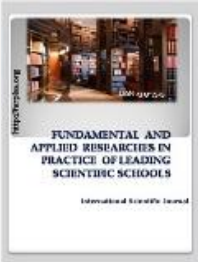

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Socially responsible investments on global financial market and perspectives of their development in Ukraine

O. Laktionova

ORCID 0000-0001-6472-6503
Vasyl's Stys Donetsk national university, Vinnitsa, Ukraine

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Vasyl's Stys Donetsk national university, Vinnitsa, Ukraine

laktionova.loa@donnu.edu.ua

ORCID 0000-0001-6472-6503
Tel +380502539011

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Sustainability is one of the most important trend in financial markets over the last decade. It is supplemented by two obvious trends: on the side of investors - their desire to increase investment in social responsible investment; from issuers or recipients of investments – their motivation to focus on corporate social responsibility, thereby focusing on sustainable development and environmental, social and governance issues.

There are certain demand and supply drivers of this process which have been investigated in the article for Ukraine. In a generalized way they are summarized as follows: strong demand of society and government on Global aims issues, that are confirmed by different agreement on different levels; low or insufficient level of environment, social and governance performance; supportive and enabling public policy; strict requirements of financial regulators and exchanges for investors and issuers; existence of influential public investments for resolving of global problems and aims; appropriate income level and standards of living in a country. On the supply side – additional profit for investors, higher rate of return for SRI than for benchmark, that could be achieved by different direct and indirect ways. The supporting or contributing factors on the supply side are sufficient market liquidity, moderate (not weak) information efficiency of capital market, developed institutional sector of investors, existence of market infrastructure for SRI.

Although the advantages for individual and institutional investors and issuers are becoming clearer today, it should be recognized that the development of socially responsible investment market in the world is more demand driven yet.

There is a high demand but low supply side factors for development of socially responsible investments has identified in Ukraine. To understand the situation, helps analysis of sustainability performance of Ukraine based on the metrics: RobecoSAM's Country Sustainability ranking; Sustainable competitiveness index; Sustainable Society Index. The negative level of such elements like resource management, governance and natural resources form the high demand on development of SRI in Ukraine. However, from supply side Ukraine has extremely low level of assets under the management of private pension funds, investment funds and insurance companies, which are the main sources of SRI in other countries. Small capitalization of financial market, its fragmentation and low liquidity correlate with lo information efficiency. Last one doesn't give the opportunity efficiently price the risks and opportunities that emanated from environment, social and governance issues. Besides this there is a low motivation from companies.

Key words: socially responsible investments; sustainable development; green investments; financial market.

Introduction

The development of the global financial market takes place by following of the key socio-economic trends and issues that are general peculiarities and characteristics of the world economy in the last decade. The criticality of these problems and the inability to resolve them without taking participation or taking responsibility of all parties, updates the need for systemic changes. In this regard, the search for new sources of financial support for solving the global challenges of sustainable long-term development requires the introduction of new approaches, unlike those that led to the financial crisis of 2007. Such approaches shouldn't create new financial deformations, but conversely must contribute strengthening of sustainability and stability of financial markets as well as whole economy. In resolving such problems socially responsible investments is the indicator of weight movement of economy to more stable and sustainable one.

Goals of article

The goal of the article is to distinguish, generalize and analyze certain demand and supply drivers of socially responsible investments in Ukraine, compare with the benchmarks in other countries.

Materials and Methods

Analysis of sustainable development metrics of Ukraine, generalization, systematization of regulation approaches to sustainable investments on financial market and financial sector of economy, interpretation of facts.

Results

Sustainability is one of the most important trend in financial markets over the last decade. It is supplemented by two obvious trends: on the side of investors - their desire to increase investment in social responsible investment; from issuers or recipients of investments – their motivation to focus on corporate social responsibility, thereby focusing on sustainable development and environmental, social and governance issues. Both of them are trying to do this, guided not only by ethical principles and motives, but with the aim to take additional income and create the potential for sustainable value of a company in the long run. There are a lot of externalities for other stakeholders: society, including stakeholders on the local level through the creating of more sustainable and developed infrastructure, more stable income for households, new jobs for labor force; for real sector of economy – new investments and more open access to external capital market, less cost of capital, more stable internal banking system and liquid capital market.

