

ESG Principles in the Strategy of Sustainable Economic Development: Current State and Prospects for Development

Elza Mantaeva^a, Victoria Goldenova^b, Inna Slobodchikova^c, Aleksey Nimgirov^d
and Boova Badmaev^e

Kalmyk State University named after B.B. Gorodovikov, Elista, Russia

*mantaeva08@yandex.ru, goldenova-vs@yandex.ru, slobodchikova-iv@yandex.ru, alnimgirov@yandex.ru,
bv@badmaev.org*

Keywords: Sustainable economic development, Strategic goals, ESG principles, Corporate social responsibility, Environmental responsibility, Sustainable development goals.

Abstract: In today's world, including Russia, more and more people and organizations are aware of the need for sustainable development and respect for the environment. Companies that integrate ESG factors into their operations can gain significant benefits such as increased reputation, improved financial performance and attracting new investors. ESG principles are becoming increasingly relevant to business, and companies should consider them when developing their strategies and making decisions. At present, there are a number of problems in introducing ESG-principles into the activities of Russian companies. Teaching ESG principles in educational programs helps students prepare for work in modern business and develop skills in social responsibility and sustainable development. Application of ESG principles in the conditions of the Russian economy allows not only to achieve economic goals, but also to ensure sustainable development, taking into account the interests of all stakeholders.

1 INTRODUCTION

In the context of Eurasian integration, when countries are jointly addressing issues of economic development, environmental issues are becoming increasingly important. This is reflected in the fact that companies that do not pay due attention to environmental issues may be criticised by governments and society. In this regard, it is important that companies operating within the framework of Eurasian integration observe high standards of environmental responsibility. The ESG principles (Environmental, Social, and Governance) emerged in response to growing public and investment concerns about sustainable development and social responsibility of business. The first references to the ESG concept appeared in 2004 in the Organisation for Economic Co-operation and

Development (OECD) report "Corporate Social Responsibility: Key Principles and Recommendations". This report proposed to consider corporate social responsibility (CSR) as an integrated approach that includes not only economic aspects, but also social and environmental aspects. In the following years, the ESG concept became increasingly popular among investors, who began to actively use it to assess the investment potential of companies. In 2006, ESG principles were incorporated into the Global Reporting Initiative (GRI) standards, which has become one of the most common tools for companies to report on their social responsibility.

In 2015, the UN adopted 17 Sustainable Development Goals, which became a new stage in the development of the ESG concept. The Sustainable Development Goals include such aspects as poverty

^a <https://orcid.org/0000-0002-1717-3333>

^b <https://orcid.org/0000-0002-1605-9942>

^c <https://orcid.org/0000-0002-2253-8819>

^d <https://orcid.org/0000-0003-1751-6938>

^e <https://orcid.org/0009-0009-3505-3552>

alleviation, environmental protection and sustainable economic growth. Today, ESG principles have become an integral part of the investment process and are used by many investors to assess the risks and opportunities of companies. In addition, more and more companies are beginning to integrate ESG factors into their strategy and business processes to improve their reputation and ensure sustainable growth.

2 DISCUSSION

The relevance of ESG principles in the Russian economy is related to several factors. Firstly, business sustainability, as companies that pay attention to ESG principles can better manage risks and be more sustainable in the long term. Secondly, consumer demand, as consumers are becoming more conscious and prefer to buy goods and services from companies that follow ESG principles. An important factor is government regulation, as governments around the world are introducing laws and regulations that require companies to comply with ESG principles. The next important factor is investment, in the process of which investors are increasingly orientated towards ESG principles when selecting companies for investment. Finally, social responsibility, according to which companies should not only create profits, but also be socially responsible and take care of the environment and society. All these factors make ESG principles necessary and relevant for modern companies that want to be successful in the long term.

