

**ОТРАСЛЕВАЯ И РЕГИОНАЛЬНАЯ ЭКОНОМИКА  
BRANCH AND REGIONAL ECONOMY**

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**The focus of the Russian corporate business  
for sustainable development**

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**Abstract**

The article considers the current state of implementation of the UN global sustainable development goals in the Russian economy. The main problems faced by Russia in forming a national system of indicators of sustainable development in accordance with global indicators are gaps in data and methodology. At the same time, the sustainable development goals become business guidelines for many companies. The article focuses on the role of Russian companies Gazprom and LUKOIL in achieving sustainable development goals.

**Key words:** sustainable development goals, a Russian company, reports about sustainable development

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**Фокусирование российского корпоративного бизнеса  
на цели устойчивого развития**

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**Аннотация**

В статье рассматривается современное состояние реализации глобальных целей устойчивого развития ООН в российской экономике. Основными проблемами, с которыми сталкивается Россия при формировании национальной системы показателей устойчивого развития в соответствии с глобальными показателями, являются пробелы в данных и методологии. При этом цели устойчивого развития для многих компаний становятся бизнес-ориентирами. Основное внимание в статье

уделяется роли российских компаний ПАО «Газпром» и ПАО «ЛУКОЙЛ» в достижении целей устойчивого развития.

**Ключевые слова:** цели устойчивого развития (ЦУР), российские компании, отчеты об устойчивом развитии.

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### Введение

The 2030 Agenda for Sustainable Development, launched by the UN and containing 17 Sustainable Development Goals (SDGs), is a definite guideline for global development [The agenda for Sustainable Development for the period till 2030].

According to Liu Zhenmin, UN Under-Secretary-General for Economic and Social Affairs, the SDGs provide “a visionary roadmap for all countries and stakeholders to strive for a world of sustainable prosperity, social inclusion and equality, while at the same time preserving our planet and leaving no one behind” [Handbook for the Preparation of Voluntary National reviews, 2019].

In order to make this Agenda a reality and to achieve the SDGs, all stakeholders must be strongly committed to achieving the global goals. The SDGs integrate the economic, social and environmental aspects of development, and the role of business in shaping these aspects is vital.

A clear understanding of the interconnections within the integrated socio-ecological-economic directions of sustainable development will help the countries manage them, in particular, on the basis of optimal cooperation and coordination among sectors and institutions. In Norway, for instance, the responsibility for achieving each of the 17 SDGs rests with a specific ministry which coordinates its activities with other agencies involved in achieving the goal that this ministry is responsible for. The Ministry of Finance receives reports from each of the coordinating ministries on meeting each goal, as well as budget proposals, which the Ministry then consolidates and presents to Parliament.

Taking into account the active formation and implementation of the national strategic planning system in Russia, the Norwegian best practices in the financial planning and control will be of interest and importance.

In Russia, the basic document defining the national policy of sustainable development and aimed at a "balanced solution of social and economic problems and problems of maintaining a favorable environment and natural resource potential in order to meet the needs of present and future generations of people" is The Concept of the Transition of the Russian Federation to Sustainable Development (1996) [Approved by Decree of the President of the Russian Federation of April 1, 1996].

### Основная часть

The idea of sustainable development was further developed in the *Draft Strategy for Sustainable Development of the Russian Federation*, initiated by the Government of the Russian Federation. Though the development of this document involved a large number of experts of the federal executive authorities, scientists of the Russian Academy of Sciences, and members of legislature, and it was discussed at a meeting of the Government of the Russian Federation and parliamentary hearings in the State Duma of the Federal Assembly of the Russian Federation, this document was not officially approved in the end [Report on Human Development in the Russian Federation for 2017].

The federal and regional documents on strategic planning, that are being currently developed, should provide for the continuity of the goals and indicators of sustainable development, which are available in a number of po-

litical documents and regulatory legal acts supporting them. The real examples of this approach in the strategic planning documents under development are *The Environmental Security Strategy for the Period up to 2025* and *The Economic Security Strategy of the Russian Federation for the Period up to 2030*, aimed at the national security. Now it has become imperative to apply the SDGs to regional development strategies as well [Report on Human Development in the Russian Federation for, 2017].