For inquiring factors of perspective development of SRI in Ukraine we divided them roughly on two groups – demand and supply driven for capital market of such investments. On the side of demand, it should be: strong demand of society and government on Global aims issues, that confirmed by different agreement on different levels; low or insufficient level of environment, social and governance performance; supporting and stimulating public policy; strict requirements of financial regulators and exchanges for investors and issuers; existence of influential public investments for resolving of global problems and aims; appropriate income level and standards of living in a country. On the supply side – additional profit for investors, higher rate of return for SRI than for benchmark, that could be achieved by different direct and indirect ways. The supporting or contributing factors on the supply side are sufficient market liquidity, moderate (not weak) information efficiency of capital market, developed institutional sector of investors, existence of market infrastructure for SRI, e.g. market indexes.

Although the advantages for individual and institutional investors and issuers are becoming clearer today, it should be recognized that the development of socially responsible investment market in the world is more demand driven yet. Several years ago, the world community agreed on the introduction of a new plan of action that will ensure the transformation of policies and mechanisms that contribute to building the capacity for life of future generations. The plan reflects the four agreements signed by the United Nations in 2015: The Framework for Disaster Risk Reduction (Japan), the Action Program, signed in Addis Ababa, the Sustainable Development Program 2030, and the Paris Agreement on Climate Change. The urgent issues: global prosperity, justice, a healthy planet and peace. Despite the fact that only one of the 17 goals directly concern infrastructure investment and innovation, all others also need substantial financial support and investments.

According to the estimates of expert, trillions of dollars are needed annually to finance sustainable development measures – according to UN the total cost of achieving SEGs (social, environment and governance criteria's) will reach from $50 to $70 trillion during the next 25 years. The cost of implementing the Paris Climate Agreements is $12 trillion. According to other experts, only the impact of climate change on the environment, health and food protection will cost annually from $2 to $4 trillion until 2030 (Climate Change Scenarios – Implications for Strategic Asset Allocation, 2011). This will require the search for new financial mechanisms and expansion of existing solutions for the use of capital markets, including all asset classes. Such consolidation of capital flows can be realized by combining efforts to attract all kinds investments - state and private, national and global. At the same time, the most important issue is searching for innovative ways to strengthen the leverage of public investment by attracting significant amounts of private capital. In this aspect, the path to the development of the financial market that ensures the implementation of UN goals through overcoming the short-term investors' bias, blind areas in risk management, which contribute to the distribution of capital in projects of fragile economies and societies.

There is a big progress has achieved in several countries and regions on the way of contributing SRI on financial market, specifically in the field of institutional investors (Table 1).

Table 1

Policy contributions for development of SRI in some countries and regions
(European SRI Study, 2016)

