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Summary of Research Papers 11



# Study on Ways to Improve Gender Equality in Businesses through ESG Management

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**Sutdy on Ways to Improve Gender  
Equality in Businesses through ESG  
Management**

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## **Sutdy on Ways to Improve Gender Equality in Businesses through ESG Management**

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### **Abstract**

As an issue in the management community at home and abroad, ESG management has become a major management strategy that domestic enterprises should adopt following the amendment of the Financial Investment Services and Capital Markets Act and the introduction of the Stewardship Code. The main purpose of ESG management is to promote the sustainability and social responsibilities of enterprises in investment. Such matters as female representation and gender gaps in employment and wage have long been pointed out as issues in Korean businesses. As these issues are included in the social and governance areas, domestic businesses with ESG management need to address these issues. Also, the Korean government has prepared K-ESG Guidelines and implemented related support projects. Accordingly, as ESG management gets disseminated to more domestic enterprises from now on, the problems facing female workers in the labor market are likely to be resolved to

a certain degree. Against this background, this study, first of all, reviewed developments and theoretical discussions of ESG management; second, identified the current conditions and methods of putting the ideology of ESG management into practice in relation to the resolution of gender issues in businesses; third, examined trends of implementing ESG management at domestic enterprises; and fourth, reviewed the government's K-ESG Guidelines and related policy projects, then presented policy agendas that might contribute to enhancing gender equality in the enterprises through the government's support.

## I . Research Background

When investing in businesses, assessing the 'sustainability' of the businesses by measuring their intangible assets through ESG indicators has recently become important. As a result, ESG management has emerged as a global topic of conversation. The effects of ESG management have been proven through empirical studies, and the COVID-19 pandemic has had an impact on the dissemination of ESG management.

The governments in a good number of countries have already prepared policies and systems to encourage ESG management. For example, the UK, Australia, Sweden, Germany, France, Norway, Belgium, Italy, Canada, the Republic of South Africa, and Brazil have adopted mandatory ESG information disclosure systems as a policy. In South Korea, the National Pension Fund introduced the Stewardship Code in 2017 to encourage businesses to carry out ESG management activities, but the code system brought insignificant tangible effects as it was a

voluntary system.

ESG management refers to management that values socially responsible investment and sustainability in combination with the environment (E), social (S), and governance (G). As gender equality and other gender issues are closely connected to social (S) and corporate governance (G), such issues have emerged as an important theme in ESG management.

ESG management was the biggest topic of conversation in the regular general meetings of shareholders in March 2021 in Korea. Major businesses established new ESG committees or organizations, and submitted a number of agendas on appointing ESG experts or female outside directors to the general shareholders' meetings. What this means is that with the amendment of the Capital Market Act and the introduction of the Stewardship Code in Korea, domestic enterprises began to adopt ESG management.

Domestic enterprises that initiated ESG management concentrated on laterally hiring female directors because the biggest problem to be resolved in adopting ESG management was nothing other than the gender equality issue. Global organizations have already pointed out the issues of female representation and gender wage gaps in Korean companies for a long time, but these issues are yet to be resolved.

Being aware of these circumstances, the Korea Corporate Governance Service (KCGS) contended that evaluation indicators related to women's participation should be included in ESG management assessment models. Korea Exchange as well announced its plan to develop and include 'women index' in ESG indices.

In cooperation with related ministries, the Korean government prepared measures for expanding ESG infrastructure in August 2021, then

announced K-ESG Guidelines in December of the same year. However, it turned out that K-ESG Guidelines very passively responded to gender equality and other gender issues in its main items and detailed indicators.

## II. Main Research Contents

### 1. Discussion on Gender Equality of ESG Management

#### 1) ESG management and gender & diversity management

ESG consists of three elements, namely, the environment (E), social (S), and governance (G). Though attention has been paid mostly to the environment until now, more importance is currently attached to gender issues in social and governance areas of ESG management, including securing gender equality and diversity, and representation in forming the board of directors. As backgrounds to placing an emphasis on gender equality indicators in ESG management, global standards related to ESG management have been established and developed. In addition, changes in legal and institutional environments and social pressure have acted as main driving forces. The high financial performance of enterprises which actively advocated gender equality and the particular circumstances of the pandemic worked in combination to raise the importance of gender equality indicators. Other countries have already been using indicators that can identify gender equality in ESG-related disclosure data. Specifically, they have introduced i) gender diversity in the board of directors, ii) gender equal human resource management in recruitment, placement, education and training, and promotion, iii) the ratio of women's basic pay and remuneration to men's, and iv) policies and



practices to prevent and eradicate sexual harassment and gender-based discrimination.

