

Realizing the Governance ('G') tenet in ESG for Sustainability

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Table of Contents

1.0 Introduction	4
2.0 Governance in ESG for Sustainability	7
3.0 Realizing Sustainability through Governance: Opportunities and Setbacks	11
4.0 Way Forward	16
5.0 Conclusion	18
References	20

Realizing the Governance ('G') tenet in ESG for Sustainability

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Abstract

Governance plays a crucial role in sustainability. This role is recognized under the concept of Environmental, Social and Governance (ESG), an idea which seeks to foster sustainability. This paper critically examines the role of governance in sustainability. It argues that good governance is important in achieving sustainability. The paper explores ways through which governance can enhance sustainability. It also highlights some of the governance challenges that are hindering the ideal of sustainability. The paper concludes by making proposals towards realizing the Governance 'G' tenet in ESG for sustainability.

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1.0 Introduction

Sustainability has become a clarion call in the wake of problems facing the planet from the environmental, social and economic spheres¹. Environmental problems including climate change and depletion of natural resources; social concerns such as poverty; and economic challenges including recessions are a major hindrance to sustainability². The need to strike a balance between the environmental, social and economic facets of development towards sustainability gave rise to the concept of Sustainable Development which was coined by the World Commission on Environment and Development (*Brundtland Commission*) as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'³. Sustainable Development seeks to foster sustainability by ensuring environmental protection, economic development and addressing social concerns⁴. It has been asserted that Sustainable Development seeks to improve the quality of life on earth in a comprehensive manner, including economic prosperity, social equity and environmental protection⁵.

The need for sustainability was also considered during the United Nations Conference on Environment and Development also known as the '*Earth Summit*', held in Rio de Janeiro, Brazil, from 3-14 June 1992⁶. The Earth Summit concluded that the concept of Sustainable Development was an attainable goal for all the people of the world, regardless of whether they were at the local, national, regional or international level⁷. It also recognized that integrating and balancing economic, social and environmental concerns in meeting our needs is vital for sustaining human life on the planet and that

¹ Muigua. K., 'Nurturing Our Environment for Sustainable Development.' Glenwood Publishers Limited, 2016

² Scoones. I., 'Sustainability.' *Development in Practice* 17.4-5 (2007): 589-596.

³ World Commission on Environment and Development., 'Our Common Future.' Oxford, (Oxford University Press, 1987)

⁴ Fitzmaurice. M., 'The Principle of Sustainable Development in International Development Law.' *International Sustainable Development Law.*, Vol 1

⁵ Muigua. K., 'Nurturing Our Environment for Sustainable Development.' Op Cit

⁶ United Nations., 'United Nations Conference on Environment and Development, Rio de Janeiro, Brazil, 3-14 June 1992.' Available at <https://www.un.org/en/conferences/environment/rio1992> (Accessed on 28/10/2023)

⁷ Ibid

such an integrated approach is possible⁸. The Earth Summit gave birth to *Agenda 21*⁹ a daring program of action calling for new strategies to invest in the future to achieve overall Sustainable Development in the 21st century; and the *Rio Declaration on Environment and Development*¹⁰ which sees to balance the interests of states in exploiting their natural resources for development and environmental conservation with the aim of achieving Sustainable Development. The Rio Declaration stipulates that human beings are at the centre of concerns for Sustainable Development and are entitled to a healthy and productive life in harmony with nature¹¹. It further states that in order to achieve Sustainable Development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it¹². The Rio Declaration identifies key principles that are pertinent in fostering sustainability¹³.

The importance of sustainability has resulted in the adoption of Sustainable Development as the global blueprint for development as set out in the United Nation's 2030 Agenda for Sustainable Development¹⁴. The Agenda represents a shared blue print for peace and prosperity for people and the planet in the quest towards the ideal of Sustainable Development¹⁵. At the heart of the 2030 Agenda for Sustainable Development are 17 Sustainable Development Goals (SDGs) which seek to strike a balance between social,

⁸ Ibid

⁹ United Nations Conference on Environment & Development Rio de Janeiro, Brazil, 3 to 14 June 1992., 'Agenda 21.' Available at

https://sustainabledevelopment.un.org/content/documents/Agenda21.pdf?_gl=1*9uipp7*_ga*MjA2NDk2MDMxMS4xNjcxMjU5NTEw*_ga_TK9BQL5X7Z*MTY5NDU5NjE3MS41NS4xLjE2OTQ1OTgzODUuMC4wLjA (Accessed on 28/10/2023)