It should be noted that the ESG principles were developed as a result of growing public and investment concern about sustainable development and social responsibility of business. They were not created by one particular person or organization, but have evolved over the years through the efforts of various stakeholders, including investors, governments, non-governmental organizations and the business community. It should be noted that ESG principles in Russia started to be implemented mainly due to the efforts of investors and some governmental organizations. For example, in 2014, the Russian Federation joined the UN Principles for Responsible Investment (PRI), which includes ESG criteria. Also, some Russian companies have started to actively implement ESG approaches in their operations, realising their importance for sustainable development and investment attraction. According to D.Y. Zakhmatov, "...In Russia, practical steps towards ESG-transformation are not only being

discussed, but also implemented. On the agenda are problems with the environment, climate change, social and economic inequality. Domestic initiatives are designed to focus on issues relevant to our country, such as strategic planning, investment issues and the development of Russian regions in the context of ESG challenges" (Zakhmatov, 2022).

As for the legal and regulatory framework, there are currently no direct references to ESG principles in Russian legislation. Researchers note that "Over the past few years in the Russian legal space there have appeared regulatory legal acts that directly characterize the adaptation of "green" projects in the domestic real sector" (Ryazantseva, 2022).

However, some laws and regulations contain elements that can be interpreted as meeting the ESG criteria. For example, the Federal Law "On Environmental Protection" establishes requirements for nature protection and rational use of natural resources. The Low Carbon Development Strategy was approved in Russia in 2020 and envisages a 30 per cent reduction in greenhouse gas emissions by 2030 compared to 1990 levels. It also includes measures for the development of renewable energy, energy efficiency, transport infrastructure development and other measures. Federal Law No. 296-FZ dated 02.07.2021 "On limiting greenhouse gas emissions" establishes mechanisms for regulating greenhouse gas emissions in Russia. The law provides for obligations for enterprises and organizations to reduce greenhouse gas emissions, as well as the establishment of a system for trading greenhouse gas emission quotas. Under this system, enterprises that reduce their emissions below the established limits can sell their emission quotas to other enterprises that cannot reduce their emissions to the established limits. In addition, the law establishes mechanisms for monitoring and control of greenhouse gas emissions in Russia. Thus, "...recent changes in the federal environmental legislation of the Russian Federation, associated with "decarbonisation", reduction of the "carbon footprint" and achievement of "carbon neutrality" by 2060, in the near future, to a greater or lesser extent, will affect virtually all economic entities, not only directly or indirectly related to the extraction, processing, use, transportation and transit of hydrocarbon raw materials or other energy resources, but also partially small and medium-sized businesses..." (Agafonov, 2022).

Despite the fact that Russia has regulations governing the social responsibility of business, including labour relations and consumer protection, it is necessary to note the need for the Russian economy

to create regulatory standards. In order to incentivize companies to implement ESG principles, the government should create laws and regulations that require companies to comply with them. This could incentivize companies to implement these principles to avoid fines and other negative consequences. As Tlakadugova A.A., Grebenik V.V. point out. "...at this stage there are many factors that have a positive impact on the development of such a new tool for our economy as ESG. At the same time, within each state, due to its historical peculiarities, mentality and other specific development factors, the levers of influence are different" (Tlakadugova, 2022).

Higher education institutions can implement training courses aimed at teaching ESG principles and practices to students so that they can become future leaders in the field. This can help create a human resource base for companies that want to implement ESG practices. In addition, educational institutions can conduct ESG research and development to create new knowledge and solutions for companies. This can help companies become more innovative and sustainable. Also, higher education institutions can work with companies to help them implement ESG practices. This may include counselling, training and other forms of support. It should be noted that higher education institutions in Russia are increasingly paying attention to ESG principles and integrating them into their curricula. There are also non-profit organizations in Russia that promote ESG principles and conduct training programmes for businesses and educational institutions.

Although ESG principles are similar to corporate social responsibility, these concepts have both similarities and differences. ESG principles are a comprehensive approach to assessing and managing risks associated with a company's environmental, social and governance activities. Corporate Social Responsibility is the commitment that a company makes to its stakeholders (shareholders, customers, employees, society at large) regarding environmental and social responsibility. ESG principles and CSR are closely related because integrating ESG factors into a company's business strategy can improve its social and environmental performance as well as its reputation and financial sustainability. Companies that embrace social responsibility also usually take ESG factors into account when making decisions to minimize their negative environmental and social impacts.

