

# When ESG Is Real:

## Good-Practice Benchmarks, the Business Case, and the Substance Gap in ESG Management

With the SPC Group as a Cautionary Baseline and Updated 2024-2026 Evidence

### Abstract

Environmental, social, and governance (ESG) management has moved from a reputational nicety to a material determinant of corporate strategy: ESG-related assets under management exceeded US\$40 trillion in 2025, and mandatory sustainability reporting under the EU's CSRD and the ISSB standards arrived the same year. Yet high-profile failures show that publishing an ESG report is not the same as practising ESG. This paper first uses South Korea's SPC Group as a cautionary baseline—a company that reported itself as socially responsible while accumulating environmental (unhygienic Dunkin' factories), social (a worker's death in 2022, coerced pregnant-worker contracts), and governance (trade-union coercion) failures that triggered a public boycott. A 50-person survey found broad awareness of the boycott (80%) but thin active participation (20%), and SPC's share price and net profit proved resilient, illustrating that a weak short-run market signal can mask real reputational and human costs. Against this baseline, we assemble the current evidence that substantive ESG creates value: a meta-analysis of about 1,400 studies finds a positive ESG-financial relationship in 58% of corporate studies (negative in only 8%), with the strongest benefits over long horizons and as downside protection in crises—but only when ESG is a strategy rather than mere disclosure. We then benchmark good practice with updated 2024-2026 data from leaders such as Microsoft (carbon negative by 2030), Orsted (coal-to-offshore-wind), Schneider Electric and NVIDIA (top sustainability ratings), and Patagonia (ownership transferred to fund climate action), and we map the 'substance gap' that separates them from reporting-heavy laggards. The lesson is that good ESG pays through talent, brand, risk reduction, and access to capital—provided it is genuine.

**Keywords:** *ESG; sustainability; corporate social responsibility; greenwashing; financial performance; SPC Group; CSRD; ISSB; net-zero; stakeholder capitalism*

## 1. Introduction

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ESG—*environmental, social, and governance* management—has become a principled, mainstream business strategy aimed at long-run sustainability and societal well-being rather than short-run financial return alone. Its scale is now hard to overstate: the global ESG investing market was valued at roughly US\$39 trillion in 2025 and ESG-related assets under management exceeded US\$40 trillion, with Europe accounting for about 44% of the total (Fig. 4). Regulation has followed the money: 2025 was the first year in which thousands of companies filed mandatory sustainability statements under the EU's Corporate Sustainability Reporting Directive (CSRD), while jurisdictions worldwide began adopting the International Sustainability Standards Board's (ISSB) climate-disclosure framework. Stakeholders increasingly treat ESG capability as a determinant of investment.

But scale and disclosure raise a sharper question than 'is a company reporting on ESG?'—namely, 'is its ESG real, and does real ESG create value?' This paper answers in three moves. It first grounds the question in a cautionary case, the SPC Group, whose polished ESG reporting coexisted with serious failures. It then reviews the current evidence on whether substantive ESG pays. Finally it benchmarks what good ESG looks like using updated 2024-2026 data from recognised leaders, and it names the 'substance gap' that separates genuine performers from greenwashers.

## ESG — the three pillars of non-financial corporate performance



**Figure 1.** The ESG framework. Three pillars—environmental, social, and governance—decompose a company's non-financial performance into the categories against which leaders and laggards are judged.

## 2. A Cautionary Baseline: The SPC Group

SPC Group, a South Korean multinational founded in 1945 and a leader of the domestic baking market (Paris Baguette, Samlip, Dunkin', and others), presents itself in annual ESG reports as socially responsible. A series of incidents tells a different story, and mapping them onto the three pillars (Table 1) shows failures across all three.

**Table 1.** SPC Group's ESG failures by pillar (compiled from investigative reporting and the source study).

| Pillar                 | Incident                   | ESG failure                                                                                                      |
|------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------|
| Environmental / Social | Dunkin' factories          | Unsanitised machinery and foreign matter in dough; four further factories found unhygienic                       |
| Social                 | Worker death (15 Oct 2022) | Fatal machine accident; a two-person machine run by one worker with the safety interlock missing                 |
| Social                 | Pregnant-worker labour     | Same workload despite legal protections; semi-coerced contracts shifting liability to the worker                 |
| Governance             | Trade-union coercion       | Employees pressured (some unknowingly) to switch unions; promotions skewed to the favoured union; ruled unlawful |
| Governance             | COVID-19 breaks            | Sick employees compelled to work to avoid paying higher-wage standby staff                                       |

A 50-respondent survey (Fig. 2) captured the public response. Awareness of the boycott was wide (80% 'yes'), but active participation was thin: only 20% were currently boycotting and a further 16% had stopped. Among participants, 57.9% boycotted only Paris Baguette rather than the whole group (31.6%), and many respondents could not correctly identify SPC's subsidiaries—18.4% and 16.3% even selected decoy brands not owned by SPC. Low brand-awareness of the conglomerate structure blunted the boycott's reach.