¹⁰ United Nations General Assembly., 'Report of the United Nations Conference on Environment and Development: Rio Declaration on Environment and Development.' A/CONF. 151/26 (Vol.1)

¹¹ Ibid, Principle 1

¹² Ibid, Principle 4

¹³ Ibid

¹⁴ United Nations., 'Transforming Our World: The 2030 Agenda for Sustainable Development.' Available at

<https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf> (Accessed on 28/10/2023)

¹⁵ Ibid

economic and environmental sustainability¹⁶. The Constitution of Kenya also embraces Sustainable Development as one of the national values and principles of governance¹⁷.

It has been observed that governance plays a crucial role in sustainability¹⁸. This role is recognized under the concept of Environmental, Social and Governance (ESG), an idea which seeks to foster sustainability¹⁹. This paper critically examines the role of governance in sustainability. It argues that good governance is important in achieving sustainability. The paper explores ways through which governance can enhance sustainability. It also highlights some of the governance challenges that are hindering the ideal of sustainability. The paper concludes by making proposals towards realizing the Governance 'G' tenet in ESG for sustainability.

¹⁶ Ibid

¹⁷ Constitution of Kenya, 2010., Article 10 (2) (d)

¹⁸ Mwangi. J., 'Role of Governance in Sustainability.' Available at <https://ics.ke/governance-blog/item/41-role-of-governance-in-sustainability> (Accessed on 28/10/2023)

¹⁹ Stuart. L.G et al., 'Firms and Social Responsibility: A Review of ESG and CSR Research in Corporate Finance.' *Journal of Corporate Finance* 66 (2021): 101889.

2.0 Governance in ESG for Sustainability

ESG is an acronym for Environmental, Social and Governance, which has been described as a framework that helps stakeholders understand how an organization manages risks and opportunities around sustainability issues²⁰. ESG includes key elements around environmental and social impact, as well as how governance structures can be amended to maximize stakeholder well-being towards sustainability²¹. ESG has also been defined as a concept that seeks to achieve sustainable, responsible and ethical investment by incorporating Environmental, Social and Governance concerns in corporate decision making²². ESG therefore stands for the three broad categories, or areas, of interest for “socially responsible investors” who consider it important to incorporate their values and concerns (such as sustainability concerns) into their selection of investments instead of simply considering the potential profitability and/or risk presented by an investment opportunity²³. It has been pointed out that ESG takes the holistic view that sustainability extends beyond just environmental issues and incorporates social and governance aspects in the sustainability discourse²⁴.

ESG therefore seeks to incorporate environmental factors including environmental sustainability and climate change concerns such as climate resilience and low carbon development; social tenets such as improving social welfare and fostering inclusive participation with stakeholders; and governance factors including fostering good governance practices internally and externally in order to realize sustainability²⁵. It has further been asserted that ESG incorporates environmental metrics including direct and

²⁰ Peterdy. K., & Miller. N., 'ESG (Environmental, Social, & Governance).' Available at <https://corporatefinanceinstitute.com/resources/esg/esg-environmental-social-governance/> (Accessed on 28/10/2023)

²¹ Ibid

²² Stuart. L.G et al., 'Firms and social responsibility: A Review of ESG and CSR Research in Corporate Finance.' Op Cit

²³ Peterdy. K., & Miller. N., 'ESG (Environmental, Social, & Governance).' Op Cit

²⁴ Ibid

²⁵ African Development Bank Group., 'Environmental, Social and Governance (ESG).' Available at <https://www.afdb.org/en/topics-and-sectors/topics/environmental-social-and-governance-esg> (Accessed on 28/10/2023)

indirect greenhouse gas emissions, stewardship over natural resources, and an organization's overall resiliency against physical climate risks like climate change, flooding, and fires; social tenets including Human Capital Management (HCM) metrics like fair wages and employee engagement but also an organization's impact on the communities in which it operates; and governance factors focusing on how an organization is led and managed through internal controls, transparency and accountability mechanisms²⁶. ESG aims to integrate Environmental, Social and Governance factors in corporate activities in order to enhance the sustainability and social impact of business activities²⁷. The Organisation for Economic Co-operation and Development (OECD) opines that the growth of ESG approaches by investors has been driven by private and public sector initiatives to reach the objectives of the Paris Agreement and the SDGs²⁸. ESG is therefore an important tool in achieving sustainability.