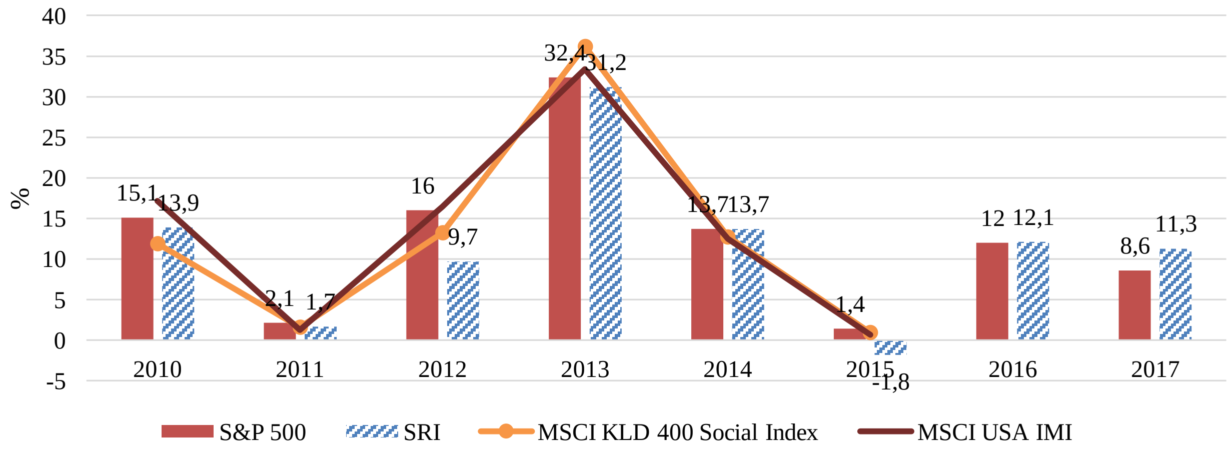
Canada	According to Ontario's Pension Benefits Act, pension plans have been required to report in their statements of investment policies and procedures whether they incorporate ESG factors
Europe	The adoption by the European Commission of a Capital Markets Union Action Plan drawing much on Eurosif's position on long-termism and consideration of ESG issues in investment decisions; Eurosif has been involved in the revision of the Shareholder Rights Directive that encourages institutional investors and asset managers to adopt proactive and long-term share ownership policies and practices (engagement, voting) where ESG considerations play a central role; European Commission launched a public consultation on long-term and sustainable investments; green bond issuance became an autonomous strategic goal of the EIB's Corporate Operational Plan 2015-2017
Chine	The People's Bank of China and the National Development & Reform Commission published Official green bonds guidelines; Tax incentives for green labelled bonds were proposed by the PBoC
India	Central Bank of Bangladesh committed to investing a share of foreign exchange reserves in green bonds; Securities and Exchange Board of India published Green bonds requirements, proposed tax incentives for bonds of INR 50bn for renewable energy projects in India
Japan	Stewardship Code encourages institutional investors to participate in constructive engagement with the companies in which they invest; The largest in the world Japanese Government Pension Investment Fund became a PRI signatory
Australia	Australian Stock Exchange requires its listed companies, according to Corporate Governance Guidelines, to report on any material exposure to sustainability risks
Latin America	The Latin American Sustainable Investment Forum has highlighted and assisted numerous initiatives to promote sustainable investing in the region; Publicly traded Chilean companies are required to report on sustainability issues; Santiago Stock Exchange launch of the exchange's sustainability index; the Mexican Stock Exchange is a partner in the SSE Initiative; Peru's Program for Responsible Investment (PIR) provides technical assistance and training for local investors to develop and implement responsible investment practices; ALAS20 – an initiative that contributes responsible practices in investment companies in Brazil, Chile, Colombia, Mexico and Peru; Argentina, Paraguay and Uruguay have joined together to create an impact investment task force and launch an impact investment fund for the three countries

There is a significant number of investment professionals in the international investment market for social investments (socially responsible investment) who change traditional ideas about investment practices and support the implementation of social, environmental and managerial criteria in making investment decisions already. In accordance with the UN initiative for the implementation of the Principles of Responsible Investment, launched in 2005, the number of investors who signed an agreement on compliance with the six principles of responsible investment (FDI) in 2017 have reached 1270 with a total asset of $70 trillion (PRI Reporting Framework, 2017). Principles are based on the fact, that environmental, social and governance factors (such as climate change and human rights) can affect the efficiency of investment portfolios, so if investors strive to properly fulfill their fiduciary responsibilities, they should be considered in making investment solutions and forming portfolios, along with more traditional financial criteria. Investors who signed by principles own a variety of assets: shares accounts for 38%, 19% for fixed income financial instruments (bonds) issued by supranational, national financial institutions and agencies (SSAs), 18% - corporate bonds of financial and non-financial corporations.

The volume of world socially responsible investment in 2016, which was under professional management, totaled $22.89 trillion (Global Sustainable Investment Review, 2016). This represents 26% of the total portfolio of assets under professional management. At the same time, most of this type of investment is carried out in Europe, USA and Canada, while the largest increase has observed in Japan, New Zealand and Australia. Such investments in Europe, Australia and New Zealand, Canada are the most significant share in institutional investors' portfolios.

