose climate-related risks affecting their business operations

and financial performance. Companies are also required to report Scope 1 and Scope 2 greenhouse gas emissions, those directly generated and consumed by the company, and, in some cases, Scope 3 emissions covering their value chain (SEC, 2024). This regulatory effort aims to provide investors with consistent, comparable ESG data to assess companies' resilience against climate risks and their alignment with global sustainability goals (SEC, 2024). Despite its potential benefits, the SEC proposal has faced resistance from certain business groups and political figures, citing concerns over the financial burden imposed on companies and the complexity of Scope 3 reporting (Deloitte, 2024). These debates reflect a broader challenge in balancing regulatory goals with economic realities, particularly in sectors with high carbon dependencies.

Even with the SEC's evolving regulatory stance, voluntary disclosure frameworks continue to dominate the US ESG landscape. Companies often use multiple frameworks, such as SASB, GRI, and TCFD, resulting in fragmented and inconsistent reporting practices (DataTracks, 2023). This fragmentation poses challenges for investors seeking to compare corporate ESG performance and increases the compliance burden for companies managing multiple reporting requirements (CFA Institute, 2023). The influence of institutional investors further highlights the decentralized nature of ESG in the US. Shareholder activism has driven companies to adopt governance reforms and climate risk disclosures even in the absence of federal mandates (CFA Institute, 2023). This market-driven approach underscores the significant role of private capital in shaping ESG priorities but limits the development of standardized, comparable ESG data across industries.

The primary challenge for US companies lies in managing non-financial data collection and ensuring reporting quality. Firms are often required to integrate ESG data with their existing financial reporting systems, a task complicated by the lack of unified standards (Deloitte, 2024). Moreover, the absence of mandatory external assurance requirements contributes to investor skepticism about the reliability of ESG disclosures (CFA Institute, 2023). Another significant obstacle is regulatory uncertainty. While the SEC has made strides toward mandatory climate disclosures, opposition from industry groups and political leaders creates an unstable regulatory environment. This uncertainty can deter companies from making long-term investments in sustainable practices, as they await clearer guidance on compliance requirements (DataTracks, 2023).

The United States and the European Union differ significantly in their approach to ESG. The EU's CSRD mandates double materiality reporting, requiring companies to disclose both financial risks and their environmental and societal impacts. In contrast, the US framework focuses primarily on financial materiality, aligning ESG efforts with investor interests (CFA Institute, 2023; SEC, 2024). This distinction reflects the

shareholder-centric model prevalent in the US, compared to the EU's emphasis on stakeholder governance. Despite these differences, the SEC's alignment with TCFD and the adoption of SASB standards indicate a growing convergence with global reporting practices (Deloitte, 2024). As US companies increasingly integrate climate risk assessments into their governance frameworks, they contribute to the international effort toward sustainable finance, setting a benchmark for private-sector-driven ESG adoption.

United Kingdom

The United Kingdom has emerged as a leader in sustainability through a mix of regulatory developments, investor activism, and green finance initiatives. Central to the UK's ESG framework is the alignment with TCFD requirements, which mark a transition toward mandatory corporate sustainability reporting. However, as the global demand for standardized and transparent ESG data increases, the UK's framework also reflects unique challenges, particularly in the areas of non-financial disclosures and ESG rating transparency. This paper provides a detailed analysis of the UK's ESG practices, assesses the regulatory framework, and benchmarks the UK's approach against global standards.

The foundation of the UK's ESG reporting landscape lies in TCFD-aligned disclosures, which were introduced to promote transparency of climate-related risks. The Financial Conduct Authority (FCA) first required premium-listed companies to adopt TCFD recommendations, followed by an expansion to all large firms, pension funds, and banks by 2022. These requirements encourage firms to disclose the climate-related risks and opportunities affecting their operations, as well as the financial implications of those risks (Hogan Lovells, 2023). In addition to climate-related risks, the UK has announced plans to implement broader ESG disclosure standards by 2025. These regulations will require companies to report on a variety of sustainability indicators beyond environmental impacts, such as social policies, human rights commitments, and anti-corruption efforts. This initiative forms part of the UK's Green Finance Strategy, which aims to align public and private capital flows with sustainability goals (Barnes Roffe, 2023).

The UK's adoption of TCFD standards demonstrates the increasing importance of climate governance in corporate strategy. The TCFD framework requires companies to disclose their climate-related risks and opportunities across four key dimensions: governance, strategy, risk management, and metrics/targets. Companies are expected to explain how climate risks are integrated into their business models and

decision-making processes ([Praxis42, 2023](#)). This disclosure regime has increased transparency, enabling investors to assess companies' resilience to climate change and align portfolios accordingly. One of the strengths of the UK's TCFD framework is its alignment with global practices, making it easier for multinational corporations to comply with multiple jurisdictions. However, data consistency remains a challenge, as some companies struggle to integrate climate data into financial disclosures, especially in sectors with complex supply chains ([PIMCO, 2023](#)).

Another significant development in the UK's ESG landscape is the focus on ESG ratings and the regulation of ESG data providers. In 2023, the UK government launched a consultation to improve transparency and reliability in the methodologies used by ESG rating agencies ([UK Government, 2023](#)). This initiative reflects growing concerns over inconsistent and opaque ESG ratings, which can create barriers to effective investment decisions. The UK's commitment to green finance further strengthens its ESG framework. The issuance of green bonds and sustainability-linked loans has increased in recent years, with companies aligning financing structures with environmental targets. These developments are part of the UK's broader strategy to encourage private-sector investment in sustainable initiatives, ensuring a flow of capital toward projects that support carbon neutrality and sustainable development goals ([PIMCO, 2023](#)).

Despite its leadership in ESG practices, the UK faces several challenges in achieving comprehensive sustainability reporting. One of the major challenges lies in the fragmentation of reporting frameworks, as companies rely on a variety of voluntary guidelines such as the GRI and SASB. This results in inconsistencies in how ESG data is reported and interpreted across sectors ([Barnes Roffe, 2023](#)). Another significant challenge is the data burden placed on companies. Firms are required to collect, manage, and report detailed ESG information, which can strain internal resources and complicate compliance, especially for small and medium-sized enterprises (SMEs). The integration of climate data into existing financial reporting systems remains complex, and many firms are still in the early stages of aligning their business models with long-term sustainability goals ([Praxis42, 2023](#)).

Compared to the European Union's CSRD, the UK's focus remains primarily on financial materiality and climate-related risks through the TCFD framework. While the EU's CSRD requires companies to adopt a double materiality approach, the UK places greater emphasis on investor interests and financial performance. However, the planned expansion of sustainability disclosures by 2025 suggests that the UK is moving closer toward a more comprehensive ESG model ([Barnes Roffe, 2023](#)). In comparison with the United States, where ESG practices are largely voluntary and fragmented, the UK's mandatory TCFD requirements and regulatory initiatives provide greater clarity and

consistency in climate-related disclosures. The UK's consultation on ESG ratings also positions it as a leader in addressing transparency issues in the ESG data ecosystem ([UK Government, 2023](#)).

Georgia

Georgia is progressively integrating ESG practices into its economic framework, driven by both domestic policy initiatives and alignment with the SDGs. The National Bank of Georgia (NBG) plays a leading role in promoting ESG disclosure and sustainability practices, recognizing that responsible business conduct is essential for the country's long-term growth. This paper offers a detailed analysis of Georgia's evolving ESG framework, highlights key initiatives led by the financial sector, identifies challenges in implementation, and benchmarks the country's approach against international standards.

Georgia's efforts toward sustainability have focused primarily on building regulatory capacity for ESG reporting within the financial sector. In 2021, the National Bank of Georgia (NBG) introduced a set of ESG disclosure principles for financial institutions, marking a significant step in the formalization of sustainability practices. These guidelines require financial entities to integrate ESG risks into governance frameworks and risk management processes ([National Bank of Georgia, 2023](#)). The principles introduced by NBG emphasize transparency and encourage financial institutions to disclose non-financial information, such as the impact of their lending activities on environmental and social outcomes. Additionally, the disclosure principles align with international frameworks, such as the GRI and TCFD, aiming to facilitate Georgia's integration into global financial markets ([NBG, 2020](#)).

The financial sector has been identified as the primary vehicle for ESG integration in Georgia. Financial institutions are expected to adopt sustainable lending practices, where environmental and social risks are evaluated alongside financial risks. Banks are also encouraged to align their activities with the UN SDGs, specifically in areas related to green finance and inclusive growth (NBG, 2023). Although Georgia's corporate sector is gradually embracing ESG practices, awareness and capacity remain limited compared to more advanced economies. Reports highlight that most businesses are in the early stages of implementing governance reforms and environmental monitoring. However, leading companies are increasingly publishing sustainability reports, showcasing progress in corporate social responsibility (CSR) and environmentally conscious activities ([Forbes Georgia, 2023](#)).

The Purpose Report 2023 reflects Georgia's growing focus on ESG priorities, with key businesses recognizing the importance of ethical governance, social impact, and

environmental responsibility. The report encourages companies to align purpose-driven strategies with long-term sustainability objectives, reinforcing the connection between corporate accountability and economic resilience ([Georgian.io, 2023](#)). Despite the progress made in the financial and corporate sectors, Georgia faces several challenges in the effective implementation of ESG practices. One significant barrier is the lack of expertise and technical capacity within many organizations, particularly SMEs, to meet ESG reporting requirements. Additionally, data collection and quality issues persist, complicating efforts to align disclosures with international frameworks ([Forbes Georgia, 2023](#)).