When developing new strategic planning documents, it is important to evaluate how these draft documents serve the purpose of the SDGs in terms of the economic, social and environmental aspects of sustainable development, on the grounds of the global set of indicators, the data for which are currently being collected or will be collected in Russia in the nearest future. To monitor the achievement of the goals, the UN Inter-Agency and Expert Group on SDG Indicators, composed of Member-states, including Russia, is working at the moment to develop the SDG indicators [Report

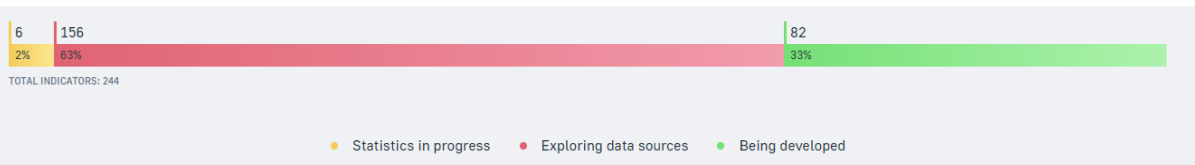
on Human Development in the Russian Federation for, 2017 ].

The main problems that Russia is facing when forming a national system of indicators of sustainable development according to the global indicators are gaps in data and in methodology. Complete information is available only on 142 indicators of the global list, whereas on the remaining 88 indicators, no internationally agreed methodologies have been developed yet.

In Russia, though there is sufficient data and indicators reflecting the progress of the social and economic aspects of sustainable development, until recently, there has been not enough data and indicators either on the greening of the economy or characterizing the dynamics of the environmental component of sustainable development.

On the official website of the Federal State Statistic Service of Russia (Rosstat), under “Development Status of SDG indicators”, it says that out of 244 SDG indicators, 81 indicators (only 33%) are being developed in Russia, leaving most of the indicators unattended.

#### Reporting Status of SDG Indicators



**Fig. 1. Development Status of SDG indicators according to the official site of Rosstat**  
[Development status of SDGs, 2020]

One of the challenges of developing a national set of indicators to assess the solution to the problems is lack of valid indicators which can be applied to evaluate work on the following SDGs within Russia: SDG 12 “Responsible Consumption and Production”, SDG 13 “Climate Action”, and SDG 14 “Life Below Water”.

The key political decision in this respect was one of the instructions of President of the Russian Federation following the results of the State Council meeting on the issue “On the Environmental Development of the Russian Fed-

eration in the Interests of Future Generations”, held on December 27, 2016. The Government of the Russian Federation was instructed, “when developing strategic planning and a comprehensive action plan of the Government of the Russian Federation for 2017–2025, to provide for the transition of Russia to an environmentally sustainable model of development to ensure a long-term efficient use of the country’s natural capital while eliminating environmental hazards on human health, paying particular attention to:

- using a system of sustainable development indicators, identifying the mechanisms for achieving the goals and solving step-by-step the tasks of environmentally sustainable development of the regions for the period up to 2030 and further perspective until 2050;

- establishing target indicators of energy efficiency of the economy as a whole and of its main sectors, as well as taking measures to increase such energy efficiency, including through the creation and use of renewable energy sources and the development of microgeneration based on renewable energy sources;

- taking into account the impact of introducing the mechanisms to ensure environmentally sustainable development on the performance of economic agents [ Report on Human Development in the Russian Federation for 2017 ].

Currently, the Analytical Center under the Government of the Russian Federation is coordinating efforts in preparing the Voluntary National Review (VNR) for Sustainable Development Goals in Russia, which will be presented at the UN High-level Political Forum on Sustainable Development in 2020 (the Review draft was to have been completed in January 2020) [Voluntary National Review for Sustainable Development, 2020]. By 2030, another national review is to be prepared, “with updated measurement parameters that will help to assess how far Russia has advanced on its way to accomplish the goals, what are the bottlenecks and what aspects of the national policy need to be strengthened”[Voluntary National Review: From Goals to Results].

Since 2016, 142 countries have submitted such reviews on the Forum (many of these countries submit reviews for the second and third time), with 47 countries presenting their voluntary national reviews in July 2019. The reviews aim at facilitating the exchange of experience, including successes and challenges, in order to accelerate the implementation of the Sustainable Development Goals.