The main motivations of institutional investors as supply driven factors for SRI are management of investments risks through diversification, increasing of management quality, incorporation of fiduciary duty, identification of new investment opportunities and reputation drivers (Environmental, Social, and Governance issues in investing, 2015). Though 35% respondents consider that ESG factors don't add value and are not material for them. Notwithstanding there are many investigations that confirm positive gains from SRI. According to the global survey of 97 institutional investors from 22 countries found that 57% of respondents believe that considering ESG factors in investment decision-making increases risk-adjusted returns and more than two-thirds believe that it is important for reputation management (Global insight on ESG in alternative investments, 2017). This is especially important topic among investors in the Nordic region, Switzerland, and the Benelux countries, which reflects the pressures for increased transparency and public reporting on investments for many institutional investors in the region. In 2014, Oxford's researchers and Arabesque Partners analyzed nearly 200 studies to measure how well the practice of sustainable development introduced by companies can affect the return of investment. It has been found that 80% of studies show that the practice of considering ESG factors positively affects the financial performance of the company and the price of their shares (Clark, Gordon L., Andreas Feiner, and Michael Viehs, 2010).

The MSCI KLD 400 Social Index, which has an average annual yield rate of 10,44% from 1990 to 2017, as compared to the S&P 500 index of 9,95% over the same period, gives the advantage in yield (Graph 1). The figure shows the value of the S&P 500 index in comparison with the SRI yield - in 2017, the average yield on the stock market S&P 500 was less than the return on SRI by 2.7%.



Graph 1. Dynamics of capital market indexes of SRI and their benchmarks (MSCI ACWI sustainable impact index, 2018)

Revenue exposure to Sustainable Impact Solutions reflects the extent to which company's revenue is exposed to product and services that help major social and environmental challenges. Combining ASWI Sustainable Impact Index and its MSCI ACWI benchmark took 38% of revenue from investments with social impact and 39,4% from environmental. The net effect comparing with the benchmarks took 34,6% and 36,4% active exposure (MSCI Sustainable Impact Report, 2017).

The most significant opportunities available through incorporating ESG factors in value creation and though SRI for companies are:

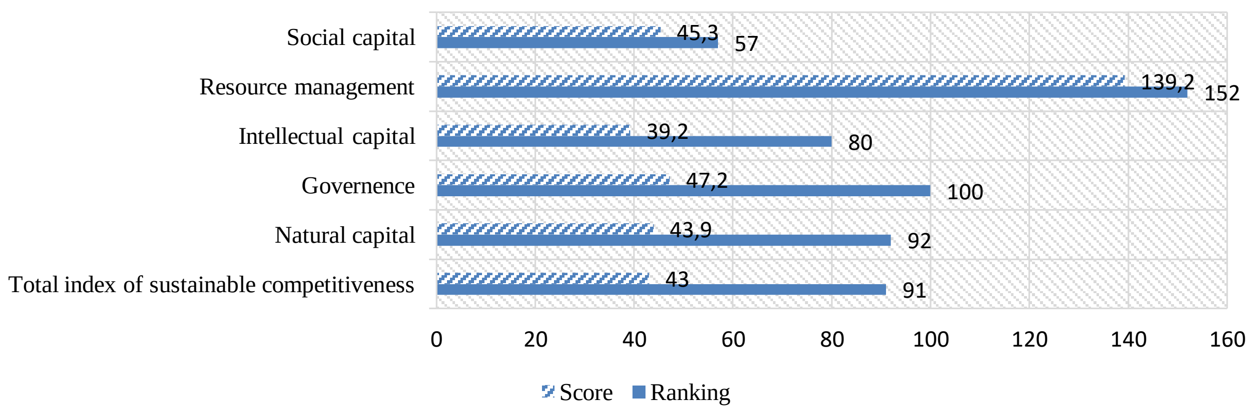
- decreasing in costs by making reductions to environmental impacts and treating employees well;
- increasing in revenues by improving the environment and benefiting the local economy;
- reduce risk through engagement with stakeholders;
- facilitating reputation by increasing environmental and social efficiency;
- developing human capital through better human resource management;
- improving access to capital through better governance.

The recent McKinsey Global Survey found that for companies' sustainability is becoming a more strategic and integral part of their businesses. In past survey's respondents most often cited cost cutting or reputation management. For increasing return, the companies are reducing energy use in operations (64%), reducing waste (63%), and managing their corporate reputations for sustainability (59%) (Sustainability's strategic worth: McKinsey Global Survey results, 2014).

Ukraine unlike many other countries hasn't developed capital market as well as market of SRI. The reason of this situation lies in different spheres, which include both demand and supply driven economic, non-economic, institutional factors. To understand the situation, helps analysis of sustainability performance based on some world metrics.