Another challenge lies in balancing economic growth with environmental sustainability. As a developing economy, Georgia's reliance on sectors such as energy and tourism presents risks, especially as global climate regulations become more stringent. Addressing carbon emissions and enhancing biodiversity conservation will require significant investments and policy support, which are currently in the nascent stages ([NBG, 2021](#)). Georgia's ESG framework aligns closely with global trends but remains at an early stage of development compared to leading countries such as the EU, UK, or Japan. The emphasis on the financial sector as the primary driver of ESG adoption mirrors practices seen in other emerging markets. However, Georgia has yet to implement a comprehensive sustainability reporting directive comparable to the EU's CSRD.

In terms of climate risk management, Georgia's alignment with TCFD recommendations positions it well within the regional context. However, corporate ESG practices remain largely voluntary, and further progress is needed to standardize reporting and build stakeholder awareness. The focus on green finance through the banking sector reflects similar initiatives in countries like Kazakhstan and Turkey, indicating the potential for regional collaboration in sustainable finance ([NBG, 2023](#)).

China

China is increasingly recognizing the importance of ESG practices as part of its transition toward sustainable economic growth. As the country strives to balance economic development with environmental sustainability, ESG reporting frameworks are becoming more standardized. China's adoption of green finance, alignment with international standards, and the recent release of new ESG reporting standards reflect its ambition to integrate sustainability into both corporate and policy frameworks. This article explores the evolution of ESG practices in China, highlights key challenges, and benchmarks its progress against global standards.

The development of ESG practices in China has accelerated in recent years. In 2022, the government introduced ESG reporting standards aimed at establishing mandatory non-financial disclosures for listed companies and financial institutions. These standards are expected to be fully implemented by 2027, covering environmental, social, and governance risks in line with China's dual carbon goals of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060 ([China Briefing, 2023](#); [Economist Impact, 2023](#)). In addition to the national policy, regional governments have also promoted green finance initiatives and climate-related risk disclosures. The emphasis is on aligning corporate activities with the government's environmental policies, which prioritize reducing carbon emissions, improving air quality, and enhancing biodiversity conservation ([ScienceDirect, 2023](#)).

China's ESG reporting standards place significant emphasis on environmental disclosures. These include the measurement and reporting of carbon emissions, energy consumption, and water use, as well as investments in clean energy projects. In line with international frameworks such as TCFD, China has encouraged companies to incorporate climate-related risks into governance and risk management structures ([China Briefing, 2023](#)). China has also made significant strides in green finance. The country has become one of the largest issuers of green bonds, channeling capital toward projects that support environmental sustainability. These efforts are part of a broader government initiative to promote sustainable economic growth through green financial instruments and carbon trading platforms ([MDPI, 2023](#)).

While environmental reporting has been prioritized, social and governance practices are also gaining attention. Companies are now expected to disclose labor practices, community engagement initiatives, and gender equality policies. Additionally, corporate governance standards emphasize board independence and anti-corruption measures, aligning with global governance principles ([Economist Impact, 2023](#)). Despite the progress, ESG adoption in China faces several challenges. One of the primary difficulties is the inconsistency in ESG data quality. As many companies are still developing internal reporting mechanisms, there are significant gaps in data availability and reliability ([China Briefing, 2023](#)). Furthermore, corporate awareness of social governance issues remains limited, with most companies focusing primarily on environmental metrics.

Another challenge is the lack of standardized reporting frameworks that align with both domestic regulations and international expectations. Although China has made strides toward adopting global standards, full compliance with TCFD recommendations and IFRS sustainability standards remains a work in progress ([ScienceDirect, 2023](#)). Additionally, greenwashing concerns, where companies exaggerate their environmental

efforts, present risks to the credibility of China's green finance initiatives ([MDPI, 2023](#)). China's ESG practices reflect a strong focus on environmental sustainability in alignment with its national development goals. However, its ESG framework differs from European and US practices in several ways. While the European Union mandates double materiality reporting under the CSRD, China's approach primarily emphasizes financial materiality and environmental impacts. Social and governance factors, although integrated, are still evolving in comparison to European and US frameworks ([MDPI, 2023](#)). In comparison with Japan, China's ESG adoption is more driven by government policies rather than voluntary corporate initiatives. However, both countries share a focus on green finance and climate risk disclosures, reflecting their alignment with Paris Agreement goals ([Economist Impact, 2023](#)).

Turkiye

ESG practices are becoming increasingly important in Turkey, driven by regulatory reforms, investor demand, and the global movement toward sustainability. Turkey's introduction of the Turkish Sustainability Reporting Standards (TSRS) marks a significant shift toward the institutionalization of sustainability reporting in alignment with international frameworks. As a developing economy with aspirations to become a regional financial hub, Turkey's ESG framework seeks to balance economic growth with environmental conservation and social responsibility. This article provides an in-depth analysis of Turkey's ESG landscape, the challenges involved in its implementation, and its position in the global sustainability ecosystem.

The establishment of TSRS, as published in the Official Gazette, marks a pivotal development in Turkey's ESG journey. The TSRS framework mandates listed companies and certain financial institutions to disclose non-financial information on their environmental, social, and governance performance. The new regulations align Turkey's reporting practices with the GRI and the European Union's CSRD, emphasizing transparency and comparability of ESG data ([Egemenoglu, 2023](#)). Additionally, TSRS mandates sector-specific reporting, addressing key industries such as energy and finance, which have a significant environmental footprint. These requirements are intended to promote sustainable business practices and encourage green investments ([Mondaq, 2023](#)).

Turkey's commitment to green finance is reflected in its focus on developing sustainable energy projects and green bond markets. The Banking Regulation and Supervision Agency (BDDK), along with the Capital Markets Board (CMB), promotes sustainable lending policies, encouraging banks to integrate environmental criteria into their credit processes ([Egemenoglu, 2023](#)). As Turkey moves toward energy transition goals, it has

become a prominent issuer of green bonds, facilitating investments in renewable energy and infrastructure projects ([DergiPark, 2023](#)). On the social dimension, Turkey's ESG framework encourages companies to disclose diversity policies, workplace safety measures, and community engagement initiatives. However, challenges remain in promoting gender equality and enhancing labor standards, especially in sectors reliant on low-cost labor ([Mondaq, 2022](#)). In terms of governance, the TSRS aligns with OECD corporate governance principles by emphasizing board independence, transparency, and anti-corruption measures. However, corporate compliance varies, with small and medium-sized enterprises (SMEs) facing difficulties in meeting reporting requirements due to resource constraints ([ScienceDirect, 2021](#)).

Turkey faces several challenges in implementing ESG practices. Data quality and consistency are major obstacles, as many companies struggle to develop effective reporting mechanisms that align with global standards. Additionally, SMEs face resource and knowledge gaps, hindering their ability to meet the TSRS requirements ([DergiPark, 2023](#)). Another challenge lies in balancing economic growth with environmental sustainability. As a developing economy, Turkey is reliant on sectors such as energy, mining, and manufacturing, which have a significant environmental impact. This creates tensions between short-term economic priorities and long-term sustainability goals ([Mondaq, 2023](#)).

Turkey's ESG framework, centered on TSRS, shares similarities with the European Union's CSRD, particularly in the focus on sector-specific reporting and transparency. However, Turkey's framework still places a relatively greater emphasis on environmental factors compared to social and governance dimensions, which are more comprehensively addressed in the EU's double materiality framework ([Egemenoglu, 2023](#)). In comparison with China, which has emphasized government-led green finance initiatives, Turkey's approach reflects market-driven efforts with active involvement from the private sector. However, Turkey lags behind countries such as Japan in terms of integrating corporate governance reforms and fostering social responsibility among businesses ([ScienceDirect, 2021](#)).

Gap analysis

As ESG considerations become increasingly central to sustainable development and global economic resilience, Azerbaijan has made notable strides in integrating ESG principles into its regulatory landscape. However, as global standards continue to evolve, it is essential for Azerbaijan to periodically assess its ESG framework against leading international benchmarks to identify areas of alignment, gaps, and opportunities for improvement. Such an assessment not only supports Azerbaijan's ambitions for sustainable growth but also enhances its appeal to international investors, who are placing ever-greater emphasis on ESG factors in their investment decisions.

This chapter provides a comprehensive gap assessment of Azerbaijan's ESG regulatory framework, benchmarking it against established global standards, particularly those of the European Union and other recognized leaders in ESG implementation. By evaluating Azerbaijan's policies in key ESG domains, this report identifies specific regulatory gaps, provides context around these disparities, and outlines targeted recommendations to bridge these gaps. The objective is to equip Azerbaijani policymakers, regulatory bodies, and stakeholders with actionable insights to enhance the country's ESG framework, fostering a more resilient, equitable, and transparent governance model.

The assessment is organized into four primary sections: Environmental Gaps, Social Gaps, Governance Gaps, and Transparency and Reporting. Each chapter explores critical areas within Azerbaijan's current ESG policies, highlights specific discrepancies compared to global benchmarks, and suggests practical measures for achieving alignment with best practices. By addressing these areas, Azerbaijan can strengthen its regulatory framework to support sustainable development, promote social well-being, and establish itself as a responsible player on the global stage.

Environmental gaps

Azerbaijan's current regulatory framework reveals several areas where environmental policies could be strengthened to align with global benchmarks. First, there is an absence of a formal carbon pricing mechanism or emissions trading system. Unlike the European Union and other leading countries in climate action, Azerbaijan lacks the financial incentives for industries to actively reduce emissions. Introducing a carbon pricing model, such as a carbon tax or cap-and-trade system, could serve as a significant step toward aligning with international standards. This implementation could begin within high-emission sectors, such as energy and manufacturing, with the

potential support of international organizations to help pilot and gradually scale this initiative.