Governance is at the heart of ESG and has been recognized as instrumental in realizing sustainability²⁹. It has been argued that the 'G' tenet in ESG is the oldest since governance has been an integral part of robust investment for ages even before the rise of environmental and social movements³⁰. While older forms of governance focused on serving and protecting shareholders, the newer approaches stretch beyond basic dimensions related to financial and accounting misconduct as well as legal and regulatory non-compliance, such as transparency, corporate structures and ethics³¹. The World Economic Forum posits that sustainable governance represents part of the ESG equation and should be understood as a prerequisite for achieving the entire spectrum of

²⁶ Peterdy. K., & Miller. N., 'ESG (Environmental, Social, & Governance).' Op Cit

²⁷ Li. T.T et al., 'ESG: Research Progress and Future Prospects.' *Sustainability*, No. 13 of 2021

²⁸ Organisation for Economic Co-operation and Development., 'Environmental Social and Governance (ESG) Investing' available at

<https://www.oecd.org/finance/esg-investing.htm> (Accessed on 28/10/2023)

²⁹ Temel. M., Lozano. R., & Barreiro-Gen. M., 'Analysing the Governance Factors for Sustainability in Organisations and their Inter-Relations.' Available at

<https://www.frontiersin.org/articles/10.3389/frsus.2021.684585/full> (Accessed on 28/10/2023)

³⁰ Muigua. K., 'Embracing Environmental, Social and Governance (ESG) Principles for Sustainable Development in Kenya.' Available at <https://kmco.co.ke/wp-content/uploads/2022/07/Embracing-ESG-Principles-for-Sustainable-Development-in-Kenya.pdf> (Accessed on 28/10/2023)

³¹ Ibid

ESG goals³². Behind each breach of a company's environmental or social commitments lies ineffective corporate governance, be it inadequate anti-corruption practices, perverse incentive structures, contradictory lobbying activity, ineffective board oversight or ill-equipped leadership³³. It has been asserted that achieving sustainability requires effective governance structures which facilitate efficient decision-making and considers the long-term impacts of actions and policies³⁴.

It has been asserted that good governance entails several elements including participation, respect for the rule of law, transparency, responsiveness, consensus building, accountability, equity, inclusiveness, effectiveness and efficiency³⁵. Governance plays an important role in achieving sustainability by establishing the rules and regulations that guide behavior and shape outcomes; stipulating environmental regulations that limit pollution and promote sustainable practices; fostering accountability and transparency which are key components of sustainable decision making³⁶. Further, audits and clear reporting standards ensure accountability, taking responsibility, and helping ensure sustainable environmental and social impacts³⁷. In addition, the governance requirements of transparency, or the disclosure of information, are integral in ensuring sustainability by helping build trust among stakeholders and enable informed decision-making³⁸. The United Nations further asserts that good governance is integral in the Sustainable Development agenda since it assists societies to

³² World Economic Forum., 'Why Sustainable Governance and Corporate Integrity are Crucial for ESG' Available at https://www.weforum.org/agenda/2022/07/the-g-in-esg-3-ways-to-not-missit/?DAG=3&gclid=CjwKCAjw5MOlBhBTEiwAAJ8e1q7lLuk_egfH4cyQe8v1kIMLHVQXfYG6_juEF202fNzXAhU7B25YlXoC7Z0QAvD_BwE (Accessed on 31/10/2023)

³³ Ibid

³⁴ Mwangi. J., 'Role of Governance in Sustainability.' Op Cit

³⁵ Ramzy. O et al., 'Sustainable Development & Good Governance.' *European Journal of Sustainable Development* (2019), 8, 2, 125-138

³⁶ Ibid

³⁷ Ibid

³⁸ Ibid

develop effective governments within a democratic system, and to implement Sustainable Development principles through global partnership³⁹.

Good governance is therefore necessary in achieving sustainability and the Sustainable Development agenda envisioned by the United Nations. Since Sustainable Development depends on the choices that society makes and the participative processes by which such choices are made, there is a clear need to ensure wide acceptance of the governance processes that are used in decision-making⁴⁰. It has been contended that good governance fosters sustainability by ensuring that the principles of openness, accountability, participation, coherence and effectiveness are incorporated in every decision making process⁴¹. Good governance can also foster sustainability by promoting effective strategies; efficient legal, policy and institutional frameworks; sustainability reporting; and effective boards in organizations which can enhance good decision making⁴². Governance is therefore a key component of ESG and sustainability. It is therefore imperative to realize the Governance 'G' tenet of ESG for sustainability.