The RobecoSAM's Country Sustainability ranking provides a summary and analysis of the ESG profiles of 65 countries around the globe, 43 of them are emerging market economies (Country Sustainability Ranking Update, 2017). The resulting scores offer a framework of the investment risks and opportunities from a long-term risk-return perspective associated with each country. In 2017 Ukraine worsened its position from 54 to 60 rang for two years, most of all because of decreased Governance dimension. The last one includes such positions as civil liberties, internal conflicts and corruption, institutional framework, regulatory quality, rule of law, government efficiency. No positive movement haven't happened with social and environment risks. A weak social climate dominated by labor unrest, extreme inequality, or other social tensions has extremely high potential for investment risk. There are no sufficient changes in its energy dependency and energy policies. Ukraine remains the country that rely heavily on fossil fuel imports that are vulnerable to abrupt or sharp external price movements or supply shortages.

The sustainable competitiveness index is another metrics that uses information of the World Bank, the IMF, and different UN agencies (The Global Sustainable Competitiveness Index). It appraises ability to generate and sustain inclusive wealth without diminishing the future capability of sustaining or increasing current wealth levels. The evaluation model is based on 5 pillars with equal importance: natural capital; social capital; resource management; intellectual capital and governance capital. In 2017 Ukraine has 91s position through 180 countries with 43 score (world best – 60,5) – Graph 2.



Graph 2. Sustainable competitiveness index of Ukraine in 2017

The least position Ukraine has at Recourse management – 152s with 139,2 score (world best – 63,2). In the sustainable competitiveness pyramid, it is the ability to manage available resource (natural capital, human capital, financial capital) efficiently – regardless of whether the capital is scarce. Over-exploitation of existing natural resources also affects the natural capital of the country, i.e. the ability of a country to support its population and economy with the required resources into the future. Higher efficiency is also equal to lower cost per production unit throughout all sectors, private and public. Resource efficiency indicators are evaluated both in terms of intensity (per capita) and efficiency (relative GDP). Usually the resource intensity ranking is topped by less developed countries.

The next weak position for Ukraine it is governance – 100s with 47,2 score (world best – 68,7). This metric includes: strategic direction of government-led development; infrastructure) required for smooth operation of the society and businesses, the availability and quality of public services; the framework provided to businesses (formal and informal); exposure to volatility in terms of government balance sheets, and exposure to volatility shocks as posed by financial market fluctuations.

Other metric – natural capital gives to Ukraine 92s position in the world with 43,9 that is in two times less than for top-countries (71,2). A nation's natural capital is a given value, there are limitations to human ability to improve or change the available natural capital.

Due to intellectual capital Ukraine has rank 80s and 39,2 score. Sustainable competitiveness requires high R&D capabilities (based on solid education), and business entrepreneurship. In addition, sustained economic success requires a healthy balance between service and manufacturing sectors. Over-reliance on the service sector sooner or later leads to diminishing growth potential and loss of knowledge.

The highest rank Ukraine has in social capital dimension – 57s and 45,3 score. It is the sum of social stability and the well-being (perceived or real) of the entire population. Social Capital generates social cohesion and a certain level of consensus, which in turn delivers a stable environment for the economy and prevents natural resources from being over-exploited. The social capital is the the sum of social stability and the well-being of the entire population. Social Capital generates social cohesion and a certain level of consensus, which in turn delivers a stable environment for the economy.