## 2) ESG management and gender lens investing

Gender lens investing refers to including gender issues in financial analysis when evaluating a corporate value to use them as indicators for investment decisions. Gender lens investing is regarded as important because it is expected that enterprises pursuing social changes by granting opportunities to women and by improving unfairness of employment will have high sustainability in the long term. Pension funds in major countries are actively introducing gender lens investing strategies, including Norway's Sovereign Wealth Fund and Canada Pension Plan. Also, leading investment management companies and investment institutions, such as State Street Global Advisors (SSGA), Bloomberg, and Morgan Stanley Capital International (MSCI) have developed and been using various gender lens investment indices.

## 2. Global Trends in the Adoption of ESG

When we examined the global ESG status, the biggest trend was that major countries adopted ESG as a strategy for sustainable investment. According to the Global Sustainable Investment Alliance (2020), the ESG integration strategy attracted the largest investment amounting to 25 trillion dollars as of 2020. By country, the United States invited 16 trillion dollars of investment, Europe 4.1 trillion dollars, Canada 1.2 trillion dollars, and Japan 1.9 trillion dollars in that order. The common feature of leading overseas countries in ESG assessment is that they have legislated the implementation of ESG. For instance, with Europe and the

U.S. on the lead, they have already introduced ESG-related bills and enforced related laws.

According to the results of reviewing global ESG information disclosure guidelines and evaluation indicators, it is difficult to evaluate a company's overall effort to achieve sustainable development. In particular, evaluating all the areas of environment, social, and governance is equal to evaluating all the management activity of the company. As such, there is currently no unified standard for evaluating ESG management because a great variety of evaluation methods have been developed. Still, most widely used global indicators include those of Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), and Dow Jones Sustainability Indices (DJSI), Morgan Stanley Capital International (MSCI) ESG Indexes, and Sustainalytics. These indicators include sub-indicators related gender diversity and require data to reduce gender-based discrimination.

### **3. The Government's ESG Implementation**

#### **1) Background to the development of K-ESG Guidelines**

With the continued increase of ESG evaluation institutions and assessment indicators, Korean enterprises encountered three sets of difficulties: First, ESG evaluation became so diversified that huge personnel, resources, and time were required of them to respond to changes in evaluation. Second, they had difficulty establishing active response strategies because details of evaluation indicators and methods were not disclosed. Third, they had difficulty coping with ESG-related issues because socio-cultural understanding of and approach to the issues were different at home and abroad. In this background, the Korean

government developed K-ESG Guidelines as a guideline for domestic enterprises to use when preparing ESG evaluation and responding to related issues.

## 2) Characteristics of K-ESG Guidelines

With the initiative of the Ministry of Trade, Industry and Energy, K-ESG Guidelines v1.0 was made by extracting commonly-used indicators from major domestic and overseas ESG disclosure standards and evaluation. Then, its assessment items were designed by taking Korean specificity into consideration.

K-ESG Guidelines faithfully reflects the purpose of providing detailed data as a reference point for Korean businesses to perform ESG management, rather than the purpose of evaluating their ESG levels.

## 3) Current status of reflecting gender equality elements in K-ESG Guidelines

K-ESG Guidelines includes assessment items regarding the proportion of female members and the ratio of women's wage to men's. Regrettably, however, it does not present more diverse contents related to gender equality as assessment items.

## 4) Current status of K-ESG support policies

The government made public its policy directions to support ESG management for industries and businesses through the “Measures for Expanding ESG Infrastructure” in August 2021. The main contents of the support policy included the following three measures: The first was to ‘promote ESG management disclosure.’ The government developed

K-ESG Guidelines, made the disclosure system mandatory, and expanded connected support systems so that various stakeholders might understand the current situation of corporate ESG management and use the systems. The second was to ‘reinforce ESG competencies of small and medium-sized enterprises.’ The government was to conduct various surveys to identify the present state of their ESG management, develop self-assessment tools to enable enterprises to assess their levels for themselves, and develop and operate various forms of education programs for empowerment. Also, incentive programs were to be expanded for excellent ESG enterprises at the government level. The third was to ‘have public institutions take the lead in ESG management.’ The government’s setting new policy directions and implementing the policies begin, in general, with public institutions. Given this, it is presumed that demand for ESG management will be stronger with public institutions.

