

ESG and SDG's



Chris D Beaumont^{1*}, Darrell Berry² and John Ricketts³

¹Institute for Future Initiatives, LifeStyle_{by}Design, The University of Tokyo, Japan

²Significance Systems, Brighton, UK

³Significance Systems, Sydney NSW 2069, Australia

Submission: May 31, 2022; Published: June 17, 2022

*Corresponding author: Chris D Beaumont, Institute for Future Initiatives, LifeStyle_{by}Design, The University of Tokyo, 7-3-1 Hongo, Bunkyo-ku, Tokyo 113-0033, Japan

Keywords: Narratives; Utility; Social sharing; Engagement; Behaviour; People; Big data; AI; Important; Emotional response; Improved decisions; Policy; SDG; ESG; Metrics; Regulation; Local

Context

The World in 2050 (TWI2050) [1] is a global research initiative in support of a successful implementation of the United Nations' 2030 Agenda. The goal of TWI2050 is to provide the fact-based knowledge to support the policy process and implementation of the SDGs. TWI2050 brings together leading policymakers, analysts, modeling, and analytical teams to collaborate in developing pathways toward sustainable futures and policy frameworks for achieving the needed transformational change. Reducing inequalities and ensuring no one is left behind are integral to achieving the Sustainable Development Goals. Inequality within and among countries is a recurring cause for concern.

COVID-19 has magnified existing inequalities, hitting the poorest and most vulnerable communities the hardest. It has put a spotlight on economic inequalities and fragile social safety nets that leave vulnerable communities to bear the brunt of the crisis. At the same time, social, political, and economic inequalities have amplified the impacts of the pandemic. On the economic front, the COVID-19 pandemic has significantly increased global unemployment and dramatically slashed workers' incomes. It also puts at risk the limited progress that has been made on gender equality and women's rights over the past decades.

The global pandemic is a wakeup call to leaders and an opportunity to reset society. Global problems need multi-disciplinary and multi-cultural solutions, backed by governments, for them to be sustainable. Initiatives, such as ESG (Environmental, Social, Governance), if led only by the financial community will not credibly address the problems they seek to address, and only make things worse. Despite their current popularity their strategic benefit is poorly understood and polarizing. Indeed, the proliferation of ESG metrics is creating confusion [2], not consistency nor coherence that can facilitate comparison and benchmarking progress. Moreover, one must question the

increasing popularity of ESG investing in companies, who score well on ESG metrics. It may be a self-defining prophecy as funds flow into those that have high score, so performance improves, and it aligns with people's values.

Innovation is what the world needs from businesses. From a practical perspective, the ethics of ESG need to be capable of being applied across all business transactions, to have material relevance. It is primarily focused on assessing risks and opportunities because of evolving social, environmental and governance factors. Some have argued that taking a single materiality stance connotes a focus on the impact of the world on the company and not the company on the planet. Adopting this viewpoint, it makes no sense to meld ESG investment with sustainability. It will near-term provide a boon to consultants as companies should assess double materiality as the guiding principle of the Global Reporting Initiative (GRI) standards [3]. Thus, the C-suite need to see ESG in the broadest sense, as part of their Strategic Leadership Narrative. Leadership is as much about a narrative well told as it is about a strategy well planned. The Strategic Leadership Narrative makes strategy work because it influences the way people think, feel, and behave.

ESG must not be viewed like CSR is by many as an (added) cost of doing business. People will need to move beyond compliance to create sustainable innovative solutions that are transformative. ESG will be at the core of the winning strategy and sustainable business development. The leadership of public and private enterprises alike will come to see ESG as central to their increasing collaborative, rather than competitive, new ways of creating shared value for customers, businesses, and society.

ESG and SDG's

Both ESG and SDGs are timeless in both the UK and Japan. ESG, in Japan, has an affect orientation that is active and positive with the expectations of change engagement being driven by the topics of environment and management. In contrast the affect

orientation in the UK, is active and negative. This is reflective of the disgust associated with the narrative both in terms of the practicality of the ESG metrics but also the heightened concern over 'greenwashing' (Figure 1).



