

特集「北東アジアにおけるSDGs実現のための国際協力の可能性」

Efforts of Russian enterprises to fulfill Sustainable Development Goals

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Abstract

The paper analyzes the policies and efforts of Russian companies to implement Sustainable Development Goals (SDGs) in their operations. In the 2010s big Russian companies included the SDGs in corporate strategic and reporting documents, transferred responsibility in this area to a higher level of management, improved their products and services in accordance with SD requirements, and funded various projects in the field of environmental and social impact of the company.

Russian companies often use term 'ESG' (environmental, social and corporate governance) when they describe their approach and strategy to implement sustainable development agenda in their operations. It reflects the major priorities that they have, i.e. care for the environment, responsible attitude towards employees and clients, transparent work of the company and participation in charities. It can be noticed that in the early 2020s the Russian businesses are seeking to pay more attention to the social component of ESG - support for personnel, their training, labor protection, development of regions of presence - rather than environmental and corporate governance.

There are numerous cases illustrating efforts of the Russian companies to fulfill the SDGs. State-owned companies reflect government policies while specific priorities highly depend on the industry of each company. The paper presents examples of good practices of the Russian companies to fulfill SDGs based on the country's first 'Voluntary National Review of the progress made in the implementation of the 2030 Agenda for Sustainable Development'.

Keywords: SDGs, Russian companies, ESG, sustainable development, corporate responsibility.

JEL classification codes: D220, D250, L100.

The comprehensive nature of the Sustainable Development Goals (SDGs) set out in the 2030 Agenda requires close collaboration between the governments and businesses in all countries. Private and state-owned enterprises are important in contributing to the implementation of the SDGs and raising awareness of the 2030 Agenda among society at large. Tools employed by the businesses may vary from the inclusion of specific SDG indicators in the strategic agenda of companies, the allocation of regular funding for their achievement and increasing the social responsibility of business to solving specific problems through the implementation of local projects.

Massive introduction of sustainable development ideas into the development strategies of large Russian businesses began in 2004-2007. The first companies that included the SDGs into their strategies were large exporters - oil and gas companies, petrochemical enterprises and energy companies. At the first

stage, the driver for creating SD reports was the fact of working with foreign markets and presence on foreign exchanges. The first SD reports were a logical continuation of the social responsibility and environmental reports that had been published by major companies since the early 2000s. Factors of SD importance for the Russian companies were both commercial (increased competitiveness in the domestic and global markets: brand trust, consumer loyalty and investment attractiveness etc.) and non-commercial (implementation of the government's guidelines, contribution to improving the well-being of the society etc.).

According to the opinion poll of Russian companies on SDGs implementation conducted in 2018 by Global Compact Network Russia, Russian business had made significant progress in understanding their involvement in sustainable development processes (Global Compact Network Russia, 2018). The progress

was emphasized in three major spheres: thematic (articulating priorities and motivation in the implementation of the SDGs, managing expectations, etc.), structural (transformation of management systems responsible for sustainable development, transferring responsibility in this area to higher level of management, etc.), financial and investment-related (awareness that involvement in the global agenda is not only a cost reduction factor due to the occurrence of risks, but also a factor of investment attractiveness, financial preferences etc.). At that time Russian companies were more focused on ‘economic’ SDGs (such as promoting sustainable economic growth, creating infrastructure, ensuring industrialization, introducing innovations, rational consumption and production models, sustainability of cities and communities, access to affordable clean energy sources, etc.) than socio-economic ones. Thus, among the most effective measures of business participation in the achievement of SDGs the companies specified introduction of advanced innovative and technological solutions at all levels of the company’s activity, inclusion of SDGs in corporate strategic and reporting documents, improvement of products/services in accordance with SDG requirements, funding of projects in the field of environmental and social impact of the company, development of cooperation with government authorities and other interested parties.