Plastic waste management presents another gap within Azerbaijan's framework. While there are policies addressing general waste management, Azerbaijan could benefit from adopting a more focused strategy to curb plastic use, particularly single-use plastics. Following models established in the EU, a phased approach could include bans on certain plastic items, financial incentives for adopting alternatives, and expanded recycling capacities through public-private partnerships.

In the area of climate change resilience, Azerbaijan's policies currently emphasize climate change mitigation, but there is limited provision for adaptation strategies that would strengthen the country's resilience to climate impacts. Establishing a Climate Adaptation Fund could be pivotal, channeling resources toward projects that address flood control, drought management, and disaster readiness, particularly in vulnerable areas.

Moreover, Azerbaijan's regulatory agencies face limitations in monitoring environmental compliance due to outdated pollutant measurement technologies and insufficient access to advanced tools. This limitation hinders enforcement capabilities across various industries. Partnerships with international environmental agencies could provide Azerbaijan with the necessary technology and training to improve monitoring processes, potentially implementing real-time digital monitoring systems that enhance enforcement and accountability.

Social Gaps

Azerbaijan's social policies show potential for improvement in specific areas, particularly in the realm of human rights. The absence of mandatory human rights due diligence for companies represents a notable gap, especially as this is becoming a core requirement within the European Union and other advanced frameworks. Adopting human rights due diligence requirements would ensure that companies assess and address human rights impacts within their operations and supply chains, creating a more equitable business environment. This approach could be modeled after international standards, ensuring companies proactively identify and mitigate potential human rights risks.

Advanced ESG frameworks increasingly include targeted protections for indigenous and vulnerable populations, but such measures are currently underrepresented in Azerbaijan's policies. Introducing legislation that mandates social impact assessments before approving projects, particularly those that could affect vulnerable communities, would significantly enhance Azerbaijan's framework. Drawing on the United Nations

Declaration on the Rights of Indigenous Peoples (UNDRIP) could serve as a guide for developing policies to protect these communities and prevent adverse impacts.

Azerbaijan's data privacy regulations could also benefit from refinement. Although Azerbaijan has a foundation in place for data protection, aligning with an internationally recognized model, such as the European Union's General Data Protection Regulation (GDPR), would provide a more robust framework. Emphasizing individual data rights, corporate transparency, and data security practices, Azerbaijan's approach to data privacy could be strengthened. This would not only improve data security but also increase public trust in the protection of their information.

Governance Gaps

Azerbaijan's governance landscape demonstrates notable strengths but also reveals areas where it could align more closely with global standards. One significant gap is the limited protection provided for whistleblowers, which is essential in encouraging ethical and transparent practices. Strengthening whistleblower protection laws would foster a culture of accountability and integrity, encouraging employees to report unethical practices without fear of retaliation. Azerbaijan could look to the European Union's Whistleblower Protection Directive for a model, which emphasizes confidentiality and safeguards against retribution.

Another area of potential improvement is the concept of "double materiality," which is increasingly recognized within advanced ESG frameworks. Azerbaijan's reporting requirements currently focus on financial materiality alone, neglecting the impact-based materiality that considers the societal and environmental effects of business activities. Requiring companies to report on double materiality would align Azerbaijan's reporting standards with practices like the EU's CSRD and the GRI standards.

Finally, Azerbaijan's framework lacks provisions requiring companies to uphold sustainability standards throughout their supply chains. In global ESG practices, sustainability expectations are now extending to suppliers, ensuring that ESG principles are maintained across the entire supply chain. Azerbaijan could adopt supplier codes of conduct that emphasize environmental responsibility and labor standards, encouraging sustainable practices beyond primary operations.

Transparency and Reporting

Transparency and consistent ESG disclosures are critical components of a robust regulatory framework, and Azerbaijan has opportunities to enhance these aspects. ESG disclosure requirements in Azerbaijan would benefit from further alignment with international standards, such as the ESRS or the TCFD. Adopting a mandatory

disclosure framework for publicly listed and large companies could significantly improve transparency, helping investors make more informed decisions based on standardized and reliable information.

Stakeholder engagement is another important dimension of transparent governance that could be strengthened within Azerbaijan's ESG policies. Advanced frameworks mandate active stakeholder engagement, particularly for large-scale projects and policies. Implementing a formal stakeholder engagement process, including regular public consultations and feedback mechanisms, would align Azerbaijan with the practices outlined in the United Nations Principles for Responsible Investment (PRI). This approach would not only enhance transparency but also foster trust and collaboration between the government, corporations, and the community.

Conclusions

The comprehensive assessment of Azerbaijan's ESG regulatory framework reveals significant progress in incorporating principles that support sustainable development, social equity, and responsible governance. Azerbaijan's existing policies cover a broad range of ESG topics, demonstrating a commitment to sustainability and regulatory development. However, this analysis has highlighted several areas where alignment with international ESG standards, particularly those of the European Union, could be enhanced to meet the evolving expectations of the global community.

One of the primary areas for potential advancement lies in Azerbaijan's environmental monitoring capabilities. Enhanced technological resources and monitoring systems are essential to improve compliance with environmental standards and to enforce regulations effectively. By investing in digital monitoring systems and training regulatory bodies in advanced environmental assessment techniques, Azerbaijan can better address environmental issues and reduce the risks associated with industrial pollution and natural resource exploitation. Furthermore, introducing carbon pricing and emissions trading mechanisms would align Azerbaijan with global climate action initiatives, enabling it to contribute more meaningfully to international emissions reduction efforts.

In terms of social governance, Azerbaijan's framework reflects substantial progress in labor rights, gender equality, and workplace safety standards. However, there remain opportunities to further strengthen protections for vulnerable communities, such as refugees and internally displaced persons, by establishing explicit policies that support their inclusion and welfare. Additionally, adopting human rights due diligence requirements for companies could bring Azerbaijan's social policies closer in line with advanced ESG frameworks, ensuring that corporations operating within Azerbaijan respect human rights throughout their supply chains.

Governance standards in Azerbaijan could be further enhanced through the adoption of double materiality principles, a critical component in international ESG reporting frameworks. By requiring companies to disclose both financial risks and the broader societal impacts of their operations, Azerbaijan would reinforce the importance of transparency and accountability in corporate practices. Furthermore, the establishment of comprehensive whistleblower protection laws would encourage a culture of ethical accountability and transparency within organizations, supporting broader anti-corruption and governance initiatives.

In the realm of transparency, there is a clear need for Azerbaijan to adopt standardized ESG disclosure requirements. By aligning disclosure practices with international

standards, Azerbaijan can provide investors and stakeholders with accurate, comparable information on corporate ESG practices. This transparency fosters investor confidence and ensures that companies operating in Azerbaijan are held to consistent standards of reporting and accountability. Enhancing stakeholder engagement in policy development and implementation would further support the transparency agenda, promoting collaboration between the government, corporations, and communities.

By implementing the recommendations outlined in this report, Azerbaijan can build a more robust and adaptive ESG framework that not only supports its economic objectives but also safeguards environmental and social resources for future generations. Embracing these advancements would enhance Azerbaijan's reputation as a responsible participant in the global ESG landscape, contributing positively to the country's investment appeal, social welfare, and environmental sustainability. Ultimately, this strengthened regulatory framework will position Azerbaijan as a regional leader in sustainable governance, committed to advancing equity, resilience, and long-term prosperity.

Phase 2: ESG Implementation in Azerbaijan

An overview of local corporations

Introduction

As ESG considerations become integral to corporate success, Azerbaijani companies are aligning their strategies with international sustainability standards and frameworks, demonstrating a commitment to responsible business practices that go beyond traditional financial metrics. This shift reflects a growing recognition of the importance of sustainable growth, both within local industries and in the global economy. For Azerbaijani businesses, adhering to ESG principles not only enhances their reputation on the international stage but also fosters resilience, adaptability, and long-term value creation in a rapidly changing world.

This report explores the common practices and core ESG principles that are shaping the sustainability strategies of prominent Azerbaijani companies. It provides a detailed examination of how these companies align with international standards, such as the GRI, ISO certifications, and the UN SDGs, which serve as benchmarks for transparent and accountable business practices. Additionally, the report highlights the unique initiatives that distinguish each company's approach to sustainability, from innovative environmental programs to progressive employee welfare policies and impactful community engagement. Together, these insights offer a comprehensive view of the Azerbaijani corporate sector's evolving sustainability journey, showcasing its contribution to both local and global ESG goals and setting a strong example for responsible business conduct in emerging markets.

Common Features Across Sustainability Reports

Azerbaijani companies are increasingly adhering to globally recognized sustainability standards, reflecting their commitment to responsible business practices and transparent reporting. This commitment is visible in the use of frameworks like the GRI, with companies such as Bakcell and Azercell basing their reporting on GRI standards to provide a comprehensive account of economic, environmental, and social impacts. Building on this foundation, many companies also demonstrate compliance with ISO certifications. For example, SOCAR and the Port of Baku have obtained ISO 9001 for Quality Management, ISO 14001 for Environmental Management, and ISO 45001 for Occupational Health and Safety, highlighting their dedication to aligning with global operational standards. Additionally, many companies reference the UN SDGs in their reports, ensuring that their sustainability initiatives support global objectives such as clean energy (SDG 7), climate action (SDG 13), and sustainable communities (SDG 11). Together, this adherence to international standards underscores a comprehensive approach to corporate accountability and a commitment to positively impacting society and the environment.