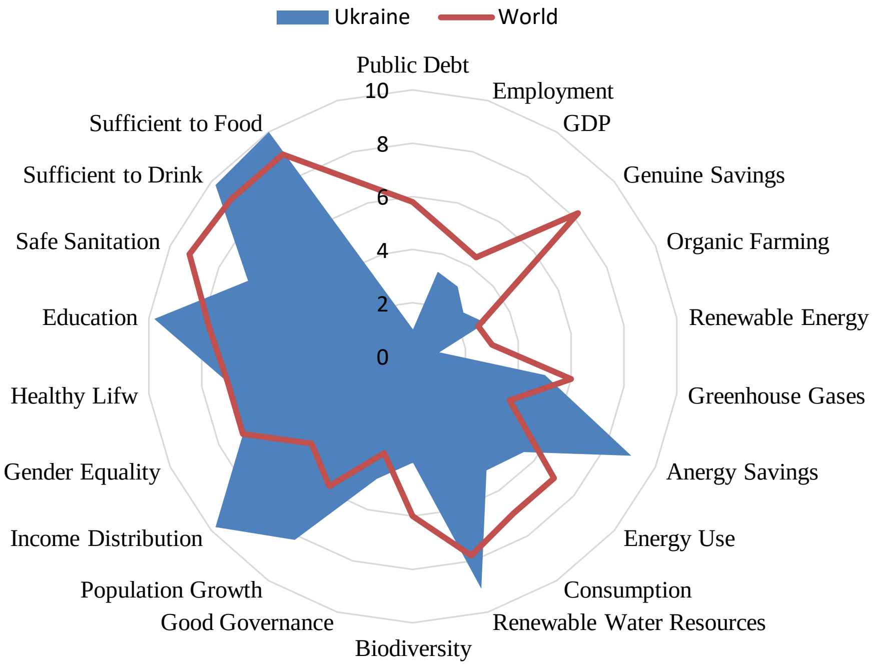
The negative level of such elements like resource management, governance and natural resources form the huge demand on development of SRI in Ukraine.

One more metric - the Sustainable Society Index (SSI), that integrates **human wellbeing** and **environmental wellbeing** (Sustainability and the SSI, 2016) **(Graph 3)**. That is another proper way to look at development to a sustainable world. Ones without another makes no sense, at least not for human beings. Wherein **economic wellbeing** is not a goal by itself. It is integrated as a condition to achieve human and environmental wellbeing and could be considered as a safeguard to wellbeing.

The progress in development market for SRI in Ukraine significantly depends on several dimensions of sustainability – consistent realization of The Strategy for Sustainable Development «Ukraine 2020», Comprehensive program for the development of the financial sector of Ukraine and effective incorporation of standards of social responsibility in corporate activity of Ukrainian enterprises.

The main objective of the Comprehensive Program for the Development of the Financial Sector of Ukraine until 2020 is to create a financial system capable of sustainable economic development at the expense of efficient allocation of financial resources in the economy based on the development of a fully-fledged market competitive environment in accordance with the EU standards. Specifically, the effectiveness of reforms will be achieved through complex changes in regulators of the financial sector - by strengthening the institutional capacity of the regulatory authorities and the government of the relevant conditions for effective supervision and influence, strengthening the stability of the financial system of the country, increasing its credit and investment potential. Though it isn't any mentioning about development of green financial market or SRI, the realization of such policy could strengthen institutional investors.

It should be noted that today Ukraine has extremely low level of assets under the management of private pension funds, investment funds and insurance companies, which are the main sources of SRI in other countries. The value of assets for presentation in insurance reserves has totaled 35,350 bln hryvnas or about $1,4 mln that equal 1,1% GDP, for life-insurance reserves – 21,267 bln hryvnas or about $0,82 mln that equal 0,7% GDP (Results of activity of insurance companies for 9 months of 2017). Most of the reserves of insurance companies are invested in deposits (40,4%) and sovereign bonds (47,3%), investments in shares and corporate bonds both amounts only 1,7%.



Graph 3. The spiderweb of indicator of Sustainable Society of Ukraine and world average

The sum of assets of private pension funds is 2,326 bln hryvnas or about $89,1 mln (0,8% GDP), that is too scarce for investment expansion to SRI. The share of deposits in their assets is 39,9%, sovereign bonds – 43,4%, shares and corporate bonds – 8,6% (Performance of the system of non-state pension provision on 30.09.2017).

In contrast to the lack of any explicit regulative approach to SRI in Ukraine, the concept of sustainable financial markets has become the economic policy agenda in the world. The following outlines the requirements for sustainable financial markets based on the current general principles of environmental sustainability. The prerequisites for the sustainability of financial markets include internalizing costs of use, financial institutions forming adequate buffers to restore stability autonomously and without the help of the taxpayer, diversity, a long-term outlook, and credibility.

