

# ‘ESG policies should be pursued as long journey’

*Gov’t urged to ensure independence of pension fund’s management*

This article is the first in a series of interviews with ESG experts intended to make suggestions for Korea’s financial, industrial and public sectors to come up with better ESG strategies for sustainable growth. — ED.

By Park Jae-hyuk  
pjh@koreatimes.co.kr

The popularity of environmental, social and corporate governance (ESG) in the Korean market has been considered somewhat overheated lately, leading some skeptics to call it another passing fad, just as previous movements of emphasizing sustainability and inclusive capitalism vanished in the wake of past economic recoveries.

The government policies that have been made hastily to catch up with the global trend of prioritizing ESG criteria have also been widely viewed as shortsighted measures that could impose heavy burdens on businesses.

Institute for Global Economics (IGE) Chairman Jun Kwang-woo, who previously led the National Pension Service (NPS) and the Financial Services Commission (FSC), advised policymakers to be wary of overly pushing ESG policies, although he also emphasized that the pursuit of the values-based standards will become a “megatrend.”

Known as one of the pioneers of ESG in Korea for organizing an ESG team when he was the NPS chairman a decade ago, Jun has opposed some non-governmental organizations that are pressing the financial authorities to hasten a mandatory ESG disclosure measure that will force all KOSPI-listed firms to disclose how they adhere to ESG principles starting in 2030.

“The mandatory disclosure measure is a significantly sensitive issue,” he told The Korea Times in a recent interview. “It will have direct impacts on businesses, so the government should control the speed of its implementation, so that businesses can endure it.”

He cited the 2050 Carbon Neutral



Jun Kwang-woo, chairman of the Institute for Global Economics, speaks during an interview with The Korea Times at his office in Seoul, April 20.

Korea Times photo by Choi Won-suk

Strategy as one example of a long-term ESG policy.

“There are many issues that should be pursued with a long-term perspective,” he said. “But at the same time, we should depart at the right moment to make the long journey.”

On a related note, the IGE chairman was a bit skeptical about the “K-ESG index” that the Ministry of Trade, Industry and Energy developed last year to enable the assessment of efforts for sustainable management.

## Meeting international guidelines

“If the ministry comes up with proper guidelines for domestic

companies, the index can be used as a sort of facilitator,” he said. “However, if it conflicts with international guidelines, businesses may face a dual burden, so the actual need for the nation’s own ESG index could be seen as limited.”

Considering the fact that the main shareholders of Korean companies are global institutional investors such as BlackRock, he recommended the government make efforts to meet their standards.

The former NPS chief saw that hasty approaches to the ESG criteria can also have negative impacts on the management of the state pension fund. Thus, he argued for taking a cautious stance towards the claims of civic groups that have complained

“

*If the NPS is used as a tool for gov’t policies, it will be burdened with negative side effects.*

”

that the pension fund does not take practical actions for sustainability.

“Because the ESG principles include non-financial factors, and the speed of adopting them should differ from industry sector to sector, it is difficult to impose them based on a single, simple standard,” he said.

“The NPS should have businesses agree with the necessity of ESG, but the pace of implementing that should be manageable and absorbable.”

He especially emphasized how the government should guarantee independence for the NPS in terms of making better ESG efforts.

“If the NPS is used as a tool for government policies, it will be burdened with negative side effects,” he said.

Toward a better future  
**ESG**

“As an investor pushing ahead with ESG criteria, the NPS needs an independent decision-making process to have a practical impact on the market and businesses.”

Highlighting the fact that global public pension funds are guaranteed to have independence, Jun added that the next administration should take responsibility for pursuing pension reform for the future of younger generations, although that will be a huge task.