Aligned with these standards, environmental impact management emerges as another central theme in these reports, where companies actively address environmental concerns through energy efficiency, emissions reduction, and sustainable resource use. For example, Azercell promotes renewable energy across its operations, SOCAR addresses carbon footprint reduction, and Azerbaijan Railways invests in renewable energy initiatives such as solar and wind power. These efforts are complemented by comprehensive waste management strategies, especially in high-impact industries. Azerbaijan Railways and the Port of Baku, for instance, emphasize waste minimization and recycling, integrating these practices into their operational routines to mitigate environmental degradation. Further, pollution control and conservation are critical elements, with SOCAR and the Port of Baku implementing air and water pollution control measures to safeguard environmental health, ensure regulatory compliance, and support biodiversity conservation.

In addition to environmental considerations, Azerbaijani companies also prioritize employee well-being and workplace safety, reflecting a strong commitment to their workforce. This dedication is particularly visible in SOCAR's 5-Star Safety Program, which aims to achieve zero workplace accidents, exemplifying industry-leading practices in employee health and safety. Similarly, Nar's "FLEXcellence" program incorporates health and safety protocols within hybrid work models, fostering an environment where employees feel protected and valued. Alongside these safety initiatives, many companies, including SOCAR and Azercell, emphasize diversity,

equity, and inclusion, with dedicated programs to enhance leadership diversity and promote an inclusive corporate culture.

The commitment to social impact extends beyond internal practices, with CSR being a significant focus across these companies. Local partnerships and community support are at the heart of their CSR initiatives, as companies like Bakcell, Nar, and Azerbaijan Railways invest in infrastructure, technological support, and educational programs, demonstrating a strong commitment to creating a positive social impact. SOCAR and the Port of Baku, in particular, emphasize stakeholder engagement, ensuring that community voices are factored into decision-making processes, thereby reinforcing transparency and accountability. These CSR initiatives reflect a broader understanding of each company's role in social welfare, aligning with their goal to enhance the quality of life in the regions where they operate.

Lastly, transparency in governance and a commitment to ethical standards are recurring themes across these reports, underscoring each company's dedication to responsible governance. SOCAR, Port of Baku, and Azercell outline robust corporate governance frameworks, including board oversight of ESG issues, anti-corruption policies, and transparent reporting, which collectively ensure operational integrity. Companies further strengthen governance by prioritizing risk assessments across supply chains, cybersecurity, and regulatory compliance. Through these measures, they anticipate and mitigate risks that could affect operational efficiency or corporate reputation. By actively managing risks and upholding strong governance, these companies foster accountability, build stakeholder trust, and solidify their positions as responsible leaders in the Azerbaijani business landscape.

Unique Initiatives by Company

Bakcell (2021)

Bakcell stands out with its digital transformation initiatives, heavily investing in upgrading digital platforms, including a revamped mobile app and the implementation of 12 Oracle functions aimed at increasing efficiency and customer satisfaction. Bakcell is also exploring energy-saving mechanisms, investigating renewable energy sources and energy-efficient tools as part of its environmental strategy.

Deloitte and Norm Cement (2022)

Deloitte and Norm Cement's sustainability report is notable for its net-zero commitment, outlining efforts to reduce environmental impact through waste heat recovery and alternative fuel use. Another standout initiative is the company's focus on gender diversity in leadership, with specific targets for increasing women's representation in leadership roles, which adds a unique focus on gender equity to its sustainability priorities.

Nar (2020)

Nar's report highlights its support during the Patriotic War, during which it provided free mobile communication services in frontline areas and support for displaced families, reflecting a strong commitment to social responsibility during challenging times. Additionally, the "FLEXcellence" program introduced by Nar promotes hybrid work, allowing employees to work flexibly in response to pandemic disruptions.

Azercell (2023)

Azercell's unique initiatives include its contribution to smart city infrastructure as part of Azerbaijan's national development goals. Projects such as expanding 5G coverage and smart finance solutions align with SDG 11 for sustainable cities and communities. Furthermore, Azercell places a special emphasis on cybersecurity leadership, developing advanced protocols to secure digital transactions and customer data, addressing the increasing digital demands of telecommunications.

Azerbaijan Railways (2023)

Azerbaijan Railways has developed renewable energy and biodiversity programs, focusing on green energy and conservation. In alignment with Azerbaijan's "Great Return" initiative, Azerbaijan Railways has launched "Green Energy Zones" in conflict-affected areas to foster sustainable reconstruction efforts.

Port of Baku (2022)

Port of Baku is unique for its EcoPorts certification, being the first port in the Caspian region to achieve this distinction. Another innovative project is its Climate Strategy 2020-2035, which outlines long-term goals for reducing emissions and building partnerships with regional stakeholders to advance sustainable practices.

The 2022 sustainability report of the Port of Baku outlines its significant progress and initiatives in advancing sustainability, environmental management, and energy efficiency. The Port of Baku emphasizes its alignment with the UN SDGs, particularly in the areas of energy transition, climate change mitigation, and fostering green practices. The port stands out as the first in the Caspian region to receive the EcoPorts certification, demonstrating its adherence to high environmental standards. Key initiatives include its Climate Strategy 2020-2035, targeting net-zero emissions by 2035 through renewable energy integration and the use of energy-efficient technologies, such as LED lighting and electric port equipment. The port's commitment to biodiversity is evident through tree planting campaigns, contributing to a significant expansion of green areas.

Other notable efforts include its waste management strategies, which adhere to the MARPOL Convention, and the introduction of innovative recycling programs, such as reusing materials for landscaping purposes. Socially, the port prioritizes stakeholder engagement through educational programs and transparency measures. It has also partnered with international organizations like the European Union and OSCE to advance green port principles and regional connectivity. The establishment of Alat Eco Park further underscores its dedication to the community. The report showcases the Port of Baku as a regional leader in sustainability through its strategic collaborations, environmental innovations, and alignment with global sustainable development frameworks.

SOCAR (2022)

SOCAR's 2022 Sustainable Development Report emphasizes its role as a key contributor to Azerbaijan's economic, social, and environmental growth, aligning with the UN SDGs and global climate initiatives. A standout feature is SOCAR's 2030 Low-Carbon Development Strategy, which outlines the adoption of renewable energy and the reduction of carbon emissions through eco-friendly technologies, energy-efficient lighting, and renewable installations. The company has made strides in renewable energy with solar and wind projects, including installations at operational sites and its "Eco Park." SOCAR is also prioritizing energy efficiency through advanced systems and international partnerships, ensuring sustainability in its oil and gas operations.

SOCAR demonstrates robust environmental stewardship with initiatives targeting waste reduction, recycling, and water conservation, in line with MARPOL standards. The company is actively working to decrease associated gas emissions, improve leak detection systems, and modernize equipment to minimize environmental impact. Socially, SOCAR supports community engagement through education programs, local development initiatives, and support for marginalized groups, including veterans. Internationally, SOCAR collaborates with companies like BP and ACWA Power to scale up renewable energy projects, setting an example of global sustainability leadership.

Kapital Bank (2023)

Kapital Bank's 2023 Sustainability Report showcases its comprehensive approach to ESG principles, emphasizing its alignment with the UN SDGs. The bank's initiatives highlight a strong focus on digital innovation, customer-centric solutions, and community development. Notable achievements include the development of the Birbank digital ecosystem, which integrates AI for enhancing customer service and improving financial inclusivity. Kapital Bank also emphasizes employee well-being, offering educational programs, scholarships, and workplace flexibility to foster a productive and inclusive environment.

Environmentally, Kapital Bank integrates sustainability into its operations by minimizing its carbon footprint through digital transformation and applying the 3R principles (reduce, reuse, recycle) in waste management. The bank actively promotes gender equality, equitable education opportunities, and financial services tailored to underserved communities, reinforcing its commitment to social responsibility. Additionally, the bank participates in international sustainability-linked projects, enhancing its reputation and commitment to global ESG standards.

Pasha Bank 2020-2021

Pasha Bank's 2020-2021 Sustainability Report highlights its multidimensional approach to sustainability through economic empowerment, human capital development, and capacity building. A key initiative is the promotion of Azerbaijan's non-oil sectors, particularly through support for small and medium enterprises (SMEs) and women entrepreneurs via tailored financing solutions, training programs, and capacity-building projects. Its innovative programs include the "Start with Pasha Bank" initiative, which aims to integrate individuals with disabilities into the workforce, and the "Scale Up" Acceleration Program for women entrepreneurs, designed to foster growth in micro and small businesses.

The bank also emphasizes environmental sustainability through waste reduction, recycling programs, and energy-efficient practices. For example, it has proactively

developed its recycling infrastructure despite Azerbaijan's nascent recycling industry. Socially, Pasha Bank invests in education through partnerships with universities and the ADA Summer Camp, which focuses on enriching youth with knowledge of national history and culture. Moreover, its support for programs like "Azerbaijan Best Managed Companies" underlines its commitment to fostering corporate governance excellence.

Digital transformation is another cornerstone of Pasha Bank's strategy. It leads the Azerbaijani market in cashless transactions and digital banking innovations, such as video verification for account openings and remote financial services. Its investment in employee well-being and inclusive HR practices, alongside comprehensive training programs, underscores its commitment to sustainable development from within the organization.