³⁹ United Nations., 'Good Governance in Sustainable Development.' Available at <https://sdgs.un.org/partnerships/good-governance-sustainabledevelopment#:~:text=The%20objective%20of%20Good%20Governance,development%20principles%20th%20rough%20global%20partnership> (Accessed on 28/10/2023)

⁴⁰ Ashton. P., 'The Role of Good Governance in Sustainable Development: Implications for Integrated Water Resource Management in Southern Africa.' *Governance as a Dialogue: Government-Society-Science and Transition.*, pp 77-100

⁴¹ Ibid

⁴² Temel. M., Lozano. R., & Barreiro-Gen. M., 'Analysing the Governance Factors for Sustainability in Organisations and their Inter-Relations.' Op Cit

3.0 Realizing Sustainability through Governance: Opportunities and Setbacks

The Rio Declaration on Environment and Development is one of the key legal instruments that upholds the role of governance in sustainability⁴³. The Declaration captures the principle of participation which is one the key tenets of good governance. It requires states to foster the principle of public participation, access to information and access to justice in order to achieve sustainability⁴⁴. The Declaration further envisages the role of good governance in sustainability by requiring states to enact effective environmental legislation, standards, management objectives and priorities which should reflect the environmental and developmental context to which they apply⁴⁵. The Declaration also requires states to foster inclusivity by embracing the role of women and youth in sustainability⁴⁶.

The role of governance in sustainability is also enshrined under the United Nation's 2030 Agenda for Sustainable Development⁴⁷. In order to achieve Sustainable Development, SDG 16 requires states to promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable and inclusive institutions at all levels⁴⁸. SDG 16 recognizes that tenets of good governance including adherence to the rule of law; equal access to justice for all; effective, accountable and transparent institutions at all levels; responsive, inclusive, participatory and representative decision-making at all levels; public access to information; and protection of human rights are essential in achieving Sustainable Development⁴⁹. Achieving SDG 16 is therefore important in enhancing the role of governance in sustainability.

⁴³ United Nations General Assembly., 'Report of the United Nations Conference on Environment and Development: Rio Declaration on Environment and Development.' Op Cit

⁴⁴ Ibid, Principle 10

⁴⁵ Ibid, Principle 11

⁴⁶ Ibid, Principle 20 and 21.

⁴⁷ United Nations., 'Transforming Our World: The 2030 Agenda for Sustainable Development.' Op Cit

⁴⁸ Ibid, Sustainable Development Goal 16

⁴⁹ Ibid

Further, the Africa Union's *Agenda 2063* upholds the role of good governance in realizing its vision for inclusive growth and Sustainable Development in Africa⁵⁰. One of the aspirations under Agenda 2063 is fostering good governance, respect for human rights, justice and the rule of law in Africa⁵¹. It seeks to realize this aspiration through consolidating democratic gains and improving the quality of governance, promoting respect for human rights and the rule of law; building strong institutions for a development state; enhancing participatory development and local governance; and facilitating the emergence of development-oriented and visionary leadership in all spheres and at all levels⁵². Realizing the aspirations of Agenda 2063 can strengthen good governance and enhance sustainability in Africa.

The importance of governance in sustainability is also acknowledged in Kenya. The *Constitution of Kenya* upholds good governance as one of the national values and principles of governance and further requires its tenets including integrity, transparency and accountability to be fostered⁵³. It also requires the state to uphold the rule of law, democracy and participation of the people which are key elements of good governance⁵⁴. The Constitution of Kenya further recognizes and seeks to foster the role of good governance in environmental sustainability⁵⁵. It requires the state to promote sound stewardship of the environment and natural resources through good governance approaches including ensuring sustainable exploitation, utilisation, management and conservation of the environment and natural resources, and ensuring the equitable sharing of the accruing benefits; encouraging public participation in the management, protection and conservation of the environment; establishing systems of environmental impact assessment, environmental audit and monitoring of the environment; eliminating

⁵⁰ Africa Union., 'Agenda 2063: The Africa we Want.' Available at https://au.int/sites/default/files/documents/33126-doc-framework_document_book.pdf (Accessed on 29/10/2023)

⁵¹ Ibid, Aspiration 3

⁵² Ibid

⁵³ Constitution of Kenya, 2010., Article 10 (2) (c)

⁵⁴ Ibid, Article 10 (2) (a)

⁵⁵ Ibid, Article 69 (1)

processes and activities that are likely to endanger the environment; and utilising the environment and natural resources for the benefit of the people of Kenya⁵⁶. These provisions of the Constitution are fundamental in achieving sustainability through good governance.