The main tasks of development of sustainable financial markets due the non-government voluntary experts are (The network for sustainable financial markets. Guiding Principles):

1. The economic and social purpose of markets is to create long-term, sustainable value, which requires the efficient allocation of capital towards that goal
2. Sustainable value creation requires that hidden risks and rewards be identified and valued
3. Balance between short-term and long-term views is needed
4. Market participants must take responsibility for their actions
5. Governance at all financial institutions should be improved
6. Better alignment of financial interests is needed to reduce agency costs
7. A coordinated global approach is needed to better protect the financial markets

The important trend in development of sustainable financial sector taking into account its tremendous impact on other industries as provider of investment capital it is integration of sustainability strategies or ESG factors into its regulation model and decision-making process. It should be noted that stakeholder pressure is not strong enough to have a significant impact on the financial sector, consequently there are an increasing number of countries that provide normative or mandatory approach for regulation these issues. For developing and emerging economics, the main drivers of such process are internal pressure, such as social pressure and environmental pollution, external pressure from financial (aid) institutions such as the Dutch Development Bank and the International Finance Corporation (IFC); and pressure from regional neighbors. Specifically, the recent United Nations Environment Program (UNEP) inquiry has asked for a solution of this problem by addressing and overcoming the short-termism of the financial sector and taking into account a longer-term sustainability view (Inquiry into the Design of a Sustainable Financial System, 2014). It is worth mentioning that developing countries are lead in the development of such processes now (Table 2). The process of establishing individual standards and protocols about sustainable financial sector are taking place in such countries as Bangladesh, Brazil, China, Colombia, Indonesia, Mongolia, Nigeria, India, Thailand, Laos, Vietnam, Peru and Nepal (Development of sustainability and green banking regulations — existing codes and practices, 2015 & Financial market regulation for sustainable development in the BRICS countries, 2015).

Table 2

Regulation approaches for introduction of ESG for sustainability of financial sector

Country	Regulation norms and rules
Brazil	Verb Protocol - the provision of financial credit lines and programs: to promote the population's quality of life and sustainable use of the environment; to consider the impacts and environmental costs in managing assets and projects. The Central Bank recently introduced a resolution on mandatory environmental and social policies for all banks under its jurisdiction. Socio-Environmental Liability Policy (SELP) includes systems, routines and procedures for classifying, evaluating, monitoring, mitigating and controlling the socio-environmental risk of banks' activities and operations.
Bangladesh	Environmental Risk Management (ERM) Guideline The guidelines were established as a minimum standard on what banks and other financial institutions should be having in terms of ERM. The main goals are to protect the banks' financing from the risks of a deteriorating environment and ensure sustainable banking practices
Colombia	Green Protocol (Protocolo Verde) - it includes different strategies and guidelines for banks to offer credit lines and investments that will contribute to quality of life and sustainable use of renewable natural resources
China	Green Credit Guidelines - impose strong environmental and social risk controls - credit volumes to overcapacity, high-consumption industries are restricted, banks should restrict loans to heavily polluting industries and offer different interest rates depending on the environmental performance of the lenders' sector Chinese banking institutions reports loan balances in 12 green sectors based on international sustainability standards
India	Information on environmental and social risk was issued by the Central Bank in 2007 as part of a general sustainability advisory
South Africa	There is no specific environmental standards in banking operations. Although, The Pension Fund regulations requires that ESG factors are taken into account when making investment decisions, and the Financial Sector Charter requires financial institutions to implement certain social and governance policies).
Indonesia	Roadmap for Sustainable Finance in Indonesia - detailed work plan for banking, capital market and non-banking sectors with the end goal of sustainable finance in Indonesia. Long-term goals focus on integrated risk management, corporate governance, bank rating and an integrated sustainable finance information system
Mongolia	Mongolian Sustainable Finance Principles and Sector Guidelines, which provide a framework to help local banks integrate E&S considerations into lending decisions and product design.

Proposed norms and codes for sustainable financial sector suggest better governance and risk management practices. Narrow interpretations of fiduciary duty of financial intermediates have encouraged institutional investors to blindly mimic each other, accept risks they did not understand and resist governance improvements. Governance issues like these exacerbate financial crises and undermine the efficient allocation of capital and therefore need immediate and determined attention.