The ABB (International Bank of Azerbaijan) 2023

The ABB (International Bank of Azerbaijan) 2023 Sustainability Report highlights its commitment to environmental sustainability, digital innovation, and social responsibility. A prominent initiative is ABB's TamEco card project, which uses recycled ocean plastic and contributes to tree planting; this effort resulted in the planting of 36,000 trees. ABB also introduced the TamDigi card, a fully digital banking solution that reduces physical card production, exemplifying its drive toward paperless and eco-friendly operations. In its decarbonization efforts, ABB reported a 16% reduction in carbon emissions per employee and substantial decreases in fuel and paper usage. The bank is transitioning to paperless branches and leveraging digital systems to optimize operational efficiency.

On the social front, ABB emphasizes employee development, gender balance, and community investment. Programs such as ABB Tech Academy have trained 586 graduates since inception, while the bank's "Leaders of the Future" program supports internal talent growth. Gender diversity in management has also improved, with a 33% increase in female managers in 2023. ABB's digital innovation strategy is evident in the ABB mobile platform, supporting over 2 million digital customers and facilitating cashless transactions for 96% of corporate operations.

The report also highlights ABB's commitment to aligning with global sustainability standards, including the UN SDGs. Its ESG initiatives extend to waste management, energy efficiency, and customer-focused innovations. By actively participating in national and international sustainability campaigns, ABB positions itself as a leader in Azerbaijan's financial sector and a strong advocate for responsible environmental and social practices.

Phase 3: Stakeholder Engagement

Survey results

Introduction

This report summarizes the findings of a survey conducted to gather insights into stakeholders' perspectives on ESG principles and their implementation in Azerbaijan. The survey aims to identify challenges, opportunities, and critical factors that influence the integration of ESG practices across various sectors. Respondents represented diverse industries, providing a comprehensive overview of the current state of ESG adoption in Azerbaijan.

Considering that Azerbaijan is in the initial stage of ESG adoption, the questions were designed to assess awareness, expectations, challenges, and key factors relevant to the local context. The survey draws inspiration from the Critical Success Factors theory and previous research methodologies, such as exploratory factor analysis and stakeholder engagement frameworks. The survey was conducted anonymously and no personal information was recorded in the responses.

Demographics of Respondents

Respondents represented a diverse set of sectors, with the highest proportion being government officials/regulators (36%), followed by business leaders/managers (24%), and small and medium enterprises (22%). ESG experts, civil society representatives, academics, and self-employed individuals made up the remainder.

The most common industries represented were ICT and Telecommunications (44%) and Finance and Banking (20%), with smaller representations from Energy and Oil & Gas, Manufacturing, Agriculture, Tourism, and others.

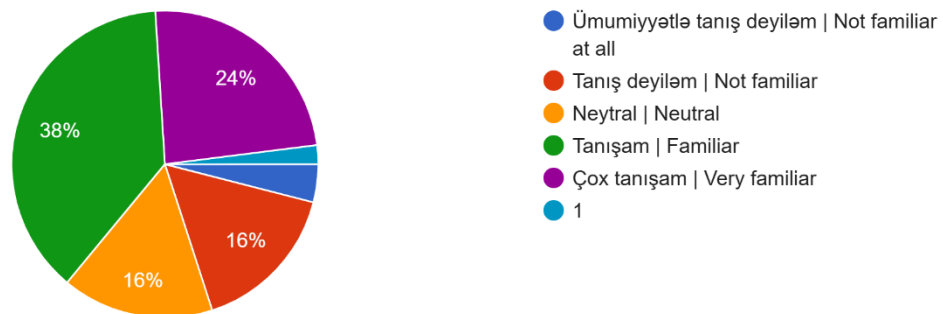
Key Findings

1. Familiarity with ESG Principles

The majority of respondents indicated moderate to high familiarity with ESG principles. Most respondents (38%) reported familiarity with ESG principles, with 24% indicating high familiarity. However, 20% expressed low familiarity, highlighting a knowledge gap that could be addressed through capacity-building programs. This demonstrates a growing awareness of ESG principles, though there remains a need for further education and capacity-building to bridge knowledge gaps, particularly among less familiar stakeholders.

1. Ətraf Mühit, Sosial və İdarəetmə (ESG) prinsipləri ilə nə qədər tanışsınız? 1. How familiar are you with Environmental, Social, and Governance (ESG) principles?

50 responses

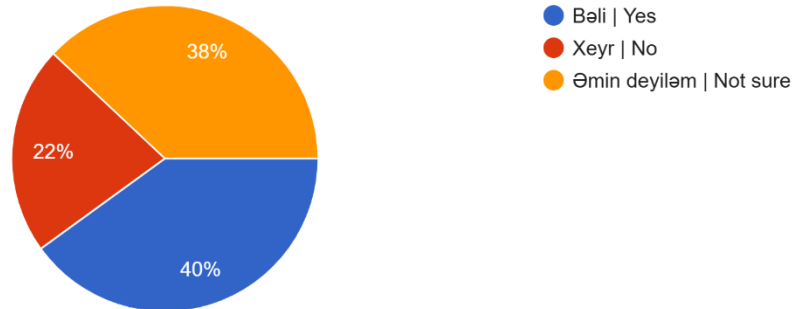


2. Organizations Following ESG Guidelines

40% of respondents confirmed that their organizations actively follow ESG guidelines. However, the remaining 60% either do not adhere to such guidelines or are uncertain about their organization's practices. This mixed adherence suggests that while there is progress, significant work remains to encourage widespread ESG adoption.

2. Sizin təşkilatınız hazırda hər hansı ESG qaydaları və ya çərçivələrinə əməl edirmi? 2. Does your organization currently follow any ESG guidelines or frameworks?

50 responses



3. Standards and Frameworks

A significant number of respondents (44%) reported being unfamiliar with ESG standards like GRI, SASB, TCFD, or CDP. Of those familiar, GRI was the most commonly followed framework, suggesting a need for broader adoption of international standards.

This finding suggests that many businesses in Azerbaijan may lack exposure to globally recognized ESG frameworks, which limits their ability to align with international sustainability benchmarks. Without adopting these standards, companies may struggle to attract international investors and partners who prioritize ESG compliance. This underscores the need for targeted awareness campaigns and training programs to introduce and promote these frameworks to the business community.

4. ESG Factors Requiring Immediate Attention

Environmental factors emerged as the top priority for immediate action, followed by governance and social issues. Key areas identified include:

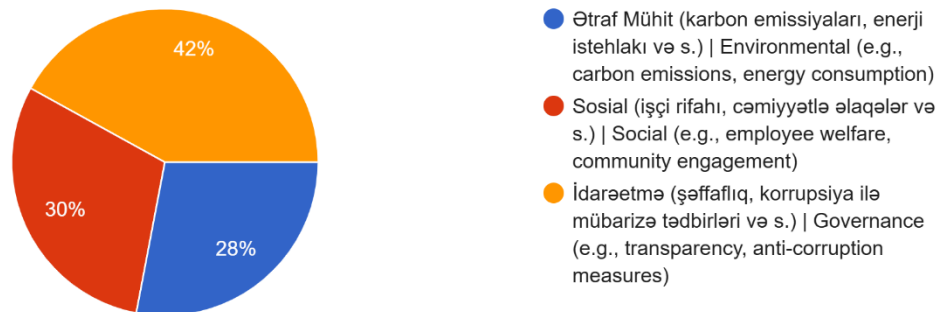
- Carbon emissions reduction
- Resource efficiency and waste management
- Transparency in governance practices

This prioritization aligns with Azerbaijan's national and global sustainability goals, highlighting the urgency of addressing environmental concerns.

Immediate ESG Priorities: Governance (42%) was identified as the most critical ESG factor, followed by social (30%) and environmental (28%) concerns. This suggests a pressing need for transparency, anti-corruption measures, and ethical governance practices.

4. Sizcə Azərbaycanda ən təcili diqqət tələb edən ESG faktoru hansıdır? 4. Which ESG factor do you believe requires the most immediate attention in Azerbaijan?

50 responses



Barriers to ESG Implementation: The top barriers included limited awareness or expertise (58%), insufficient financial resources (40%), and lack of regulatory clarity (34%).

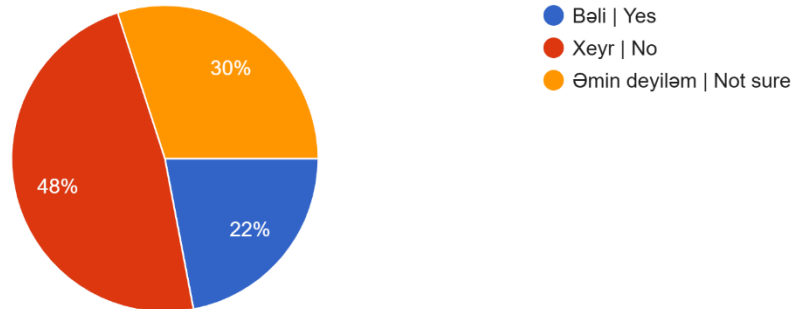
These barriers reflect structural and systemic issues within the business environment in Azerbaijan. Limited awareness indicates a need for enhanced education and training initiatives, while insufficient financial resources point to a lack of accessible funding mechanisms for ESG projects. Regulatory clarity remains a critical issue, as inconsistent policies deter businesses from committing to ESG initiatives. Addressing these barriers is essential for fostering a more supportive environment for ESG adoption.

Government Policies: A majority of respondents (78%) felt that current government policies are either insufficient or they were unsure about their adequacy to support ESG implementation.

This indicates that the regulatory framework for ESG in Azerbaijan is perceived as underdeveloped or poorly communicated. To improve, policymakers must prioritize the creation of clear, enforceable ESG guidelines and incentives. A well-structured policy framework can build trust among businesses and encourage them to integrate ESG practices into their operations, enhancing the country's sustainability profile.