The similarity is that ESG principles include environmental, social and governance factors that affect a company's operations and its interaction with the environment and society. Corporate social

responsibility also includes social and environmental aspects, but it focuses more narrowly on a company's responsibility to society and its contribution to charity and social support. ESG principles are broader and more comprehensive, covering not only social responsibility, but also environmental and governance components.

The analysis of ESG-principles implementation in the conditions of Eurasian integration allowed to identify several groups of problems. One of the main challenges in implementing ESG principles in the context of Eurasian integration is the inconsistency of legislation in different countries: each country has its own rules and requirements in the field of environment, social responsibility and governance. This can lead to the fact that companies operating in different countries face conflicting requirements and cannot comply with all ESG principles at the same time.

The next challenge is the lack of information and transparency: companies often do not disclose enough information about their environmental, social responsibility and governance activities. This makes it difficult to assess companies' compliance with ESG principles and make decisions on co-operation with them.

The third challenge of implementing ESG principles in the context of Eurasian integration is a lack of motivation: some companies do not see the direct benefits of ESG principles and are not willing to spend resources on their implementation. This can lead to companies continuing to operate without ESG principles, which has a negative impact on the environment, social and governance.

The fourth challenge of implementing ESG principles in the context of Eurasian integration is the lack of standards and certifications. Currently, there are many different standards and certifications that assess companies' compliance with ESG principles. However, the lack of a single standard and certification makes it difficult to assess companies' compliance with ESG principles and compare their performance.

As far as the Russian economy is concerned, the implementation of ESG principles is important for the development of a sustainable economy, but there are also a number of problems that make their implementation in the Russian context difficult. These problems can be ranked according to their depth as follows.

Firstly, one of the main challenges is the lack of information and transparency: in order to successfully apply ESG principles, it is necessary to have access to reliable and timely data on companies'

performance in relation to the environment, social issues and corporate governance. It can be stated that in Russia there are certain difficulties in obtaining such information, as well as a lack of standards and methodologies for assessing ESG indicators, which limits the ability to evaluate and compare potential investments.

Secondly, the Russian economy is characterized by certain peculiarities of the institutional and legal environment, for example, incomplete compliance with legislation and low level of government regulation may complicate the process of implementing ESG practices. It is necessary to develop and implement effective mechanisms to control and incentivise compliance with ESG standards, as well as to improve legislation in this area.

The third challenge relates to the lack of awareness and understanding of ESG principles on the part of companies and investors. Introducing new approaches requires educating and informing all stakeholders about the significance and benefits of adopting ESG practices. Russia needs to work actively to raise awareness of the importance of sustainability for companies and develop ESG-aware investments.

ESG-based investing is becoming a trend worldwide. ESG criteria allow investors to consider environmental, social responsibility and governance factors when making financing and investment decisions. In light of the growing interest in sustainability and social responsibility of business, ESG investing is an important tool for creating a sustainable economy. ESG-investment is also becoming increasingly relevant in the Russian economy. Although for a long time environmental and corporate social responsibility issues have been neglected by the government and business, this situation is now changing. Companies, realizing the importance of ESG norms, are starting to implement relevant practices and strive for better sustainability and socially responsible business results.

It should be noted that one of the problems faced by Russian investors and companies is the inaccessibility of reliable information on ESG criteria. In the absence of standardized reports and valuation methodologies, it is difficult to compare and analyze different companies in the context of ESG. This limits ESG-based investment opportunities and makes it difficult to assess the risks and potential of companies.

Russian legislation also plays an important role in the development of ESG investment. The existence of effective norms and laws regulating the area of

sustainability and social responsibility contributes to the creation of a favourable environment for the development of ESG investments. In recent years, Russia has introduced some legislative measures and regulatory requirements that incentivise companies to comply with ESG regulations. However, legislation needs to be improved to create a more transparent and stable environment for ESG investments.