In general, companies in Russia place primary responsibility for achieving the SDGs on federal authorities. According to opinion polls, most of them consider the role of federal authorities in achieving the SDGs to be more significant than the role of business and business associations. Therefore, the government had to take the lead in mobilizing the society by improving the legislature, providing preferences and creating stimulus for businesses to implement the SDGs. The Ministry of Economic Development of the Russian Federation is responsible for the dialog on the SDGs between the government and businesses. In December 2020 the Ministry established an Expert Council for Sustainable Development. Its major task is to promote professional and expert discussions on methods and tools for achieving the UN SDGs. Currently, the Expert Council includes 89 organizations from the banking sector and retail trade, public catering, construction, chemical, food, tobacco and forestry industries, metallurgy, energy and transport, from the sphere of technology and telecommunications. Council members regularly exchange experiences and effective practices in implementing projects to achieve SDGs and promote responsible business standards among companies. They discuss key risks and opportunities for business associated with the global trend towards sustainable development (Ministry of Economic Development of Russian Federation, n.d.).

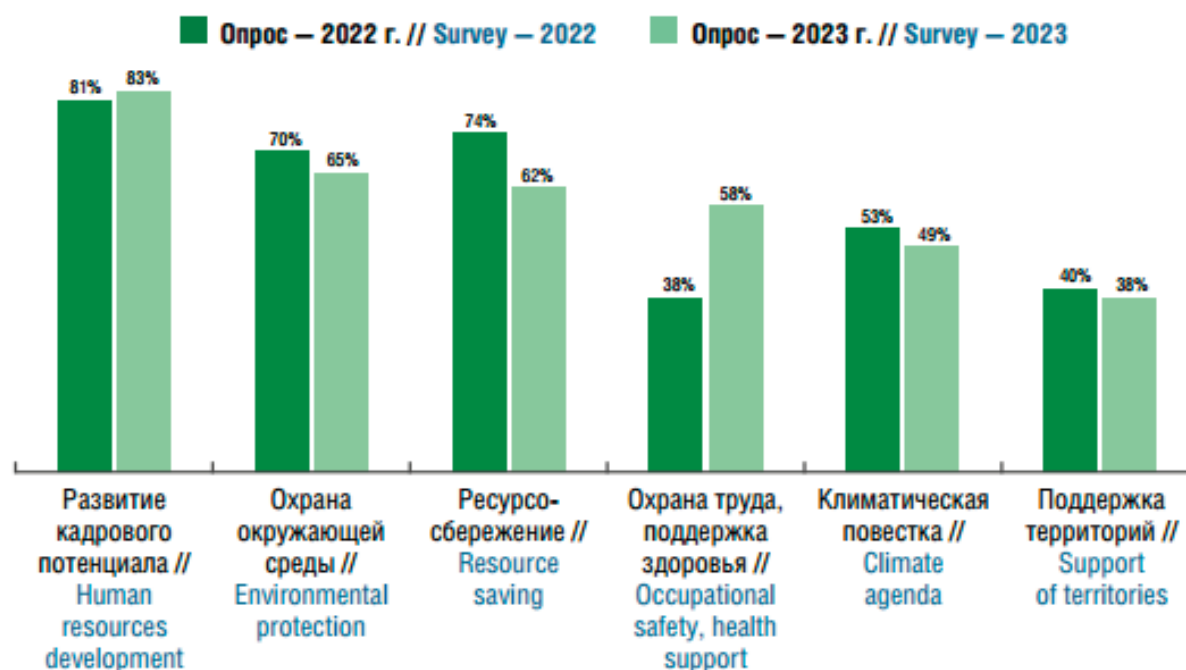
In the context of the ongoing structural transformation of

the Russian economy, attention is growing to the importance of the sustainable development agenda at both the state and corporate levels, and the introduction of financial and non-financial sustainable development principles into the activities of companies. Russian companies often use term ‘ESG’ (environmental, social and corporate governance) when they describe their approach and strategy to implement sustainable development agenda in their operations. It reflects the major priorities that they have, i.e. care for the environment, responsible attitude towards employees and clients, transparent work of the company and participation in charities. A company's commitment to ESG principles gives it certain advantages, such as government subsidies, special lending conditions, customer loyalty, attractiveness for employees, and the opportunity to pay less taxes. Compliance with the criteria is monitored through company reports and ESG ratings from independent agencies (Sberbank, 2024).