5. Sizcə hazırda dövlət siyasətləri və qaydaları Azərbaycanda ESG tətbiqini dəstəkləmək üçün kifayətdirmi? 5. Do you think government policies ...cient to support ESG implementation in Azerbaijan?

50 responses



Stakeholder Roles and Recommendations

Critical Stakeholders: Government and regulators (86%) were seen as playing the most critical role in ESG implementation, followed by private sector organizations (46%) and investors/shareholders (36%).

The overwhelming emphasis on government and regulators highlights a centralized expectation for leadership in ESG matters. This reflects the need for the Azerbaijani government to take a proactive stance in setting the tone for ESG adoption through policy, enforcement, and public-private collaboration. Simultaneously, the private sector must step up to complement governmental efforts and demonstrate leadership in implementing sustainable practices.

Policy Recommendations: Respondents recommended tax incentives (70%) and public awareness campaigns (60%) as the most effective ways to encourage ESG implementation, alongside stricter penalties for non-compliance.

These recommendations underscore the importance of government-led initiatives to incentivize ESG practices. Tax incentives and awareness campaigns can act as strong motivators for businesses to adopt ESG principles, while penalties ensure accountability. This highlights the need for a balanced approach that combines rewards with enforcement to foster a culture of sustainability.

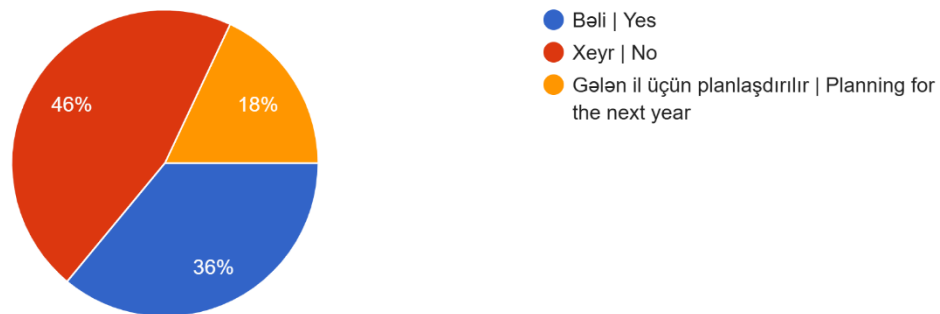
Existing Practices and Benefits

Implemented ESG Activities: Social initiatives (64%) and environmental initiatives (58%) were the most common, followed by governance practices (44%).

The higher implementation rates of social and environmental initiatives suggest that businesses may find these areas more tangible and actionable compared to governance practices. However, the comparatively lower focus on governance indicates a need for more emphasis on ethical practices, transparency, and anti-corruption measures to build credibility and investor confidence.

Public Disclosure: Only 18% of organizations publicly disclose ESG performance, while 36% plan to start in the next year. The low levels of public disclosure highlight a major area for improvement. Transparency is critical for building stakeholder trust and meeting international standards. Encouraging public disclosure through mandatory reporting frameworks and incentives can position Azerbaijani businesses as credible players in the global market.

11. Təşkilatınız ESG göstəricilərini (məsələn, davamlılıq hesabatlarında) açıq şəkildə açıqlayırmı? 11. Does your organization publicly ...e ESG performance (e.g., in sustainability reports)?
50 responses

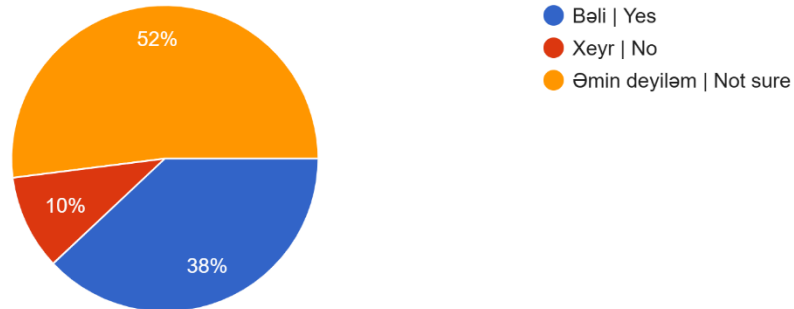


Perceived Financial Benefits: More than half of respondents (52%) believe ESG practices positively impact financial performance, though 38% are unsure, suggesting the need for clearer evidence and communication of ESG benefits.

The perception of financial benefits reflects a growing recognition of ESG's potential to enhance business outcomes. However, the uncertainty among some respondents indicates a lack of concrete data or success stories within the local context. Highlighting case studies and providing measurable evidence of ESG's financial impact could help bridge this gap.

12. ESG təcrübələrinin təşkilatınızın maliyyə göstəricilərini yaxşılaşdırdığına inanırsınız mı? 12. Do you believe ESG practices have improved your organization's financial performance?

50 responses



Resources Needed: Respondents identified ESG training and capacity-building (68%) as the most critical resource, followed by financial incentives (58%) and improved government policies (58%). The emphasis on training and capacity-building indicates a fundamental need to enhance the skillsets and knowledge base of stakeholders. Financial incentives and improved policies further point to systemic changes required to make ESG adoption feasible and attractive. These findings suggest a collaborative effort between government, private sector, and international organizations to provide the necessary support.

The findings indicate a growing awareness and recognition of ESG principles among Azerbaijani stakeholders. While progress has been made, significant challenges remain, including insufficient government support, resource constraints, and limited transparency in ESG practices. Addressing these gaps is crucial to advancing sustainable development and aligning with international standards.

Phase 4: Recommendations and Reporting

Summary of Findings

The assessment highlights significant strides made by Azerbaijan in adopting ESG principles across various industries, yet numerous challenges persist. The study reveals a growing awareness and interest in ESG practices among Azerbaijani businesses, especially in sectors like energy, agriculture, and transportation. Companies are increasingly aligning with global standards such as GRI, SASB, and TCFD, showcasing a willingness to embrace sustainability frameworks. However, the adoption remains uneven, with some industries demonstrating advanced integration while others lag due to structural and operational barriers.

Environmental sustainability efforts in Azerbaijan show promise, particularly with the government's commitment to renewable energy projects and waste reduction initiatives. Similarly, the social dimension of ESG has gained traction through corporate social responsibility programs aimed at enhancing workforce diversity and community engagement. Governance practices have also improved, with more companies recognizing the need for transparency, ethical practices, and stakeholder engagement.

Despite these advancements, the findings underscore substantial gaps that hinder the widespread and effective implementation of ESG principles. These challenges, primarily tied to regulatory, operational, and cultural factors, need to be addressed to unlock the full potential of ESG adoption in Azerbaijan.

Regulatory Gaps and Inconsistencies

The regulatory framework in Azerbaijan lacks a cohesive and comprehensive approach to ESG integration. Environmental regulations often focus on compliance rather than incentivizing proactive sustainability measures. For instance, there are limited policies promoting renewable energy adoption, circular economy practices, or carbon market mechanisms. Additionally, the absence of mandatory ESG reporting requirements leads to inconsistent and fragmented practices across industries. Governance standards, while improving, lack sufficient enforcement mechanisms to ensure accountability and transparency.

Limited Awareness and Capacity

Many businesses, particularly SMEs, lack awareness of global ESG standards and their benefits. The findings indicate a need for targeted training programs and capacity-building initiatives to equip stakeholders with the skills and knowledge required for effective ESG implementation. This gap in awareness extends to understanding the

financial advantages of adopting ESG principles, such as access to green financing and enhanced investor confidence.

Weak Data Infrastructure

Accurate data collection and reporting remain significant challenges for Azerbaijani companies. Many businesses struggle with tracking key ESG metrics, including carbon emissions, waste management, and workforce diversity. The lack of standardized methodologies for data collection and analysis further exacerbates this issue, making it difficult to benchmark performance and align with international frameworks.

Insufficient Financial Incentives

While the government has introduced some initiatives to support sustainable practices, such as subsidies for renewable energy projects, these efforts are insufficient to drive large-scale ESG adoption. There is a lack of structured financial incentives, such as tax benefits, grants, or low-interest loans, to encourage companies to invest in sustainability measures.

Barriers to Stakeholder Engagement

Effective stakeholder engagement is crucial for ESG success, yet Azerbaijani companies face challenges in building meaningful collaborations. The absence of platforms for regular dialogue with investors, communities, and regulators limits the potential for aligning business goals with broader sustainability objectives. Additionally, a lack of transparency and communication undermines trust and hinders collaborative efforts.

Sectoral Disparities in ESG Adoption

The findings reveal significant disparities in ESG adoption across industries. While sectors like energy and finance have made progress, others, such as agriculture and manufacturing, face greater hurdles due to traditional practices, resource constraints, and limited access to global markets. Tailored approaches are needed to address these sector-specific challenges.

These findings highlight Azerbaijan's potential to become a regional leader in ESG integration, provided that these gaps are addressed strategically. Strengthening the regulatory framework, enhancing stakeholder awareness, and providing targeted financial incentives are essential steps. Moreover, fostering collaborations between public and private sectors, improving data infrastructure, and adopting industry-specific approaches will accelerate the transition to a sustainable business environment.

Addressing these gaps not only aligns with global ESG trends but also positions Azerbaijan to achieve its national sustainability goals and attract international investment.

Recommendations

To bridge the gaps in Azerbaijan's ESG legislation and business environment, targeted and actionable recommendations are essential. These proposals address deficiencies in regulatory frameworks, corporate capacity, and the broader enabling environment for ESG adoption.

