

# ESG and UN SDGs: Toward Sustainable Future

## [Discussion on ESG]

There has been a growing interest in ESG around the globe. ESG stands for Environmental, Social, and Governance, which measures non-financial performance of corporations. Accordingly, companies around the world started reflecting environmental, social, and governance factors in management, pursuing sustainable values including environment, social, human rights, and governance as in Figure 1 rather than focusing on financial results and profits only. There have been criticisms against capitalism that focuses on shareholders and profits and causes issues related to the environment and human rights. In addition, there is a rising concern about a sustainable future in the age of COVID-19, asking companies to play their parts. More investment banks and pensions declared their plans to reflect ESG in making investment decisions. The regulations on ESG have been strengthened in advanced countries. Furthermore, the new generation takes more interest in the value and mission of companies. All these factors led to a rising interest in ESG.

Industrial disasters including leakage of poisonous gas in Bhopal, India, Exxon Valdez oil spill in Alaska since the 1980s led to a consensus that companies should not harm the environment and society. This led to creation of global protocols. Companies published reports on social responsibility and focused on Corporate Social Responsibility. ESG management is an evolution, systematization, and standardization of these activities. Now, ESG is not an option but a must for the sustainability of enterprises.



Figure 1. Three key parts to ESG

### [Relevance between ESG and UN SDGs]

There have been continuous discussions on sustainability in the international community. It was first mentioned in the Brundtland report, "Our Common Future," adopted by the UN Environment Program (UNEP) in 1987. The Exxon Valdez oil spill in Alaska occurred in 1989. In response, the Valdez principles were announced, a set of guidelines to regulate and monitor the conduct of corporations in matters relating to the environment and society. With the support of the UNEP, the GRI (Global Reporting Initiative), which plays a critical role in ESG, was created. In this regard, ESG is not a new concept but in line with the efforts for sustainability by the international community.

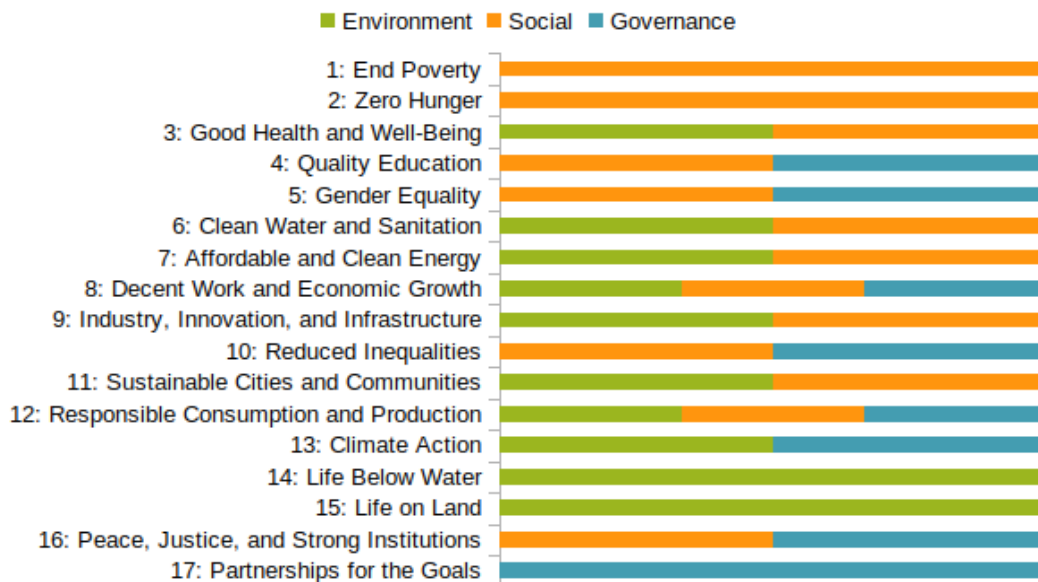


Figure 2. SustainoMetric. ESG to SDGs: Connected Paths to a Sustainable Future

The term became widely known as the UN and 193 governments around the globe unanimously adopted the Sustainable Development Goals (SDGs) in 2015, which specified 17 goals and 169 targets to create a sustainable future. In response, governments, civil communities, and enterprises around the globe started making efforts to achieve the SDGs. For example, companies reflected SDGs on their management strategies. Figure 2 demonstrates the high relevance between 17 SDGs goals and ESG. As SDGs present specific and detailed targets, it can guide enterprises to make investment by reflecting ESG.

### **[Examples of Companies making efforts for Sustainability]**

Unilever is the most representative company in sustainability as it reflects SDGs on the goals of sustainable management. It publishes a report "Unilever Sustainable Living Plan" to explain about its activities to achieve three targets, each is related to SDG goals. The second target of sustainable management is to halve the environmental footprint of the group's products. To this end, the company reduces greenhouse emissions, water usage, waste, and executes sustainable sourcing. These are related to Goals 7,12,13,14,16, and 17. It also considers SDGs in the GRI report to disclose ESG data with the regarding icon.

Many global companies including Nestle, Nike, Pepsi, 3M, and Johnson & Johnson disclose their strategy to achieve specific SDG goals. The related content is reflected on the ESG report as well. According to an interview report by LGT Capital Partners, if ESG factors are related to SDG goals, sustainable investment and management of corporations become more performance-centric and measurable.

### **[Implications for KOICA]**

Achieving SDGs requires not only efforts from development cooperation agencies but also various partnerships with companies, NGOs, education institutions, and research institutes. With the introduction of ESG management, corporations pay more attention to SDGs. This is why KOICA takes interest in companies with ESG management to respond to new global issues. It will work with these companies to diversify business. This is how KOICA will help companies contribute to achieving SDGs and make cooperation among government, private, and citizens possible for a sustainable future.