Primary survey of the SPC boycott (n = 50): wide awareness, thin active participation

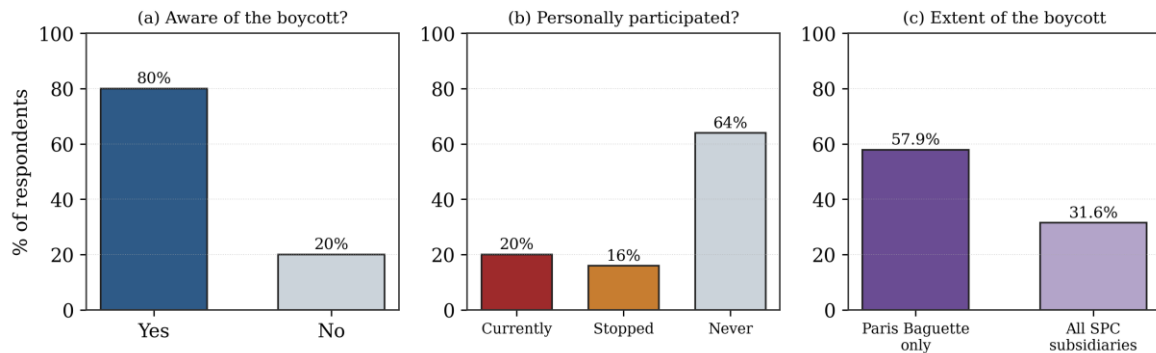


**Figure 2.** Primary survey of the SPC boycott (n = 50). Awareness was wide (80%) but active participation thin (20% current, 16% lapsed), and most boycotters targeted only Paris Baguette.

The financial signal was correspondingly weak. SPC Samlip's share price did fall around each crisis—from KRW 90,700 before the March 2022 hunger strike to KRW 70,300 by mid-June, and from KRW 81,000 to KRW 72,500 around the October 2022 worker death (Fig. 3)—yet these moves are entangled with market-wide factors, and full-year net profit actually rose from about KRW 335.0 billion in 2021 to KRW 389.1 billion in 2022. The re-launch of a nostalgic 'Pokemon bread' (4.7 million packs sold in under a month) and a large international footprint (450+ Paris Baguette stores abroad) cushioned the group. The lesson is not that ESG failures are costless but that the short-run share-price signal is noisy; the real costs land on people (a worker's life, franchisees' revenues) and on the brand's long-run reputation.

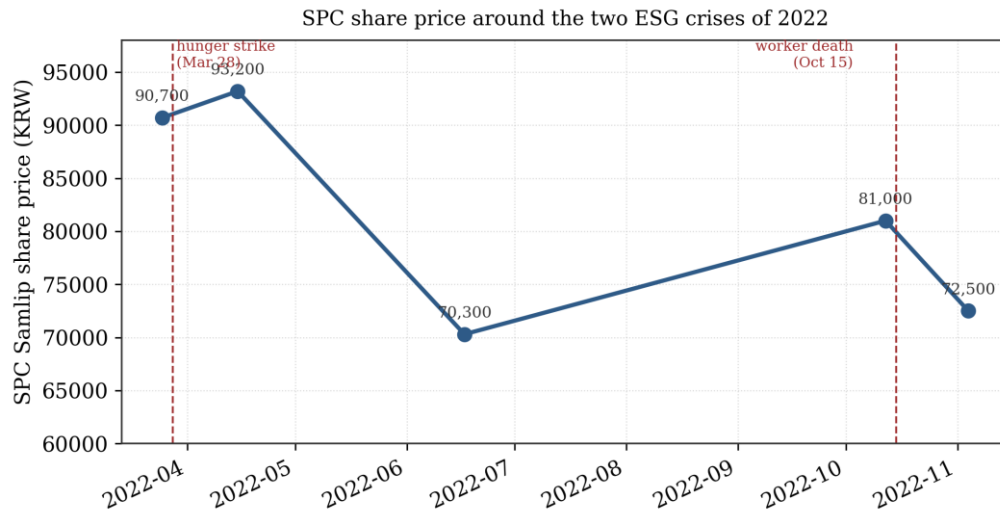


**Figure 3.** SPC Samlip's share price around its two 2022 ESG crises. Prices dipped after the hunger strike and the worker death, but the moves are modest and confounded, and annual net profit still rose.