One of the most pressing needs is to strengthen the regulatory framework. Azerbaijan should establish comprehensive policies mandating ESG integration across all industries. This entails introducing mandatory ESG reporting requirements that align with global standards such as the GRI, SASB, and TCFD. These policies should be designed to promote transparency and accountability while providing clear incentives for companies to adopt sustainable practices. Developing sector-specific guidelines will ensure tailored solutions for industries like agriculture, manufacturing, and energy, enabling them to address their unique challenges effectively. Furthermore, an enforcement mechanism is crucial to guarantee compliance, which could include regular audits, penalties for non-compliance, and recognition programs for ESG leaders, fostering a culture of accountability and excellence.

Building awareness and capacity among businesses, particularly small and medium enterprises (SMEs), is another critical priority. A nationwide ESG capacity-building initiative should be launched, incorporating workshops, online courses, and expert advisory support. These efforts should aim to educate businesses about global ESG standards, regulatory requirements, and the financial benefits of sustainable practices. Public awareness campaigns that highlight the advantages of ESG integration, coupled with success stories and media coverage, can further amplify the message. Collaboration with academia, international organizations, and industry associations will be pivotal in expanding the reach and impact of these initiatives.

Improving data infrastructure is also essential to address challenges in ESG data collection and reporting. The government should invest in a centralized ESG data platform that serves as a repository for standardized metrics, enabling benchmarking and performance tracking across industries. This platform should include tools for calculating carbon footprints, tracking waste management, and assessing governance indicators. Training programs focused on ESG data collection methodologies, particularly for Scope 1, 2, and 3 emissions, will enhance the accuracy of reporting.

Partnerships with technology providers to develop digital tools for real-time data monitoring will further streamline the process and ensure reliability.

Financial incentives are critical to encouraging businesses to adopt sustainable practices. The government should introduce tax breaks and grants for companies investing in renewable energy, waste reduction technologies, and sustainable supply chains. Green financing programs, developed in collaboration with financial institutions, can provide low-interest loans and sustainability-linked bonds. Subsidies for ESG compliance-related expenses, including reporting software, certifications, and training, will reduce barriers to entry for businesses and foster widespread participation.

Stakeholder engagement must also be enhanced to promote collaboration among key actors. Platforms for dialogue and cooperation should be established to facilitate forums, roundtables, and partnerships that bring together regulators, businesses, investors, and civil society. Industry-specific councils focused on ESG best practices can serve as spaces for continuous engagement and knowledge sharing. Public disclosure of annual ESG reports from major industries will further improve transparency, build trust, and identify areas requiring improvement.

Recognizing the varied challenges faced by different industries, tailored approaches are necessary. For agriculture, the focus should be on circular economy practices, sustainable irrigation systems, and incentives for organic farming. The manufacturing sector would benefit from energy efficiency programs, waste recycling initiatives, and partnerships for green technology adoption. The energy sector requires targeted support for transitioning to renewables and developing carbon capture technologies, while the transportation sector needs expanded infrastructure for electric vehicles and incentives for low-emission public transport systems. These industry-specific strategies will address unique barriers while aligning with global ESG practices.

By implementing these recommendations, Azerbaijan can address its domestic ESG gaps and enhance its alignment with global standards. Such efforts will not only improve the country's competitiveness in international markets but also contribute to sustainable economic growth and environmental resilience. These actions represent a crucial step in positioning Azerbaijan as a leader in ESG practices within the region and beyond.

Recommendations

1. **Policy Enhancements:** Develop and enforce comprehensive ESG regulations, including incentives for organizations adopting sustainable practices. This could involve tax benefits for ESG-compliant companies and stricter enforcement mechanisms to ensure adherence.

2. **Capacity Building:** Launch nationwide ESG training programs tailored to different sectors. This will improve stakeholder expertise and address gaps in awareness and knowledge.
3. **Financial Support:** Introduce innovative funding mechanisms, such as green bonds, sustainability-linked loans, and grants, to alleviate the financial burden of ESG implementation, particularly for SMEs.
4. **Mandatory Disclosure:** Implement phased mandatory ESG disclosure requirements aligned with frameworks like GRI, SASB, and TCFD. Public reporting enhances accountability and builds stakeholder trust.
5. **Public-Private Collaboration:** Foster robust partnerships between government, businesses, and NGOs to drive collective ESG efforts. Joint initiatives can amplify the impact of sustainability projects and share best practices across sectors.
6. **Awareness Campaigns:** Conduct extensive public awareness campaigns to highlight the long-term benefits of ESG practices. These campaigns should target both the private sector and the general public to build a culture of sustainability.
7. **Improved Regulatory Clarity:** Address ambiguities in ESG-related regulations by providing clear guidelines and streamlining approval processes for sustainability initiatives.
8. **Incentivize Innovation:** Support R&D in sustainable technologies and practices to enable organizations to innovate and remain competitive in global markets.

Next Steps

The results of this survey serve as a foundation for actionable strategies to advance ESG integration in Azerbaijan. Stakeholders are encouraged to:

- Advocate for stronger ESG policies and incentives from regulators.
- Participate in training programs to enhance their ESG capabilities.
- Collaborate across industries to share knowledge and resources.

The insights gathered from this survey reflect the collective aspirations and concerns of Azerbaijan's diverse stakeholder community regarding ESG adoption. The findings underscore the critical need for a unified and strategic approach to embedding ESG principles across sectors. By addressing the barriers identified and leveraging the opportunities highlighted, Azerbaijan can build a robust foundation for sustainable development.

Incorporating ESG practices is not merely a compliance exercise but a transformative opportunity to create long-term value for businesses, communities, and the environment. It positions Azerbaijan as a forward-thinking nation that prioritizes responsible growth and aligns with global sustainability trends. Through collaboration, innovation, and commitment, stakeholders across government, industry, and civil society can drive impactful changes that resonate far beyond the country's borders.

Azerbaijan has the potential to emerge as a leader in ESG integration, setting benchmarks for the region and beyond. This journey requires courage, adaptability, and a shared vision for a sustainable future. Together, we can foster a resilient and inclusive economy that meets the needs of today while safeguarding the prospects of tomorrow.

List of Abbreviations

ESG – Environmental, Social, and Governance

EU – European Union

EIA – Environmental Impact Assessment

UN – United Nations

UNEP – United Nations Environment Programme

UNDRIP – United Nations Declaration on the Rights of Indigenous Peoples

GDPR – General Data Protection Regulation

CSRD – Corporate Sustainability Reporting Directive

GRI – Global Reporting Initiative

ESRS – European Sustainability Reporting Standards

TCFD – Task Force on Climate-Related Financial Disclosures

IFRS – International Financial Reporting Standards

OECD – Organisation for Economic Co-operation and Development

PRI – Principles for Responsible Investment

NGO – Non-Governmental Organization

SDGs – Sustainable Development Goals

SME – Small and Medium-sized Enterprises

FCA – Financial Conduct Authority

NFRD – Non-Financial Reporting Directive

SEC – Securities and Exchange Commission

CMB – Capital Markets Board

BDDK – Banking Regulation and Supervision Agency

NBG – National Bank of Georgia

GPIF – Government Pension Investment Fund

GHG – Greenhouse Gas

CSR – Corporate Social Responsibility

TSRS – Turkish Sustainability Reporting Standards

CDP – Climate Disclosure Project

ISO – International Standardization Organization

AZSTAND – Azerbaijan Standardization Institute

References

- Barnes Roffe. (2023). UK changes in ESG reporting and sustainability disclosure requirements. *Barnes Roffe Insights*. Retrieved from <https://barnesroffe.com/insights/uk-changes-in-esg-reporting-and-sustainability-disclosure-requirements-2025/>.
- CFA Institute. (2023). ESG integration in the Americas. *CFA Institute Survey*. Retrieved from <https://rpc.cfainstitute.org/-/media/documents/survey/esg-integration-in-the-americas.pdf>.
- China Briefing. (2023). China releases ESG reporting standards for businesses. *China Briefing*. Retrieved from <https://www.china-briefing.com/news/china-releases-esg-reporting-standards-for-businesses/>.
- Datamaran. (2024). How the EU Corporate Sustainability Reporting Directive is reshaping global sustainability reporting. *Datamaran*. Retrieved from <https://blog.datamaran.com>.
- DataTracks. (2023). ESG reporting in the US. *DataTracks Blog*. Retrieved from <https://www.datatracks.com/us/blog/esg-reporting-in-the-us>.
- Deloitte. (2024). Sustainability action report. *Deloitte*. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/audit/2024-sustainability-action-report.pdf>.
- DergiPark. (2023). Turkish ESG framework: A comparative analysis. *Sustainability and Finance Journal*. Retrieved from <https://dergipark.org.tr/tr/download/article-file/2906499>.
- Economist Impact. (2023). ESG in China: The shifting landscape. *Economist Impact Report*. Retrieved from https://impact.economist.com/perspectives/sites/default/files/fidelity_economist_impact_esg_in_china_english_report.pdf.
- Egemenoglu. (2023). Turkish sustainability reporting standards (TSRS) and scope of application. *Egemenoglu Legal Insights*. Retrieved from <https://www.egemenoglu.av.tr/en/news/turkish-sustainability-reporting-standards-tsrs-and-scope-of-application-of-tsrs-were-published-in-the-official-gazette>.
- EFRAG. (2024). European Sustainability Reporting Standards. *EFRAG*. Retrieved from <https://www.efrag.org>.

ESG Today. (2023). Japan releases proposed IFRS-based sustainability reporting standards. *ESG Today*. Retrieved from <https://www.esgtoday.com/japan-releases-proposed-ifrs-based-sustainability-reporting-standards>.