According to the recent opinion polls, Russian business believes that the relevance of sustainable development programs remains despite volatile geopolitical and macroeconomic conditions. The key changes that can be noticed in the approach of the Russian companies include a shift in focus to national priorities, abandonment of some ESG goals, and changes in the timeframes for achieving strategic goals. Experts also note that businesses are seeking to pay more attention to the social component of ESG - support for personnel, their training, labor protection, development of regions of presence - rather than environmental and corporate governance (see Figure 1 below). Of the environmental aspects, only the importance of greenhouse gas emissions audits increased in 2023 (B1 Group, 2024). Experts attribute the emphasis on the social component of SD to a significant shortage of personnel in almost all sectors of the Russian economy. According to opinion polls, 84% of employers in the mechanical engineering sector, 69% of IT companies, 66% of construction organizations, and 64% of employers in the financial sector intended to expand their staff and hire personnel in 2024. At the same time, unemployment in Russia is only 2.9% (Vedomosti, 2024). Therefore, the companies have to compete for the high-skilled workforce by improving social welfare packages.

Sustainable development goals are generally included in a company's business strategy or overall development strategy. For example, in December 2021, Rosneft included not only production and financial targets, but also a set of quantitative and qualitative ESG goals in its development strategy until 2030. Rosneft became the first Russian oil and gas company to announce its intention to achieve carbon neutrality by 2050 in its strategy. Some companies have formulated ESG goals in a separate document. For example, PhosAgro, a big producer of

Figure 1 - Priorities of the ESG agenda of Russian companies in 2022–2023



Source: (Russian Union of Industrialists and Entrepreneurs, 2023, p.7).

fertilizers, separately adopted climate and water strategies in 2020.

There are numerous cases illustrating efforts of the Russian companies to fulfill SDGs. State-owned companies reflect government policies while specific priorities highly depend on the industry of each company. Based on the information reported by the companies to the Russian Union of Industrialists and Entrepreneurs in 2021-2022, it can be concluded that more than 50% of companies mark 11 goals of UN-2030 SDGs as priority, which are also correlated with Russia's national development goals. They include SDG 3 "Good health and well-being", SDG 4 "Quality education", SDG 6 "Clean water and sanitation", SDG 7 "Affordable and clean energy", SDG 8 "Decent work and Economic growth", SDG 9 "Industrialization, innovation and infrastructure", SDG 11 "Sustainable cities and Human settlements", SDG 12 "Responsible consumption and production", SDG 13 "Combating climate change", SDG 15 "Preserving the terrestrial ecosystem", SDG 17 "Partnership for Sustainable Development" (Russian Union of Industrialists and Entrepreneurs, 2023).

Usually enterprises choose several goals as focus areas and concentrate their efforts on implementing projects that contribute to the achievement of these SDGs. The examples of such good practices are presented in Table 1.

To sum up, it can be concluded that Russian companies have been making considerable efforts to fulfill SDGs at their corporate level. Enterprises that are big, state-owned or affiliated with foreign markets have been more active in this process. The Russian government and business associations have been working on the institutional framework, expert discussions and best practices sharing to stimulate businesses to play leading role in the country's sustainable development. Without reducing the harmful impact on nature, improving the quality of corporate governance, investing in social programs within the company and in the territories of presence, businesses risk facing significant challenges in the future. Therefore, more and more Russian companies decide to include the ESG agenda as a platform for implementing sustainable development goals in their risk management policies and their development plans.

Table 1 - Good practices of the Russian companies' contribution into the SDGs implementation

SDG	Company name(s) (specialization)	Description of a good practice/project to implement the SDG
SDG-2 (zero hunger)	PhosAgro (production of fertilizers)	actions to promote sustainable agriculture (in December 2018, PhosAgro became the first Russian company to sign an agreement with FAO for the implementation of the project for promotion of new technologies and knowledge in the area of sustainable land management and agriculture)