The *Environmental Management and Co-ordination Act*⁵⁷ further embraces the role of good governance in environmental sustainability. It requires the tenets of good governance including public participation, access to information, access to justice and legal remedies, and the rule of law to be upheld in order to achieve sound environmental governance and management in Kenya⁵⁸.

Good governance is therefore a key factor in achieving sustainability. The International Development Law Organization posits that the governance and management of land, water, forests and other natural resources is essential in fostering sustainability through the protection of ecosystems and biodiversity, and sustaining life and livelihoods⁵⁹. Good governance can enhance sustainability by providing incentives to tackle global problems including climate change through rule of law-based policies and legal frameworks which support public and private sector actors in accessing international climate finance for mitigation and adaptation purposes⁶⁰. Further, tenets of good governance including environmental integrity, transparent governance, respect for human rights and the protection of social well-being are integral parts of climate justice which is a key concept in sustainability⁶¹. The IDLO further asserts that sound governance of land and natural resources increases climate-resilient development and empowers climate vulnerable

⁵⁶ Ibid

⁵⁷ Environmental Management and Co-ordination Act., No. 8 of 1999, Laws of Kenya

⁵⁸ Ibid

⁵⁹ International Development Law Organization., 'Climate Justice: A Rule of Law Approach for Transformative Climate Action.' Available at https://www.idlo.int/sites/default/files/pdfs/publications/climate_justice_policy_paper_-_climate_action_-_final.pdf (Accessed on 30/10/2023)

⁶⁰ Ibid

⁶¹ Ibid

people to actively participate in managing their natural environments, enabling the conditions for peace and development to flourish⁶².

Good governance can therefore help both the public and private sectors foster sustainability and unlock the SDGs. Good governance can help governments establish clear policies and strong institutions which can accelerate the realization of SDGs by combating poverty, fostering food security, promote good health and well-being of citizens, promoting access to clean water and sanitation, and fostering decent work and economic growth among other SDGs⁶³. Good governance further enhances accountability, fairness, responsiveness and inclusivity which are vital factors in unlocking the SDGs⁶⁴.

It has further been asserted that sustainability has become an integral component of the strategies pursued by companies and of the relationships they establish with various players in the corporate value chain⁶⁵. Good governance can enhance the role of companies in sustainability through sustainability reporting which can be a tool to monitor and disclose corporate progress on aspects such as the achievement of the SDGs⁶⁶. Good governance can enhance corporate sustainability through management practices which positively affect the ecosystem, the community and economic development⁶⁷. It has been observed that achieving the 'G' tenet in ESG can strengthen the role of companies in sustainability at the economic level through investments in areas such as energy, infrastructure, industry and the distribution of income through payment of fair wages⁶⁸; in the context of environment governance through waste reduction,

⁶² Ibid

⁶³ Ramzy. O et al., 'Sustainable Development & Good Governance.' Op Cit

⁶⁴ Ibid

⁶⁵ Naciti. V et al., 'Corporate Governance and Sustainability: A Review of the Existing Literature.' *Journal of Management and Governance*, 2021

⁶⁶ Buniamin. S et al., 'The Role of Corporate Governance in Achieving SDGs Among Malaysian Companies.' *European Journal of Sustainable Development* (2022), 11, 3, 326-339

⁶⁷ Boeva. B et al., 'Corporate Governance and the Sustainable Development.' *European Journal of Economics and Business Studies*, Volume 7, No. 1 of 2017

⁶⁸ Achim. M., 'The Impact of the Quality of Corporate Governance On Sustainable Development: An Analysis Based On Development Level.' Available at

pollution reduction, energy efficiency, reduction of air emissions, reduction of the consumption of hazardous and toxic materials and mitigating the frequency of environmental accidents among other measures aimed at promoting the right to a clean and healthy environment and enhancing climate change mitigation and adaption⁶⁹; and at the social level through creating employment opportunities, provide equal opportunities for all persons, fostering diversity, encouraging social contacts within and outside the corporation and promoting quality life for their employees⁷⁰.