European Commission. (2022). Corporate Sustainability Reporting Directive (CSRD). *EUR-Lex*. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>.

Forbes Georgia. (2023). Practical ESG aspects for Georgia. *Forbes Georgia*. Retrieved from <https://forbes.ge/en/practical-esg-aspects-for-georgia/>.

Georgian.io. (2023). Purpose report 2023. *Georgian.io*. Retrieved from <https://georgian.io/purpose-report-2023>.

Government Pension Investment Fund. (2023). GPIF and ESG investment strategies. Retrieved from <https://www.gpif.go.jp>.

Hogan Lovells. (2023). UK TCFD-aligned disclosures explained. *Hogan Lovells Knowledge Services*. Retrieved from <https://www.engage.hoganlovells.com/knowledgeservices/news/uk-tcfd-aligned-disclosures-explained>.

McKinsey & Company. (2023). Charting a path from the Shuchu Kiyaku to ESG for Japanese companies. *McKinsey Insights*. Retrieved from <https://www.mckinsey.com/capabilities/sustainability/our-insights/charting-a-path-from-the-shuchu-kiyaku-to-esg-for-japanese-companies>.

MDPI. (2023). Sustainability in China: ESG frameworks and green finance. *Sustainability Journal*. Retrieved from <https://www.mdpi.com/2071-1050/16/12/5042>.

Mondaq. (2022). ESG in Turkey: Corporate governance challenges. *Mondaq Corporate Governance Report*. Retrieved from <https://www.mondaq.com/turkey/corporate-governance/1270658/esg-in-turkish-market>.

Mondaq. (2023). ESG in the Turkish market. *Mondaq Insights*. Retrieved from <https://www.mondaq.com/turkey/corporatecommercial-law/1429508/esg-comparative-guide>.

National Bank of Georgia (NBG). (2020). NBG principles on ESG disclosure. *NBG*. Retrieved from https://nbg.gov.ge/fm/ფინანსური_სტაბილურობა/მდგრადი_დაფინანსება/esg_საკითხების_გამკვლევება/nbg-principles-on-esg-disclosure-eng-6af93e3b.pdf.

National Bank of Georgia (NBG). (2023). ESG reporting and disclosure. *NBG*. Retrieved from <https://nbg.gov.ge/en/financial-stability/esg-reporting-and-disclosure>.

PIMCO. (2023). Key takeaways from PIMCO's sustainable investing report 2023. *PIMCO*. Retrieved from <https://www.pimco.com/gb/en/insights/key-takeaways-from-pimcos-sustainable-investing-report-2023>.

Praxis42. (2023). What are References (continued, alphabetically ordered):

Praxis42. (2023). What are ESG reporting requirements in the UK? *Praxis42 Resources*. Retrieved from <https://praxis42.com/resources/hr/what-are-esg-reporting-requirements-uk/>.

Securities and Exchange Commission (SEC). (2024). SEC introduces climate risk disclosure. *SEC Press Release*. Retrieved from <https://www.sec.gov/newsroom/press-releases/2024-31>.

ScienceDirect. (2021). Corporate sustainability in Turkey: Challenges and opportunities. *Journal of Cleaner Production*. Retrieved from <https://www.sciencedirect.com/science/article/pii/S2214845021000752>.

ScienceDirect. (2023). Corporate sustainability practices in China. *Journal of Cleaner Production*. Retrieved from <https://www.sciencedirect.com/science/article/pii/S1755309123000357>.

UK Government. (2023). ESG ratings consultation. *GOV.UK*. Retrieved from https://assets.publishing.service.gov.uk/media/642556f460a35e00120cb180/ESG_Ratings_Consultation_.pdf.

OECD. (2020). *OECD review of the corporate governance of Azerbaijan Investment Holding and its state-owned enterprises*. Retrieved from https://www.oecd-ilibrary.org/governance/oecd-review-of-the-corporate-governance-of-azerbaijan-investment-holding-and-its-state-owned-enterprises_6764976e-en

World Bank. (2017). *Republic of Azerbaijan: Corporate governance and ownership of state-owned enterprises*. Retrieved from: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/710781532553488335/republic-of-azerbaijan-corporate-governance-and-ownership-of-state-owned-enterprises>

Inter-Parliamentary Union. (2024). *Women in national parliaments: Azerbaijan*. Retrieved from <https://data.ipu.org/women-ranking/>

UN Women. (2021). *Women's political participation in Azerbaijan*. Retrieved from <https://data.unwomen.org/country/azerbaijan>

UN Women. (2021). *Azerbaijan factsheet: Women's economic empowerment and leadership in MSMEs*. Retrieved from https://eca.unwomen.org/sites/default/files/Field%20Office%20ECA/Attachments/Publications/2021/8/Expo%20Report/Azerbaijan_Factsheet-min.pdf

Ministry of Ecology and Natural Resources of Azerbaijan. (1999). *Law on Environmental Protection*. Baku: Government of Azerbaijan.

Ministry of Ecology and Natural Resources of Azerbaijan. (2018). *Law on Environmental Impact Assessment*. Baku: Government of Azerbaijan.

United Nations. (2015). *Transforming our world: The 2030 Agenda for Sustainable Development*. New York, NY: United Nations.

United Nations Framework Convention on Climate Change. (2015). *Paris Agreement*. Retrieved from <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

World Bank. (2002). *Environmental impact assessment systems in Europe and Central Asia*. Washington, DC: World Bank. Retrieved from <https://documents1.worldbank.org/curated/en/771381468749086135/pdf/300670PAPER0English0EIA0in0ECA.pdf>

Constitution of the Republic of Azerbaijan. (1995). Article 39.

Law on Environmental Impact Assessment. (2018). Azerbaijan: Government of Azerbaijan.

Law on Environmental Protection. (1999). Azerbaijan: Government of Azerbaijan.

Law on the Protection of Environment. (1999). Azerbaijan: Government of Azerbaijan.

Law on Acquisition of Lands for State Needs. (2010). Azerbaijan: Government of Azerbaijan.

Law on Sanitary and Epidemiological Safety. (1992). Azerbaijan: Government of Azerbaijan.

Law on Protection of Atmospheric Air. (2001). Azerbaijan: Government of Azerbaijan.

Law on Public Participation. (2013). Azerbaijan: Government of Azerbaijan.

Law on Specially Protected Areas and Objects. (2000). Azerbaijan: Government of Azerbaijan.

Law on Ecological Safety. (1999). Azerbaijan: Government of Azerbaijan.

Law on Enforcement of Gender Equality. (2006). Azerbaijan: Government of Azerbaijan.

Labor Code of the Republic of Azerbaijan. (1998). Azerbaijan: Government of Azerbaijan.

Law on Compulsory Insurance against Occupational Disability. (2010). Azerbaijan: Government of Azerbaijan.

Labor Protection Law. (1992). Azerbaijan: Government of Azerbaijan.

Law on the Status of Refugees and Internally Displaced Persons. Azerbaijan: Government of Azerbaijan.

Law on the Protection of Historical and Cultural Monuments. Azerbaijan: Government of Azerbaijan.

Law on Culture. (1998). Azerbaijan: Government of Azerbaijan.

National Sustainable Energy Action Plan. (2019). Azerbaijan: Government of Azerbaijan.

Sustainable Finance Roadmap by the Central Bank of Azerbaijan. (2023). Azerbaijan: Central Bank of Azerbaijan.

State Program on Socio-Economic Development of the Regions of Azerbaijan. (2009–2013). Azerbaijan: Government of Azerbaijan.

State Program on Poverty Reduction and Sustainable Development. (2008–2015). Azerbaijan: Government of Azerbaijan.

State Program on Ensuring Reliable Population in Food Provision. (2008–2015). Azerbaijan: Government of Azerbaijan.

Azerbaijan 2020: Vision to Future. Azerbaijan: Government of Azerbaijan.

Bakcell. (2021). *Sustainability Report*. Retrieved from <https://www.neqsolholding.com/az/about-holding/annual-sustainability-reporting/>

Norm. (2022). *Sustainability Report*. Retrieved from <https://norm.az/uploads/files/Deloitte%20x%20Norm%20Report%E2%80%932022%20ENG.pdf>

Nar. (2021). *Sustainability Report*. Retrieved from https://www.nar.az/media/uploads/files/NARAnnualReport2021eng_PA2zdAv.pdf

Azercell. (2023). *Sustainability Report*. Retrieved from <https://www.azercell.com/assets/files/sustainability/sustainability-report-2023/report-2023eng.pdf>

SOCAR. (2023). *Sustainability Report*. Retrieved from https://cms.esghub.az/uploads/Socar_ESG_Report_2023_5c1cebfc35.pdf

Azerbaijan Railways. (2023). *Sustainability Report*. Retrieved from <https://corp.ady.az/en/sustainability/sustainability-report>

Port of Baku. (2022). *Sustainability Report*. Retrieved from <https://portofbaku.com/storage/temporary/1707821445334581940.pdf>

Kapital Bank. (2023). *Sustainability Report*. Retrieved from https://cms.esghub.az/uploads/Kapital_Bank_ESG_Report_2023_6cd08b267e.pdf

Pasha Bank. (2020-2021). *Sustainability Report*. Retrieved from https://www.pashabank.az/about_us/lang.en/#!/sustainability/

International Bank of Azerbaijan. (2023). *Sustainability Report*. Retrieved from https://abb-bank.az/storage/uploads/files/1717574934_abb sustainabilityreport2023.pdf