The directions for the government policy on ESG management are currently concentrated in the fundamental areas to establish a basic system for corporate ESG management at the level of upgrading the overall infrastructure. Therefore, the government does not yet reveal its policies by specific issue to consider and promote gender equality or diversity.

#### **4. Analysis of the ESG Status of Domestic Enterprises**

##### **1) Analysis of ESG-related questionnaire surveys**

We analyzed three ESG-related questionnaire surveys, and summed up the results of the analysis as below.

First, to examine public awareness of ESG, we reviewed the ‘Survey

of Social Issues Seen by Korean People.’ According to the results of the survey, Korean people were rather highly interested in social issues, but had a very low awareness or understanding of ESG. As the pandemic and economic recession prolonged, the people wanted such social issues as income, housing, and labor problems to be resolved at first. They counted environmental pollution and climate change among the social issues they wanted to be resolved next. This showed that their interest in the environment (E) of ESG would increase further in the future. As the people perceived that domestic large enterprises did not actively respond to social issues and did wrong about greenhouse emissions, the businesses were required to make efforts in that regard. Also, the people intended to participate in proactive actions, such as voting to solve social problems, boycotting products of certain companies, and purchasing products of enterprises that undertake social responsibilities.

Second, we reviewed ‘the Survey on the ESG Preparation and Awareness of Top 500 Enterprises,’ which surveyed top 500 Korean companies in domestic sales. According to the results of the review, most of these enterprises already established or will establish ESG-related organizations or dedicated departments because they could actually take the lead in ESG management as Korea’s representative large enterprises. However, there was a concern about the lack of their expertise about ESG job duties because they recently adopted ESG. A majority of the enterprises answered that they increased the budget for ESG projects this year, hence the ESG strategy was expected to be implemented further in the future. It was found that the businesses still regarded the disclosure of non-financial information as fairly burdensome. Of the ESG areas, they attached importance to the environment area, first of all, planning to reduce carbon emissions and to use new and renewable energy.

Regrettably, even the top 500 enterprises paid almost no attention to gender issues. As such, it seems a long way to go for gender issues to emerge in ESG for the time being.

Third, we reviewed the awareness and preparation of ESG at companies with 100 employees or more through the ‘2022 Korean Women Manager Panel Survey.’ Compared to the aforementioned top 500 enterprises in sales, these companies were far less prepared for ESG. Even CEOs took little interest in ESG, but viewed ESG management as necessary for raising their corporate images. In other words, unlike large enterprises that face disadvantage against sales outlets unless they implement ESG, businesses with 100 employees or more were not required to adopt ESG yet. Businesses with 100 employees or more took more interest in the social area (workers) of ESG than in the environment area. This shows that these businesses were not directly related to regulations in the environment area yet. Unlike large enterprises that were sensitive to the environment area, businesses with 100 employees or more were likely to stress diversity management because they were relatively more interested in diversity of the board of directors and members in the governance area. However, these enterprises had various difficulties introducing ESG. That is, they did not feel the need for introducing ESG right now because ESG was not closely related to their business operation. Also, they had low awareness of ESG, and perceived ESG as the issue of cost. As a consequence, half of the enterprises did not have any organization in charge of ESG nor any plan to establish one afterwards. Therefore, it will take a lot of time to disseminate ESG among them. In other words, it is believed that ESG management in Korea will proceed with large enterprises on the lead for a while.

## 2) Case analysis of the ESG status of enterprises participating in the Women's Empowerment Principles (WEPs)

We attempted case analysis to examine the current conditions of gender issues including gender equality or diversity of enterprises that adopted ESG management in Korea. Because the existing disclosed cases have strong character of corporate promotional materials, we used the gender gap assessment data of the WEPs Gender Gap Analysis Tool, which were the inside data of the UN Global Compact (UNGC) Network Korea. These data were the outcomes of evaluating gender gaps of leading nine enterprises selected by the type and form of business. According to the disclosed data, the nine enterprises included a foreign-affiliated firm, five large enterprises, a medium-sized enterprise, a small-sized enterprise, and a public institution that declared ESG.

The data showed that the most gender equal company, overall, was the foreign-affiliated large enterprise, and except for the financial holding company, all the enterprises did not satisfy half of the indicators. In other words, the gender gaps in the companies turned out to be wider than expected. Of course, though the WEPs Tool is an assessment tool for global standards, the results are regrettable, considering that these enterprises are representative ESG practicing companies and most of them are large enterprises at that.