Figure 1: Emotional response of ESG in (a) UK and (b) Japan.

Title	Content Power
ESG Today - ESG investing news, analysis, research and ...	48.0
ESG News Archives - ESG Today	45.0
ESG integration Sustainable investment themes BlackRock	39.0
Introduction to ESG - The Harvard Law School Forum on ...	39.0
NextGen Nordics: KPIs key to achieving elusive ESG profitability	36.0
ESG framework McKinsey	34.0
Five top ESG ETFs - ETF Stream	24.0
Yes, Investing in ESG Pays Off	21.0
ESG on a Sunday Substack	21.0
ESG Guidelines for listed companies - Euronext	18.0

Figure 2: Powerful content of ESG in the UK.

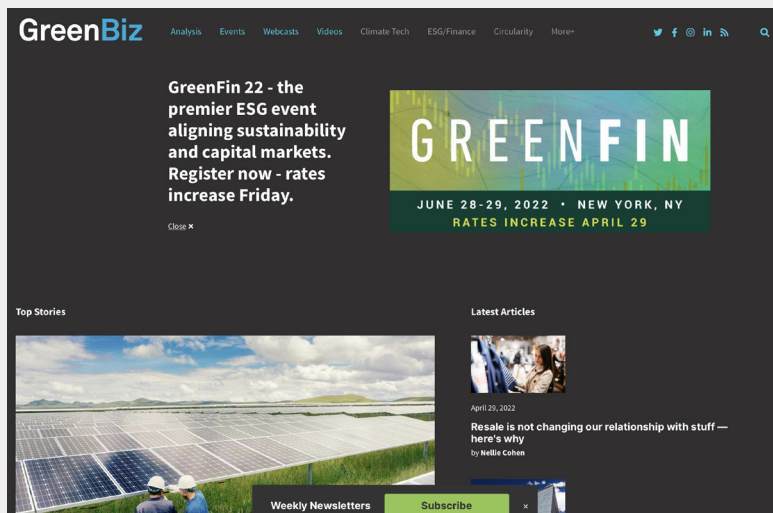


Figure 3: Powerful content of ESG in the UK.

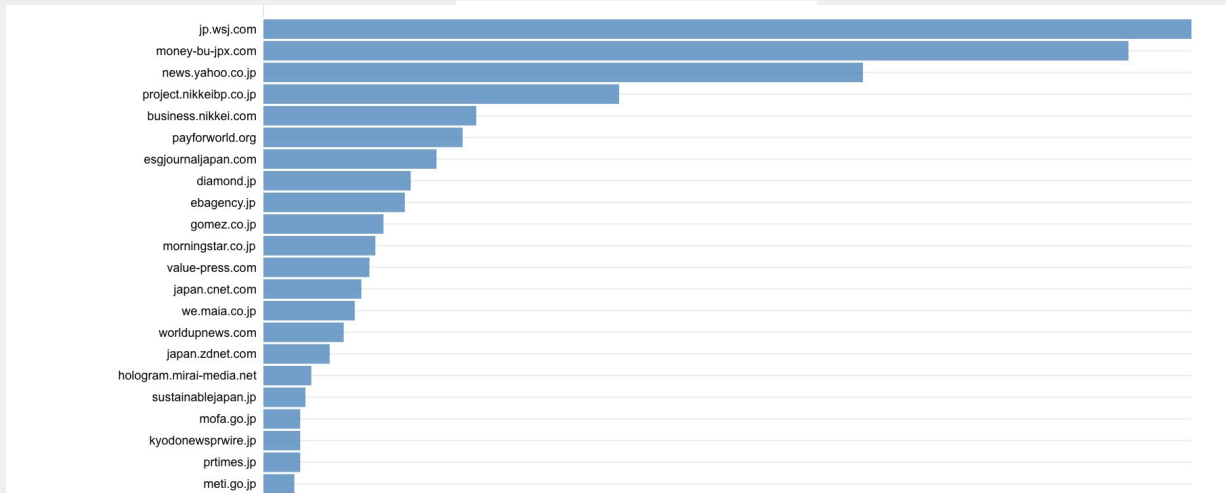


Figure 4: Powerful content sources of ESG in Japan.