3 CONCLUSIONS

It is important to note that Russian business in general is showing a growing interest in ESG investment. It recognizes that sustainability and social responsibility are key factors for attracting investment, improving competitiveness and mitigating risks. Many companies are revising their strategy and business models to adopt ESG-compliant practices and are actively reporting on their ESG achievements and results, which gives investors more information about their activities.

The future of ESG investing in the Russian economy is linked to further development of the legal and institutional environment, standardization of reporting and increased accessibility of information for investors. In addition, it is necessary to continue educating and informing all stakeholders about the benefits and importance of ESG investments. This will ensure that the processes of sustainable development and social responsibility of companies in the Russian economy will continue and strengthen over time. To address the above challenges, joint efforts of the government, business and the public are needed.

Thus, ESG principles play an important role in the development of the country's economy, they allow not only to achieve economic goals, but also to ensure sustainable development, taking into account the interests of all stakeholders. ESG principles are an important tool of corporate responsibility in the context of Eurasian integration. Companies operating within the framework of Eurasian integration must comply with high standards of environmental, social and governance responsibility in order to operate successfully in the new market environment and benefit from co-operation between countries. The application of ESG principles can be a key factor in enhancing competitiveness and strengthening positions in the global market.

REFERENCES

- Abramov, N.,M., Rudakova, O.,Y., 2023. Vector of sustainable development of the Eurasian Economic Union: retrospective and prospect. In *Economics. Profession. Business*.
- Agafonov, V.,B., 2022. Legal provision of ecological safety and rational nature management on the basis of ESG-principles. In *Bulletin of O.E. Kutafin University (MGLA)*.
- Akmatova, B.,N., Oskonbaeva, Z.,J., 2022. Socio-economic aspects of green economy for sustainable development in the countries of the Eurasian Economic Union. In *Bulletin of Issyk-Kul University*.
- Bataeva, B.,S., Liu, S., 2022. Corporate Transparency and ESG-Reporting of Chinese Public Joint Stock Companies. In *Property Relations in the Russian Federation*.
- Belyaeva, I.,Y., Danilova, O.,V., 2022. Transformation of corporate property in the process of development of corporate relations in Russia. In *Vestnik of Tver State University. Series: Economics and Management*.
- Girzhova, A.,E., Pishchalina, N.,I., Chernyshova, K.,S., 2022. Achieving Sustainable Development Goals within the Eurasian Economic Union. In *Scientific Notes of the Tambov Branch of RosMU*.
- Doshchatov, A.,A., 2023. Prospects for the implementation of the sustainable development agenda in the Eurasian Economic Union. In *Scientific Notes of Young Researchers*.
- Zagorov, O.,T., 2022. Sustainable development as a civilisation of reason and the Eurasian project. In *Bulletin of S.Y. Witte Moscow University. Series 2: Legal Sciences*.
- Zakhmatov, D.,Y., 2022. International practices of ESG support of sustainable development principles. In *Innovative development of economy*.
- Kapranova, L.,D., Polishchuk, O.,A., 2023. ESG agenda in Russia: relevance and development prospects. In *Self-correction*.
- Ryazantseva, O.,P., 2022. ESG-principles in the implementation of green projects in the national economy. In *Science in human life*.
- Sopilko, N.,Y., Kubasova, E.,I., Myasnikova, O.,Y., 2022. Development of the Eurasian Economic Union integration to achieve sustainable development goals in the context of the population's life quality growth (in Russian). In *Vestnik RSU. Series: Economics. Management. Law*.
- Tlakadugova, A., A., 2022. Analysis of the main drivers of integration of ESG-principles in the system of corporate governance of the Russian Federation. In *Bulletin of Eurasian Science*.
- Yudina, T.,N., 2022. Eurasian integration: new sources of sustainable development. In *Social policy and sociology*.