Specifically, save the public institution, the proportions of female regular workers stood at between 10 to 20%, and the proportion of women to all fixed-term workers sharply increased. As for wages, all women's wages were lower than men's, and about half of the enterprises did not have measures for anti-discrimination in competency development and promotion. Also, enterprises with fewer women were

found to have given relatively little consideration to women or maternity because they received low points in many indicators due to the characteristics of their business type. As small and medium-sized enterprises scored low points in most indicators even if they claimed to advocate ESG, they could not catch up with the ESG response level of large enterprises. Most surprisingly, however, even the majority of large companies did not consider consumers or women in the community or what impact their products or services might have on gender.

That is to say, ESG of domestic companies still remains at issues about women and female workers in the company, and revealed its limitations that could not extend to consumers and communities. But as there are many enterprises that have plans to integrate gender issues into various corporate activities, their interest in ESG is expected to further increase from now on.

### 3) Analysis of the ESG status of 500 small and medium-sized enterprises

Because almost no ESG was implemented in Korean small and medium-sized enterprises, it was difficult to collect quantitative data that could be called 'ESG data' of small and medium-sized enterprises. For this reason, we obtained the results of ESG assessment of 500 small and medium-sized enterprises from the inside data of Korea Rating & Data (Ltd.), then analyzed the data related to gender issues. Through this analysis, we identified the current status of the response of these small and medium-sized enterprises to gender equality or diversity.

The evaluation items of Korea Rating & Data (Ltd.) were developed specifically for domestic small and medium-sized enterprises. According



to the results of reviewing the evaluation items in detail, only six indicators of the 60 detailed indicators were related to gender issues, including the guarantee of human rights, childcare leave system, flexible work arrangements, gender ratio of workers, and partner companies in the social (S) area, and the board of directors and the audit body in the governance (G) area. In other words, considering the present situation of small and medium-sized enterprises, it is believed that it is difficult in reality for them to stress gender issues in ESG.

The 500 small and medium-sized enterprises scored low points in most indicators, receiving average points or above in the indicator for the guarantee of human rights only. Despite all this, as the size of the 500 small and medium-sized enterprises became larger, the score for each indicator consistently tended to become higher. That is, we reconfirmed that ESG management in Korea was realistically possible with large-sized companies.

## 5. Assessment of the ESG Status of Domestic Enterprises

### 1) Results of FGI with the staff at ESG evaluation bodies

We conducted a focus group interview (FGI) with the staff at evaluation bodies that assess ESG management of domestic enterprises. Focusing on the current status and characteristics of domestic ESG management and gender issues, the interview aimed to identify points to complement and improve domestic ESG evaluation indicators, and the future directions for developing ESG management in Korea. The results of the FGI can be summed up as below.

First, interest in ESG management is still centered on large enterprises, and particularly it is concentrated in the environment (E) area of ESG.

Because the governance (G) area is related to the unique management style of the companies, there is strong resistance to evaluation of governance. Also, the social (S) area encompasses such a wide and diverse category that it is no easy job to manage the evaluation of the social area. As gender equality-related indicators are included in the social (S) area, they cannot help being handled with low weights, and therefore businesses take less interest in them.

Second, because it is more important in ESG evaluation to point out and improve the causes of the score or the problems of the process rather than the score of the indicators itself, evaluation experts focus on this fact when conducting evaluation and consulting. However, as businesses do not have positive perceptions of gender equality-related issues, it is worrisome to approach the issues in a direct or burdensome manner. In other words, it is necessary to manage the issues in an indirect way, such as helping women maintain their careers without leaving their company and giving equal opportunities to women rather than strongly demand gender equality issues as an indicator.

Third, except for large enterprises, small and medium-sized enterprises still do not take much interest in ESG management, hence they may not be proper subjects of the survey in this study. Nevertheless, it is significant to examine the differences of ESG management according to the characteristics of the enterprises considering business size through the review of their cases.

## 2) Results of workshop for the ESG staff at the enterprises by size

We conducted a workshop for the ESG staff at domestic enterprises by size. The purpose of the workshop was to examine how they

implemented ESG management and to identify related gender equality issues, response measures, and future policy demands that they considered. The results of the workshop can be summarized as below.

First, ESG management of domestic businesses was mostly practiced by large enterprises and public agencies. Small and medium-sized enterprises had very low awareness of ESG management, and did not recognize it as an impending issue unlike large businesses and public institutions. Large enterprises have already disclosed most of their data through the disclosure system, and have no other choice than to disclose the corporate data for investments or transactions. Public institutions as well release their data on the public management information disclosure system called ALIO or All Public Information In-One for government policies. But the corporate information disclosure system of this kind does not apply to small and medium-sized enterprises.