Since Ukraine has joined the development group of the standard of social responsibility - ISO 26000 in 2007 and the number of signatures of the UN Global Compact in Ukraine has reached 266, there were several special investigations of Ukrainian *Centre for Corporate Social Responsibility Development. The first one was* carried out *evaluation of Ukrainian companies on corporate social responsibility information disclosure according to Transparency Index methodology* in 2012 (The most transparent Ukrainian companies identified by the Centre for Corporate Social Responsibility Development, 2012)*. On the basis of evaluation of 100* largest companies in Ukraine it was identified that the big businesses in Ukraine do not highlight sustainability - average transparency level of companies in Ukraine is 14%. Only 34% of companies have sustainability pages on their web-sites. Extremely few companies prepared their reports according to Global Reporting Initiative, most of the companies are prepared in the form of UN Global Compact Communication on Progress and reports prepared to companies' own standards. Companies, mostly, implement community development projects (21% transparency) and provide information to their consumers. The least highlighted topics are ethics and anti-corruption issues.

In the beginning of 2018 the Center of development of corporate social responsibility in Ukraine made the investigation and evaluation of the level of implementation of the goals of sustainable development by Top 25 Ukrainian companies based on the analysis of their non-financial reports (How Ukrainian companies introduce the goals of sustainable development, 2018). The analysis was conducted according to the following criteria: the implementation of sustainable development goals, the strategic or operational levels of their implementation; application of companies' KPI that are developed in accordance with the CSR; partnership of companies with other organizations in order to achieve the identified CSR; compliance of the strategy, priorities and programs of CSR with the national task of the goals of sustainable development. The results of the investigation give an ability to make certain conclusions about the current situation and potential of SRI introduction.

According to the report most of the companies (90%) don't prioritize the goals of sustainable development as their strategic aims, besides Nestle, KPMG and ArcelorMittal that are international corporations. More often they tie their corporate social responsibility with decent work and economic growth; industry, innovation and infrastructure; mitigation the effects of climate change; protection and restoration of land ecosystems. The operational level is the most common level of sustainable development goals application that respectively decries term and volumes (supply side factors) of available SRI. There is a lack of KPI of the sustainable aims, though it is the high level of their compliance with the national strategic task.

Discussions

It could be suggested that the low supply driven factors that come from Ukrainian companies are determined by the very concentrated ownership of corporations. Taking into account the size of business as a determining factor in shaping the features, a representative sample of 100 companies from different sectors of the real sector in Ukraine represents following results: from 2008 to 2012, the average volume of the controlling block of major shareholders of large business increased from 69,80% to 75,75% (in 2015 it amounted 75,08%), which confirms the concentration of ownership structure (Nakonechna , 2016). The observation of 263 companies has shown: two or less shareholders of these companies that jointly have less than 33,5% correspond only with 3.4% of the total sample; up to 50% - 31 companies or 8,4% of the sample, up to 70% - 95 companies or 29,7%. The cumulative frequency of cases of concentration of ownership below 50% is only 11,8% (Nakonechnaya, Laktionova, 2017). Such situation has several consequences and externalities: the companies don't come out on the open capital market, they haven't objective market pricing of their equity and cost of capital; they have low motivation to become more transparent and to give qualitative information about their activity and strategy. The externality of such situation is low market liquidity, that made a vicious circle. Another sufficient reason of low motivation for socially responsible investments is resource driven economy of Ukraine that gives high margin to their owners comparing with other financial capital and human capital driven activity.

Conclusions:

- sustainably development in the world is supplemented by two obvious trends: on the side of investors - their desire to increase investment in social responsible investment; from issuers or recipients of investments – their motivation to focus on corporate social responsibility, thereby focusing on sustainable development and environmental, social and governance issues;
- there is a high demand but low supply side factors for development of socially responsible investments has identified in Ukraine. The negative level of such elements like resource management, governance and natural resources form the high demand on development of SRI in Ukraine;
- from supply side Ukraine has extremely low level of assets under the management of private pension funds, investment funds and insurance companies, which are the main sources of SRI in other countries;
- small capitalization of financial market, its fragmentation and low liquidity correlate with lo information efficiency. Last one doesn't give the opportunity efficiently price the risks and opportunities that emanated from environment, social and governance issues. Besides this there is a low motivation from companies.

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