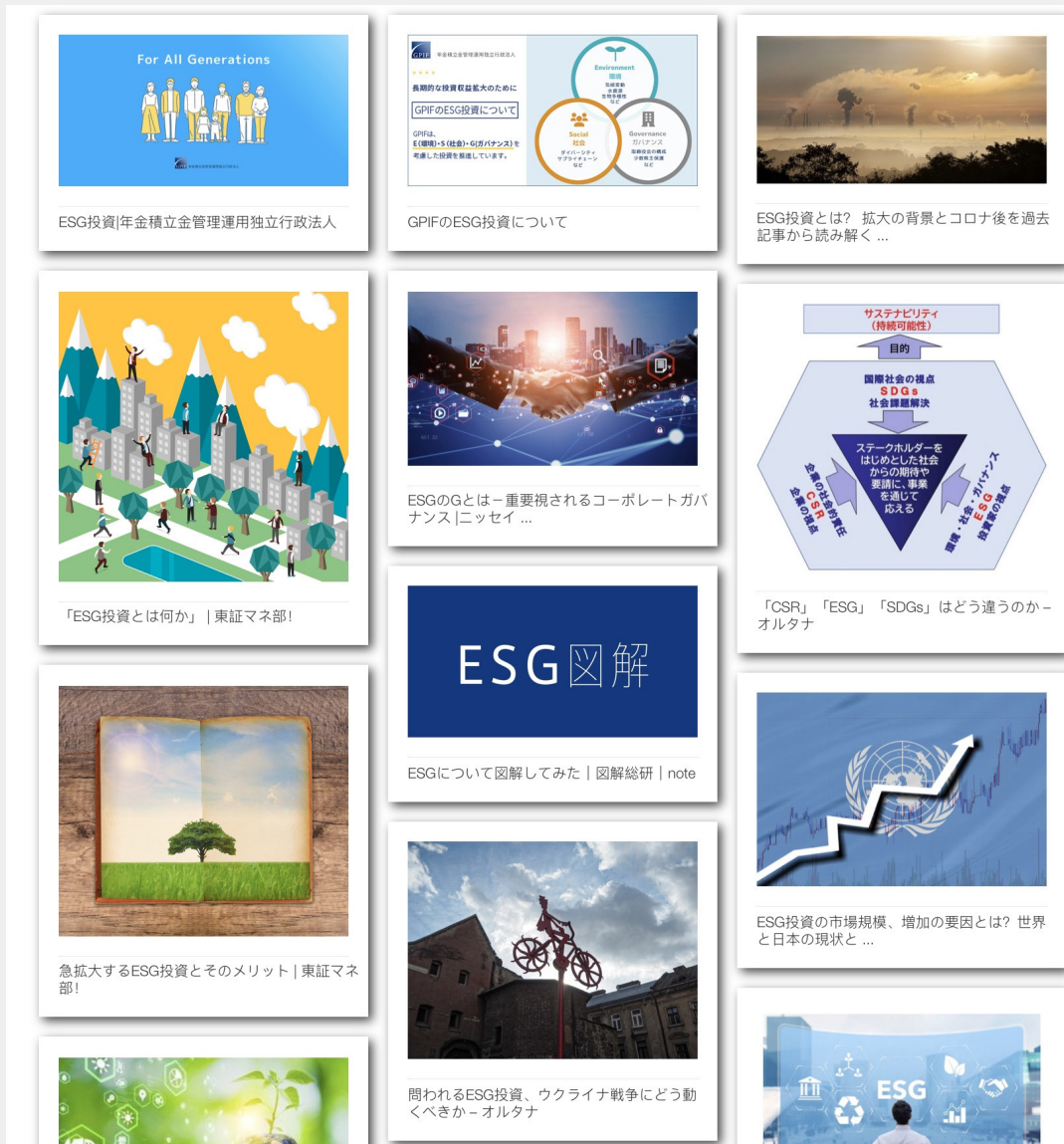


Figure 5: Illustrative influential ESG content in Japan.