Governance is therefore an important factor in sustainability. However, the ideal of good governance faces several challenges in both the public and private sectors. Some corporations have been accused of engaging in bad governance practices thus affecting the attainment of the 'G' pillar of the ESG agenda⁷¹. Such practices include corruption, lack of board diversity, weak transparency and accountability mechanisms, and failure to embrace Corporate Social Responsibility (CSR)⁷². Further, some countries are still facing governance problems including corruption, weak legal and institutional regimes, abuse of human rights, insufficient transparency and accountability mechanisms, weaknesses in justice systems and political instability which hinder sustainability⁷³. It is imperative to realize the Governance tenet in ESG in order to foster sustainability.

<https://www.tandfonline.com/doi/epdf/10.1080/1331677X.2022.2080745?needAccess=true&role=button>
(Accessed on 30/10/2023)

⁶⁹ Boeva. B et al., 'Corporate Governance and the Sustainable Development.' Op Cit

⁷⁰ Ibid

⁷¹ Filatotchev, I. & Stahl, G. K., 'Towards Transnational CSR. Corporate Social Responsibility Approaches and Governance Solutions for Multinational Corporations.' *Organizational Dynamics*, Volume 44, No.2

⁷² Ibid

⁷³ Crocker. C., 'African Governance: Challenges and their Implications.' Available at

<https://www.hoover.org/research/african-governance-challenges-and-their-implications> (Accessed on 31/10/2023)

4.0 Way Forward

It is imperative for companies to foster transparency and accountability by embracing corporate disclosure requirements such as sustainability reporting⁷⁴. Sustainability reporting has been described as a key tool good governance due to its ability to help companies monitor and disclose corporate progress on aspects such as the achievement of the SDGs⁷⁵. In order to foster good governance, initiatives such as the United Nations Global Compact (UNGC) have developed sustainability principles focusing on human rights, labour, the environment and anti-corruption and encourages participants to self-assess, prepare, and submit a progress report to the UNGC on their performance around these four topical areas⁷⁶. Further, the Carbon Disclosure Project (CDP) allows signatory companies to provide performance data on issues such as climate change, water security and deforestation on a self-disclosure basis⁷⁷.

Further, in Kenya, the Nairobi Securities Exchange has developed an ESG Disclosures Guidance Manual (ESG Manual) which is designed to guide listed companies in Kenya and other organizations interested in ESG reporting on how to collect, analyse, and publicly disclose important ESG information in a way that meets international sustainability reporting standards⁷⁸. This is expected to ensure transparency in ESG disclosures which can help in building integrity and trust in the capital markets thus enhancing competitiveness to attract investment to the capital markets in Kenya⁷⁹. Corporations can therefore embrace sustainability and ESG reporting as a way of realizing good governance. However, there is need to ensure transparency and full

⁷⁴ Buniamin. S et al., 'The Role of Corporate Governance in Achieving SDGs Among Malaysian Companies.' Op Cit

⁷⁵ Ibid

⁷⁶ United Nations Global Compact: available at <https://www.unglobalcompact.org/engagelocally/africa/kenya> (Accessed on 31/10/2023)

⁷⁷ Carbon Disclosure Project, available at <https://www.cdp.net/en> (Accessed on 31/10/2023)

⁷⁸ Nairobi Securities Exchange, 'ESG Disclosures Guidance Manual', available at <https://sseinitiative.org/wp-content/uploads/2021/12/NSE-ESG-Disclosures-Guidance.pdf> (Accessed on 31/10/2023)

⁷⁹ Ibid

disclosure in such reporting in order to capture the true image in relation to a corporation's role in fostering sustainability⁸⁰.

In addition, it is vital for countries to embrace good governance as envisaged under SDG 16 which requires states to promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable and inclusive institutions at all levels⁸¹. SDG 16 recognizes that tenets of good governance including adherence to the rule of law; equal access to justice for all; effective, accountable and transparent institutions at all levels; responsive, inclusive, participatory and representative decision-making at all levels; public access to information; and protection of human rights are essential in achieving Sustainable Development⁸². It has been asserted that fostering good governance within the 'G' pillar of ESG is achieving SDG 16⁸³. It is therefore important for countries to pursue the objectives of SDG 16 by strengthening the rule of law, building accountable and inclusive institutions at all levels, upholding human rights and enhancing access to justice⁸⁴. This will foster good governance and enhance sustainability through open, accountable and responsive governments and institutions⁸⁵.

