

Opinion **ESG investing**

Russia's invasion of Ukraine must prompt an ESG reckoning

Not all chief executives have had the courage to take actions which would be consistent with their former declarations

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The fastest way to end the war is to stop trading with Russia, divest Russian assets and refuse to finance Putin's regime. © Sergey Bobok/AFP/Getty

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The unprovoked and savage invasion of peaceful and democratic Ukraine by Vladimir Putin's military highlights a new challenge for the business community. Given that they have vociferously professed the virtues of environmental, social and governance factors (ESG), will they walk the walk when it comes to the serial social and governance violations that this invasion represents?

Since the COP26 climate summit in November, ESG has been one of the main topics discussed in corporate boards, management meetings and investors' pitches. However, since the Russian invasion of Ukraine started, not all chief executives have had the courage to take actions which would be consistent with their ESG policies.

Delta Air Lines was one of the first movers when it announced that it would suspend its code-share with Russian airlines, Aeroflot. BP has announced it is exiting its 20 per cent stake in Russian state oil company Rosneft. Norway's sovereign wealth fund decided to freeze its investments in Russia and intends to fully divest its Russia holding. FedEx and UPS have suspended shipments to Russia. Several US restaurant chains and stores have announced that they will no longer sell Russian liquor. Carnegie Hall in New York City announced the cancellation of pro-Putin musicians' performances. All these courageous initiatives should be praised.

But many in the corporate world remain silent. Will [McDonald's](#) keep on operating in Russia? Will Coca-Cola, Mondelez, Unilever and Nestlé continue selling their products there? To put it bluntly, will companies enact courageous ESG policies only when it does not hurt their bottom line?

Every day, the US, the UK and the EU buy from Russia more than \$700mn of oil, gas, aluminium, nickel, titanium, gold and other commodities, indirectly financing Putin's neocolonialist ambitions and Russia's military invasion. NordStream 2, which is not carrying any gas, was finally frozen by the German government. But Nordstream 1, which follows the same route, keeps on operating.

The global business community must understand that nurturing, upholding, and protecting freedom and democracy is part of their ESG responsibility. It is not only in their best interests but also in those of their increasingly noisy and numerous stakeholders. Without a strong defence of our democratic system based on rule of law and respect for one another's international rights, our entire system of business (and profit) could collapse.

This is a moment of truth. Stakeholders have been increasingly mobilised to question the premises of companies' professed ESG activities. All too frequently corporations and their executives engage in marketing or obfuscation of what they're actually doing — what could more accurately be called “ESG-washing”. Will this prove to be another case of looking the other way?

The Ukraine crisis could be the 21st-century equivalent of the late-20th-century anti-apartheid movement, in which business, across many sectors, and societies, banded together to counter the systemic and systematic racism of the white nationalist South African regime. The fastest way to end the war is to stop trading with Russia, divest Russian assets and refuse to finance Putin's regime.

We've collectively taken freedom, peace and democracy for granted for way too long both as citizens and as businesspeople. Putin's war against Ukraine has brought this into stark and alarming view. Business has a critical role to play if it actually believes in key ESG values like rule of law, good governance and human rights. It's time to put all that talk into action.

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