The most powerful ESG content, in the UK, comes from international academia and management consultants. It is now so high on the corporate agenda for sustainability that international event participation (Figure 2 & 3) is aligning with capital markets.

The key topics driving ESG engagement is business, reporting and a sense of improving governance. We are currently seeing the 'skilling-up' against the ESG narrative, rather than outcomes (Figure 4 & 5).



Figure 6: Emotional response of SDG in (a) UK and (b) Japan.



Figure 7: Illustrative influential SDG content in UK.

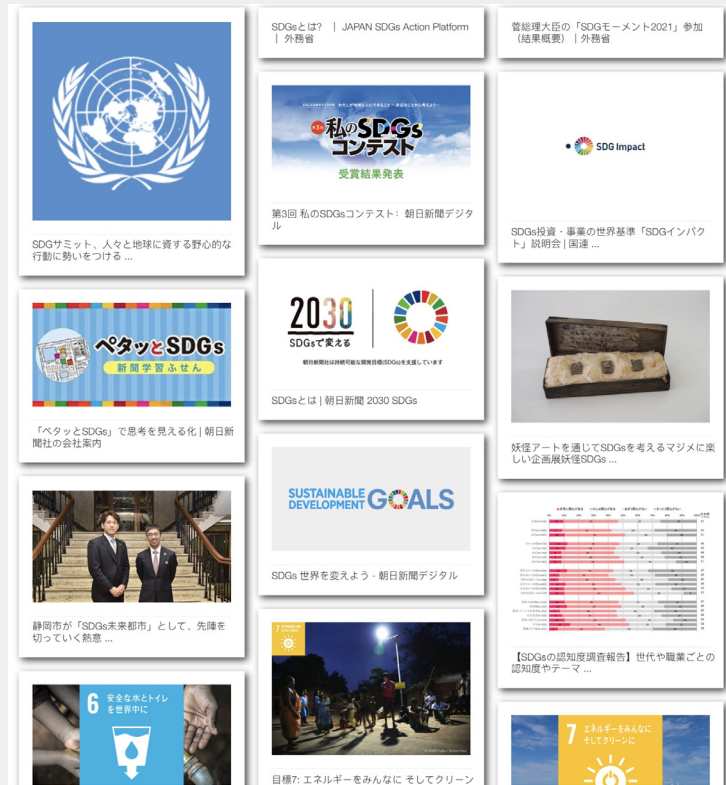


Figure 8: Illustrative influential SDG content in UK.

SDG's, in both the UK and Japan, are active and positive, with a sense of purpose and expectation of improvement (Figure 6). In the UK, the Share Talk Corporate Brochure of 2018 remains a powerful media, with key content reflecting a need to monitor progress against agreed commitments. This focus is more coherent than simply focused on the planet's climate concern's

and does explicitly consider key human factors such as education and diversity. The need for education in Japan and a focus on the 2030 Agenda are the key topics enhancing engagement (Figure 7). The key channels for informed content are governmental; METI, MOFA, traditional mass media newspapers and the SDG's Japan Action Platform (Figure 8).