### 3. Does ESG Pay? The Current Evidence

The SPC case poses the general question in miniature: when does ESG affect financial performance? The most comprehensive answer comes from a meta-analysis by the NYU Stern Center for Sustainable Business, which surveyed 1,141 peer-reviewed papers and 27 meta-reviews (about 1,400 underlying studies). Among corporate studies of operational metrics or share price, it found a **positive** ESG-financial relationship in 58% of cases, mixed in 21%, neutral in 13%, and negative in only 8% (Fig. 5). Three qualifications matter and

map precisely onto the SPC story. First, the benefit grows over *longer horizons* and shows up especially as *downside protection* during social or economic crises—not necessarily as a quarter-by-quarter share-price move. Second, ESG *integration* outperforms simple negative screening. Third, and most tellingly, **disclosure without an accompanying strategy does not drive performance**. SPC's weak short-run market signal is exactly what the evidence predicts for a company whose ESG is reported but not lived.

Does ESG pay? Direction of the ESG-financial link  
(NYU Stern meta-analysis of ~1,400 studies)

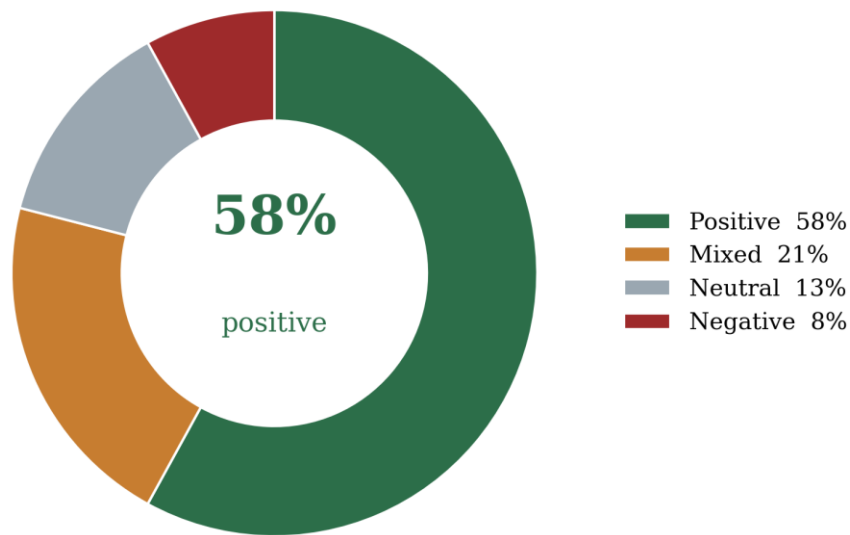


**Figure 4.** Direction of the ESG-financial relationship across ~1,400 studies (NYU Stern meta-analysis): positive in 58% of corporate studies, negative in only 8%. The benefit is strongest over long horizons and as crisis-time downside protection.



**Figure 5.** The scale of ESG capital. The global ESG investing market (~US\$39T in 2025; AUM above US\$40T) is projected to grow at roughly 19% a year, making ESG performance financially material at market scale.

## 4. What Good ESG Looks Like: Updated Benchmarks

If SPC shows the downside, a set of recognised leaders shows what substantive ESG looks like in 2024-2026 (Table 2, Fig. 6). Their commitments are specific, time-bound, externally rated, and—crucially—matched by operational change rather than confined to a report.

