

TRANSFORMATION OF BANKING ACTIVITIES ON THE BASIS OF SUSTAINABLE FINANCING: INSTITUTIONAL AND LEGAL ASPECT

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Abstract. *The institutional and legal principles for the development of sustainable financing in banking are summarized. The level of integration of ESG factors into the strategic management of Ukrainian banks is determined. Problems and structural barriers to further expansion of the ESG approach into the activities of Ukrainian banks are identified. Directions for further ESG transformation of domestic banks are identified.*

Key words: *sustainable development, sustainable financing, sustainable development financing, ESG risk management, ESG projects, non-financial reporting, socially responsible corporate governance, bank development strategy.*

The article states that the transition of the world economy to the post-industrial stage of development has led to a change in economic relations and a transformation of the essence of finance. It is emphasized that for banking institutions, the concept of sustainable development involves a combination of traditional goals with long-term goals of sustainable development. Attention is focused on the relationship between the concepts of sustainable financing and sustainable development financing. At the same time, it is concluded that sustainable development financing reflects the targeted use of financial resources and is possible only if the bank has formed internal ESG sustainability. The regulatory and legal support for sustainable financing of banks at the international, European, national and intra-bank levels is characterized. It is determined that currently a model of sustainable financing regulation is being formed in the financial sector of Ukraine based on the gradual implementation of European standards. The results of the analysis of open sources of information of banks, in particular, development strategies, ESG and non-financial reporting, sustainable development policies, management reports and official corporate websites, showed a gradual transformation of the domestic banking sector from mainly declarative practices of corporate social responsibility to the implementation of institutionalized approaches to ESG management. At the same time, an uneven level of ESG maturity of Ukrainian banks was revealed due to a number of problems and structural barriers of a regulatory, economic, market, social, infrastructural, corporate and operational nature. The need to develop criteria for identifying sustainable assets and create methodological recommendations for standardized disclosure of ESG information and assessment of ESG risks was emphasized, which depends on the comprehensiveness and coherence of the actions of the NBU, the Ministry of Finance of Ukraine, and other state institutions responsible for harmonizing Ukrainian legislation with European standards of sustainable finance. Directions for further expansion of the ESG approach in banking activities were outlined, including:

institutionalization of the ESG function, integration of ESG into the risk management system, development of green and social financing, implementation of international ESG reporting standards, digitalization of ESG processes, dissemination of a corporate culture of sustainable development.

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