Finally there is need to enhance public participation and access to information at all levels in order to realize the Governance tenet in ESG and foster sustainability⁸⁶. SDG 16 acknowledges the role of participatory and representative decision-making at all levels and public access to information in good governance and sustainability⁸⁷. The Rio Declaration recognizes the role of public participation in sustainability and stipulates that

⁸⁰ Buniamin. S et al., 'The Role of Corporate Governance in Achieving SDGs Among Malaysian Companies.' Op Cit

⁸¹ United Nations., 'Transforming Our World: The 2030 Agenda for Sustainable Development.' Sustainable Development Goal 16

⁸² Ibid

⁸³ Leogrande. A., 'The Rule of Law in the ESG Framework in the World Economy.' Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4355016 (Accessed on 31/10/2023)

⁸⁴ Ibid

⁸⁵ Ibid

⁸⁶ Ibid

⁸⁷ United Nations., 'Transforming Our World: The 2030 Agenda for Sustainable Development.' Sustainable Development Goal 16

environmental issues are best handled with the participation of all concerned citizens, at the relevant level⁸⁸. It requires states to facilitate and encourage public participation and access to information in environmental governance towards sustainability⁸⁹. It has been argued that public participation is important in bridging the gap between the government, civil society, private sector and the general public, building a common understanding about the local situation, priorities and programmes since it encourages openness, accountability and transparency, and is thus at the heart of inclusive decision-making and good governance⁹⁰. Public participation and access to information can enhance the role of people at all levels in governance including the management of natural environments, enabling the conditions for peace, development and sustainability to flourish⁹¹. It is therefore imperative to foster public participation and access to information in order to realize the Governance tenet in ESG for sustainability.

5.0 Conclusion

Governance is at the heart of ESG and has been recognized as instrumental in realizing sustainability⁹². Tenets of good governance including participation, respect for the rule of law, transparency, responsiveness, consensus building, accountability, equity, inclusiveness, effectiveness and efficiency are important in achieving the goals of ESG towards sustainability⁹³. Further, SDG 16 acknowledges the role of good governance in achieving the Sustainable Development agenda⁹⁴. However, concerns in the private and public sectors including corruption, weak legal and institutional regimes, abuse of

⁸⁸ United Nations General Assembly., 'Report of the United Nations Conference on Environment and Development: Rio Declaration on Environment and Development.' Principle 10

⁸⁹ Ibid

⁹⁰ Muigua. K., 'Towards Meaningful Public Participation in Natural Resource Management in Kenya.' Available at <http://kmco.co.ke/wp-content/uploads/2018/08/TOWARDS-MEANINGFUL-PUBLIC-PARTICIPATION-IN-NATURAL-RESOURCE-MANAGEMENT-IN-KENYA.pdf> (Accessed on 31/10/2023)

⁹¹ Ibid

⁹² Temel. M., Lozano. R., & Barreiro-Gen. M., 'Analysing the Governance Factors for Sustainability in Organisations and their Inter-Relations.' Op Cit

⁹³ Ramzy. O et al., 'Sustainable Development & Good Governance.' Op Cit

⁹⁴ United Nations., 'Transforming Our World: The 2030 Agenda for Sustainable Development.' Sustainable Development Goal 16

Realizing the Governance ('G') tenet in ESG for Sustainability

human rights, insufficient transparency and accountability mechanisms, weaknesses in justice systems and political instability hinder realization of good governance towards sustainability⁹⁵. It is therefore important to foster good governance in both the private and public sectors by strengthening transparency and accountability mechanisms through measures such as sustainability reporting⁹⁶; fostering SDG 16 by strengthening the rule of law, building accountable and inclusive institutions at all levels, upholding human rights and enhancing access to justice⁹⁷; and enhancing public participation and access to information at all levels⁹⁸. Realizing the Governance ('G') tenet in ESG for sustainability is a worthy and achievable endeavor.

⁹⁵ Crocker. C., 'African Governance: Challenges and their Implications.' Op Cit

⁹⁶ Buniamin. S et al., 'The Role of Corporate Governance in Achieving SDGs Among Malaysian Companies.' Op Cit

⁹⁷ United Nations., 'Transforming Our World: The 2030 Agenda for Sustainable Development.' Sustainable Development Goal 16

⁹⁸ Muigua. K., 'Towards Meaningful Public Participation in Natural Resource Management in Kenya.'

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