Second, the difference between ESG management and similarly-implemented management policies was that indicators for ESG management were turned into data. Because these indicators were directly connected to the sustainability of businesses, the enterprises could not but make institutional and policy efforts to solve problems or to meet the indicators. Major domestic large companies have already managed ESG indicators effectively, aiming to reach the global level. In particular, gender issues or generational conflict management have already become important keywords in personnel management in their organization. As a result, they have been established as important issues to be managed in the overall human resource management or personnel policy of the companies. As an important task in ESG management, large enterprises have already thought over how to convey the value of ESG and the meaning of indicators to organizational members and how to secure consensus from them.

Third, social enterprises cannot maintain their business based on profits from their products only, and policy incentives or investments they receive as social enterprises are absolutely important for them. Therefore, it is necessary to provide policy support not only for enterprises at large that implement ESG management but also for social enterprises that are operated with the goal of practicing social value.

### **III. Suggestions of Practice Tasks and Policy Agenda for Each Player in ESG Management**

#### **1. Suggestions of Practice Tasks for Businesses**

Businesses need to view ESG management as a process of realizing profits of diverse stakeholders. They should set specific numeric goals and introduce ways to attain the numeric goals step by step to solve issues related to gender equality and diversity in the company through ESG management. In particular, they should address the current status of occupational gender segregation in the gender equality-related indicator as an important issue in the future ESG management. They should also establish an environment in which people can work in diverse areas according to their abilities regardless of their gender without separating women's or men's jobs.

#### **2. Suggestions of Policy Agenda for the Government**

The government should think over a new value of gender equality and standards for such value, and attempt to regularly change strategic policies rather than maintain existing policies and systems. In particular,

the government should reflect social demands or tendencies in the overall policies related to women workers that have been based on marriage, pregnancy, childbirth, and childcare. It should also improve policies considering the management of conflict among the members of Korean society.

Second, the government needs to disseminate ESG management using the information disclosure system. By making the most of the corporate information disclosure system through the policies, the government should disseminate ESG management, first of all, with large businesses and public agencies on the lead, and include items related to partner companies in the information disclosure items to disclose the items all together.

Third, the government needs to integrate items related to gender equality issues into the indicators of three leading organizations related to ESG management in Korea. Specifically, it should include i) items on gender equality issues in the ESG Guidance of the Financial Services Commission, ii) items on gender equality and diversity in the evaluation items of social responsibility in the public procurement process of the Public Procurement Service, and lastly, iii) more items related to gender equality and diversity in the ESG evaluation model of National Pension Service.

Fourth, the government should strengthen support for social enterprises that are established to realize social value. Though there are existing systems to support them, the reality is that there is not enough policy support for social enterprises that pursue the value of gender equality and diversity.

### 3. Suggestions of Practice Tasks for Workers in Businesses

The present situation is not desirable because only female workers in ‘decent’ enterprises are targets for ESG management. Considering the fundamental purpose of ESG management, it is necessary to disseminate the value of ESG management to female workers at small and medium-sized enterprises as well. Therefore, as a suggestion of practice tasks for workers, they should perform the role of inside watchers of the companies through workers’ alliance. Specifically, if there is a labor union consisting of workers at large companies or original contractors, the labor union should actively participate in the practice of corporate ESG management. In this process, the union should look with a sense of solidarity regarding the improvement of working conditions for workers at suppliers and partner companies, which are mostly small and medium-sized enterprises. To practice the important proposition called the alliance of all workers held by the labor union, the union may request the original contractors to solve problems facing female workers in relatively small and medium-sized non-union suppliers. In other words, the labor union comprising workers should undertake the role of a watcher who monitors the ESG activities of enterprises from the perspective of all workers by independently participating in the ESG management process, instead of entrusting ESG management to their company alone.

### 4. Suggestions of Practice Tasks for Consumers and the People

Consumers are one of the main players in ESG management because the concept of value pursued by ESG management is not an issue of individual enterprises but that of solving key problems of the whole

society. Therefore, consumers should have a greater impact on the genuine practice of ESG management of enterprises. Specifically, primarily as individual consumers, they should select enterprises that achieve gender equality through ESG management when they purchase goods or services. Secondly as a consumer group, they should watch and criticize the ESG management and activities of the businesses to solve gender equality and social issues.

Research areas: labor and employment

Keywords: ESG, gender equality, women's representation, gender diversity, sustainability

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