SDG-6 (clean water and sanitation)	United Chemical Company Uralchem (production of fertilizers)	investment in the development of sustainable water use (water purification system based on membrane technology was installed at their fertilizer plant)
SDG-7 (energy)	En+Group (energy)	implementing the “New Energy” programme: modernization of Siberian hydro electric power stations to reduce greenhouse gas emissions by coal fired power plants
SDG-8 (decent work and economic growth)	Lukoil (energy)	financing of the International Labor Organization’s project which aims to raise the efficiency of youth employment policy and programmes in Azerbaijan, Kazakhstan, Russia, and Uzbekistan.
SDG-9 (Industrialization, innovation and infrastructure)	Severstal PJSC (metallurgy)	initiatives that contribute to the development of Cherepovets, which has the status of a single-industry city (ex., support SMEs in the region)
	MTS PJSC, Vimpel-Communications PJSC, MegaFon PJSC, Rostelecom PJSC (telecom)	projects aimed at reduction of the digital gap, provision of digital services to hard-to-reach areas via construction of new fiber optic networks and the development of satellite communication channels
SDG-10 (reduce inequality)	Vnesheconombank (finance)	projects to provide comprehensive support to elderly people living in nursing homes
SDG-11 (sustainable cities)	Rosatom (nuclear energy)	“Lean Smart City” project (technology solutions for more efficient urban management) implementation in the city of Sarov ranks among the best practices of sustainable development according to the UN Human Settlements Programme
	Moscow Refinery Plant of Gazprom Neft (energy)	contribution of private sector to reduction of the negative environmental impact of cities (The Moscow Refinery Plant of Gazprom Neft reduced river water consumption by 3 times by introducing innovative biological treatment facilities)
	Metalloinvest (metallurgy)	implements programmes for development of local economic mainstays in single-industry cities where it has branches
SDG-12 (responsible consumption and production)	Magnit, X5 Retail Group (retail)	chain stores implement initiatives to encourage consumers to consume responsibly. They install reverse vending machines (automatic machines for collecting plastic containers and aluminum cans for their further shipment for recycling)
	Severstal PJSC (metallurgy)	implements a programme to increase the share of secondary energy use. As of 2019, the Cherepovets Steel Mill, the company’s largest plant, met its electricity demand by 27.9 % via secondary fuel. By 2025, the company plans to increase the share of secondary gases in electricity generation to 33.9 %.
	Segezha Timber Holding (timber)	In 2018, Segezha Timber Holding put into operation a modern multi-fuel boiler which allows using wood waste and sewage sludge as fuel, thus significantly reducing emissions into the atmosphere and localizing the impact on the environment.
SDG-13 (combating climate change)	SIBUR Holding (energy)	provides oil producing companies with an environmentally and economically efficient solution for utilization of associated petroleum gas (APG), i.e. its processing at gas processing plants.
SDG-14	Sakhalin Energy Investment Company Ltd. (energy)	implements a programme to protect the population of marine mammals, primarily gray whales, in the area of its operations (shift of the route of marine pipelines, prevention of water pollution, establishment of navigation corridors, limiting the speed of ships and the height of helicopter flights, determination and control of safe distances between ships and marine mammals)
	Rosneft Oil Company PJSC (energy)	has been carrying out comprehensive research expeditions at the licensed plots of the company in the Arctic. The research is carried out in 5 seas of the Arctic, with special attention paid to the study of ice conditions. Environmental atlases are prepared based on the results of studies conducted by the company.

SDG 15 (terrestrial ecosystems)	RusHydro Group (energy)	implements measures aimed at protection of ecosystems and natural habitats of animals, preservation of rare and endangered species of animals and birds, as well as works to care for the environment among citizens. Besides, the company conducts scientific research and supports the material and technical base of specially protected natural areas.
	En+ Group (energy)	implements a long-term comprehensive programme for the preservation of the unique natural complex of Lake Baikal, which includes environmental monitoring, aimed at identifying and further studying threats to the lake's ecosystem, including its biodiversity. Local citizens are actively involved in these activities. They are engaged in garbage collection, improvement and promotion of ecotourism infrastructure in the coastal zone of Lake Baikal, as well as educational activities that propagate care for the environment and biodiversity conservation.
SDG 15 (peace and justice)	Sakhalin Energy Investment Company Ltd. (energy)	Since its establishment Sakhalin Energy Investment Company Ltd. has been cooperating with the low-numbered indigenous peoples of the North of the Sakhalin region.

Source: compiled by the author based on (Analytical Center for the Government of the Russian Federation, 2020).

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