Tatyana Radchenko, Deputy Head of the Analytical Center under the Government of the Russian Federation, at the International Conference on Digital Agenda for Statistics: Effi-

ciency, Quality and Transparency emphasized the key importance of the indicators when developing VNRs – both the set of indicators and their target values to evaluate progress of each country in achieving the SDGs. According to T.Radchenko, “when starting work on the Review, the experts were faced with the fact that in Russia there was neither a national list, nor target values. The indicators from the national projects can serve for reference, though this is not enough. The best practices for achieving the SDGs are the following: in order to assess a degree of achieving the SDGs, it is vital to adopt a national checklist of indicators, integrated into the strategic documents and including the target values” [Assessment of SDG Achievement Depends on Quality of Statistics, 2020].

At the XVIII Annual Strategic Planning Leaders Forum of the Regions and Cities of Russia in St. Petersburg, 28-29 of October 2019, Tatyana Radchenko said: “The targets are the indicators laid down in the national projects, though limited to 2024, whereas the Survey on the SDGs is aimed at 2030. The indicators of “reachability” so far exist as recommendations or proposals on how to measure the achievement of the development goals. Here, the experts at the Analytical Center suggest applying international best practices, by adapting them to the Russian reality”[ Assessment of SDG Achievement Depends on Quality of Statistics. 2020].

As for business and its role in implementing sustainable development policies, in order to understand it better, one must turn to the National Registry and the Library of Corporate Non-Financial Reports available at the official website of the Russian Union of Industrialists and Entrepreneurs[ Assessment of SDG Achievement Depends on Quality of Statistics, 2020].

As of to date, 176 Russian companies are included in the National Register of Non-Financial Reports, with 924 reports having been registered since 2000. These include: environmental reports (ER) – 81, social reports (SR) – 326, sustainable development reports (SDR) – 314, integrated reports (IntR) – 176, and industry reports (IndR) – 27.

Table 1

**Reports by Industry Sector**

Industry affiliation	Number of companies	Number of reports				
		IntR	SDR	SR	ER	Total
Oil and Gas Industry	21	5	111	9	41	166
Power Industry	42	88	53	45	5	191
Metallurgy and Mining	20	15	42	5	3	115
Equipment Manufacturing	2	12	0	0	0	12
Chemical, Petrochemical and Perfume Manufacturing	12	39	18	20	6	83
Timber, Pulp and Paper Industry	5	0	2	4	18	24
Food and Other Consumer Goods Manufacturing	10	0	29	23	0	52
Telecommunication	11	6	12	22	0	40
Finance and Insurance	18	7	23	67	0	97
<a href="#">Housing and Public Utility Sector</a>	5	2	0	14	1	17
Cement Production and Construction Industry	2	0	1	0	1	2
Education and Healthcare	6	0	1	12	0	13
Transport	5	1	5	12	6	24
Retail	2	1	3	0	0	4
Other Services	4	0	7	11	0	18
Non-Profit Organizations	7	0	7	32	0	39
<b>TOTAL</b>	172	176	314	326	81	897
IndR	4	0	1	26	0	27
<b>TOTAL</b>	176	176	315	352	81	<b>924</b>

As seen from Table 1, the five leading industries to prepare sustainable development reports are: Oil and Gas Industry (111 reports),

Power Industry (53), Metallurgy and Mining (42), Food and Other Consumer Goods Manufacturing (29), and Finance and Insurance (23).

Table 2

**Leading Oil and Gas Reporting Companies in Preparing Sustainable Development Reports**

Company	Reporting period							
	2003	2004	2005	2006	2007	2008	...	2018
PJSC Gazprom						+	+	+
PJSC Lukoil Oil Company	+	+	+	+	+	+	+	+
Tatneft Plc				+	+	+	+	+
Novatek Plc		+	+	+	+	+	+	+
PJSC Rosneft Oil Company				+	+	+	+	+

PJSC Lukoil Oil Company pioneered in the preparation of sustainable development reports, being the company which submitted the

first report as early as in 2003. However, PJSC Gazprom has been submitting environmental reports on its activities since 2000, and since

2008 they have been publishing their reports on sustainable development.

In general, oil and gas companies are the most active and regular in publishing sustainable development reports.

Below is a short analysis of the sustainable development reports by PJSC Gazprom and PJSC Lukoil Oil Company.