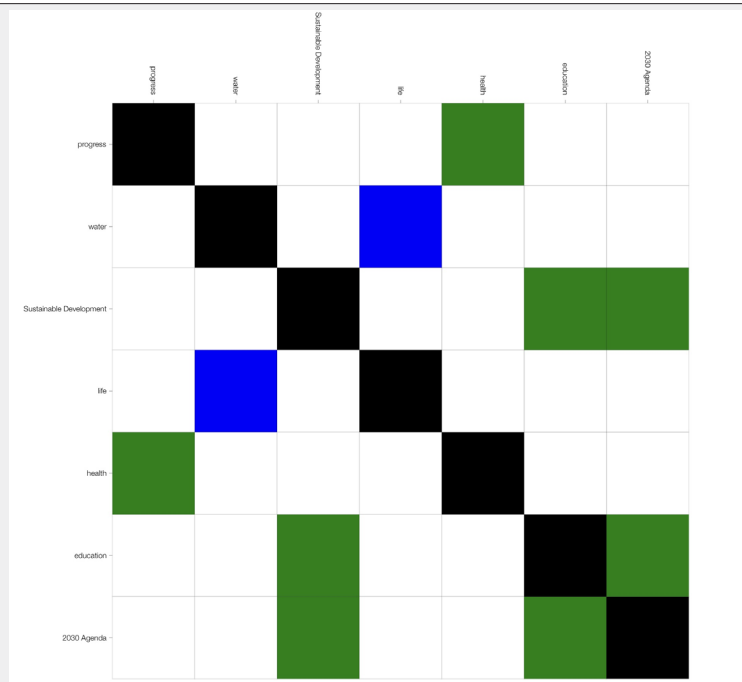


Figure 9: Key topics driving engagement in SDG narrative in UK.

A broad array of key topics currently drives the engagement with the SDG narrative in the UK (Figure 9). At the macro level, there is concern with the 2030 Agenda, sustainable development of key natural resources and a commitment to be transparent and monitor progress. While, at the individual level, life concerns regarding health and education. In Japan, key topics only focus on a positive association with education and a focus on the 2030 Agenda.

Implications

Social media and interconnectivity fuel comment and commentary from everywhere. Two contemporary global topics are currently interpreted differently in both Japan and the UK. A central command and control attitude that characterized the early years of globalization is no longer able to resonate as different markets, take their own ethical and cultural lenses to interpret any topic. International NGO's and MNC alike need to.

Conclusion

This series of short research updates focusing on the topical, global issues of sustainability and governance, in the broadest sense, have shown the need to look at the granularity of the narratives, on a regular basis. It demonstrates a practical and objective approach to keep on top of big issues and understand what is important to people.

This series shows how to identify the 'useful' narratives and how to create relationships and a momentum to affect change in attitudes, motivation, ..., and behaviour. With trust in traditional institutions at an all-time low, the ability to connect and communicate new ways of sustainable living, to transparently address societal challenges, by understanding what is important

to people is critical to bring about behavioral change, at scale. The approach presented here transforms traditional market research, providing more timely and relevant insights that empower better decisions and action.

It is critical in the narrative analysis to understand what the people / market take away if you are going to create engagement in a credible and relevant manner; 'engage with engagement'. Engaging with engagement is effective and efficient and can shape our world as more people's attitudes, values and behaviour adapt.

Things can change and assumptions of what is important and being communicated within a narrative may be different. In this series the differences between Japan and the UK are highlighted. Global issues cannot be addressed by central command and control, although the SDG framework offers powerful frameworks in which business and the public sector can be more responsible. A bottom-up, local understanding of ethics and culture will be necessary to effect change since emotions precede action and transformation. Benchmarking readily enables monitoring of the message and investment which can be readily demonstrated to be more effective and efficient than the usual digital investment model.

References

1. The World in 2050, (TWI2050).
2. Berg F, Kölbel J, Rigobon R (2019) Aggregate Confusion: The Divergence of ESG Ratings (August 15, 2019, update April 2022). Forthcoming Review of Finance, SSRN.
3. Van der Lugt CT, PP van de Wijs, D Petrovics (2020) Carrots and Sticks, Sustainability Reporting Policy: Global trends in disclosure as the ESG agenda goes mainstream, Global Reporting Initiative and Stellenbosch University Business School, p. 37.