Chairman of the Board of Directors of PJSC Gazprom, Alexey Miller said, “Sustainable development is our constant target. We will try to move toward it in our work to benefit both present and future generations”[Gazprom Group’s Sustainability Report “Benefitting People”, 2018].

Gazprom’s priorities for sustainable development are in line with the SDGs. Eight of the 17 global goals are determined by the nature of Gazprom business:

- SDR 3 Good Health and Well-being (Ensure healthy lives and promote well-being for all at all ages);

- SDR 7 Affordable and Clean Energy (Ensure access to affordable, reliable, sustainable and modern energy for all);

- SDR 8 Decent Work and Economic Growth (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all);

- SDR 9 Industry, Innovation, and Infrastructure (Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation);

- SDR 11 Sustainable Cities and Communities (Make cities and human settlements inclusive, safe, resilient, and sustainable);

- SDR 12 Responsible Consumption and Production (Ensure sustainable consumption and production patterns);

- SDR 13 Climate Action (Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy);

- SDR 15 Life On Land (Protect, restore

and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss).

The main socio-economic and environmental targets for Gazprom corporate governance and the key indicators related to the areas of sustainable development are the following:

1) *Financial and economic indicators*: growth of economic profit; return on equity.

2) *Ecological indicators*: reduction of the specific fuel and energy consumption for own technological needs and losses; reduction of specific emissions of greenhouse gases and CO<sub>2</sub> equivalent.

3) *Social indicators*: the number of employees who have taken professional development courses / average number of employees per year; the average number of hours spent by employees on additional professional education during a year (by personnel category); reduction of the accident frequency rate[LUKOIL group report on sustainable development activities for 2018].

As for PJSC Lukoil, President of the company Vagit Yu.Alekperov said that “in its work, Lukoil strictly follows the principles of sustainable development and pursues the goals of ensuring a balance between socio-economic and environmental development”[LUKOIL group report on sustainable development activities for 2018].

The 2018 Lukoil Sustainability Report stated that “a new stage in the development of non-financial reporting in the Lukoil Group is the task of integrating the goals and objectives from the UN document “Transforming our world: the 2030 Agenda for Sustainable Development” into the Company’s system of analyzing their activity and presenting the reporting data, as well as the gradual expansion of the reporting boundaries” [LUKOIL group report on sustainable development activities for 2018].



**Fig. 2. Contribution of PJSC Lukoil to the SDGs, from The 2018 Sustainability Report”**  
[LUKOIL group report on sustainable development activities for 2018].

The active position of the above companies in the field of sustainable development is understandable in view of the specific nature of their business.

In this context, it is of interest to look at the experience of implementing the sustainable development policy by non-resource companies. The State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” (VEB.RF), representing the field of “Finance and Insurance” (which is ranked 5<sup>th</sup> among the industries leading in terms of preparing sustainable development reports (Table 1)), has been compiling reports on sustainable development since 2009.

VEB.RF was one of the first development institutions in Russia to develop its own roadmap for sustainable development, for which it was rewarded by the European Organization for Sustainable Development.

Pursuing the achievement of the UN SDGs, the most significant tasks of VEB.RF are combining public and private resources to implement socially transforming investments and encouraging private investors to invest into the sectors sensitive to the development of the state. Among such sectors are, for instance, infrastructure, innovation, sustainable cities –

which are fundamental for achieving a number of the SDG indicators. The new VEB.RF Financial Policy Memorandum provides for the possibility of financing green economy projects.

### **Заключение**

VEB.RF has initiated to launch a new financial instrument to the market, Social Impact Bonds (SIB), which is a multilateral contract between the state, an investor and a social service provider, where payment is made after the effect is achieved.

At the end of the review of the companies’ activities in the field of sustainable development, it is worth noting that the Russian companies focusing on achieving the SDGs is “a unique strategic opportunity to promote the principles of corporate social responsibility in the Russian business community, to pursue a policy of running civilized and transparent business, to improve the corporate governance methods, to implement a responsible approach to investing, and to demonstrate both companies’ own achievements in the field of sustainable development and success of the national business at the leading Russian and

international venues”[Participation in the UN Global Compact, 2020].

On the whole, the global nature of sustainable development policies makes it possible to integrate the SDGs into national strategic plans.

Russia today seeks to implement its national projects that are to contribute to the achievement of the UN global goals. It is vital to take into account the role of business in this process.

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