**Table 2.** Benchmark ESG leaders and their headline commitments (updated 2024-2026 data).

| Company            | Pillar highlight     | Headline commitment / result                                                                                                           |
|--------------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Microsoft          | Environmental        | Carbon negative by 2030; 100% renewable electricity; water positive by 2030; to remove all historical emissions since 1975 by 2050     |
| Orsted             | Environmental        | Transformed from a coal utility to the world's largest offshore-wind developer; carbon-neutral generation targeted by 2025             |
| Schneider Electric | Environmental / Gov. | Repeatedly ranked the world's most sustainable corporation; carbon-neutral operations by 2025                                          |
| NVIDIA             | Environmental        | MSCI AAA rating held since 2020; target of 65% renewable energy                                                                        |
| Patagonia          | Social / Gov.        | 2022 ownership transfer to a purpose trust and non-profit—profits (~US\$100M/yr) fund climate action ('Earth is our only shareholder') |
| Best Buy           | Environmental        | Emissions cut by two-thirds since 2009; carbon neutral targeted by 2040                                                                |

### 4.1 Environmental leadership

Microsoft anchors the environmental benchmark: it pledges to be carbon negative by 2030, to run on 100% renewable electricity, to become water positive, and—uniquely—to remove by 2050 all the carbon it has emitted since 1975, backing the pledge with a large internal carbon fee and a climate-innovation fund. Orsted supplies the transformation story: once one of Europe's most coal-intensive utilities, it divested fossil assets and rebuilt itself as the world's largest offshore-wind developer, demonstrating that even a heavy-emitting incumbent can pivot. Schneider Electric and NVIDIA show that leadership is externally verifiable—Schneider is repeatedly ranked the world's most sustainable corporation, and NVIDIA has held MSCI's top AAA rating since 2020.

### 4.2 Social and governance leadership

On the social and governance pillars, Patagonia is the landmark case: in 2022 its founder transferred ownership to a purpose trust and a non-profit so that the company's profits—about US\$100 million a year—fund environmental action, aligning the ownership structure itself with the mission. More broadly, good governance now means transparent, standards-aligned reporting (CSRD, ISSB), independent and diverse boards, and executive incentives tied to verified ESG outcomes—precisely the controls whose absence produced SPC's union coercion and safety failures.

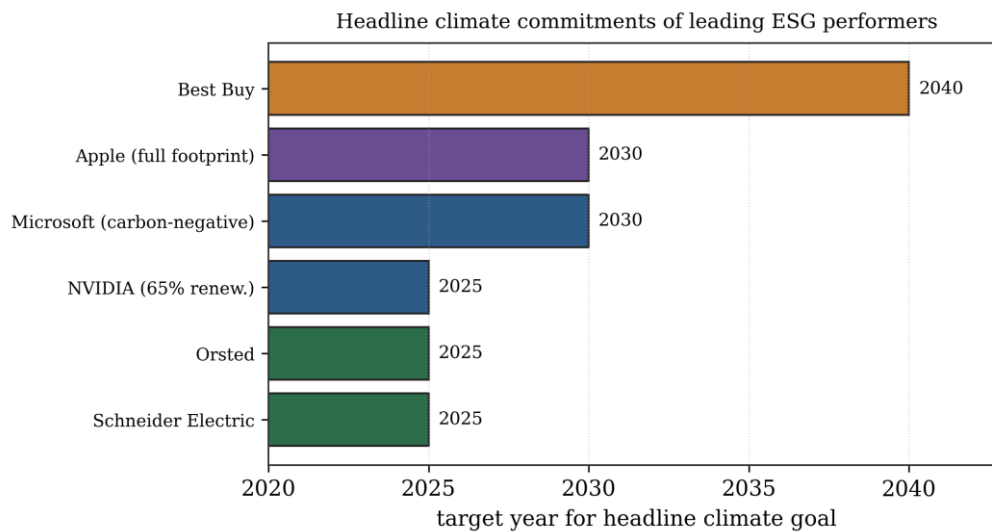


**Figure 6.** Headline climate commitments of leading ESG performers, ordered by target year. Several leaders target carbon neutrality by 2025-2030, well ahead of typical corporate timelines.

## 5. The Substance Gap and the Greenwashing Risk

The decisive variable separating leaders from laggards is not how much a company *discloses* but how much it actually *does*. Figure 7 maps the two dimensions. Genuine leaders score high on both; SPC scores high on disclosure and low on substance—the **greenwashing zone**. This gap is now the central concern of ESG policy. As mandatory reporting expanded, regulators and investors shifted emphasis from the quantity of ESG labels to the quality and credibility of information; in 2025 the EU moved to simplify and narrow the CSRD and the ISSB proposed amendments to focus on decision-useful, substantive disclosure. A parallel political backlash, strongest in parts of the United States, has pressured firms to drop the ESG label—yet many continue the underlying work under other names, underscoring that the substance, not the acronym, is what carries value.

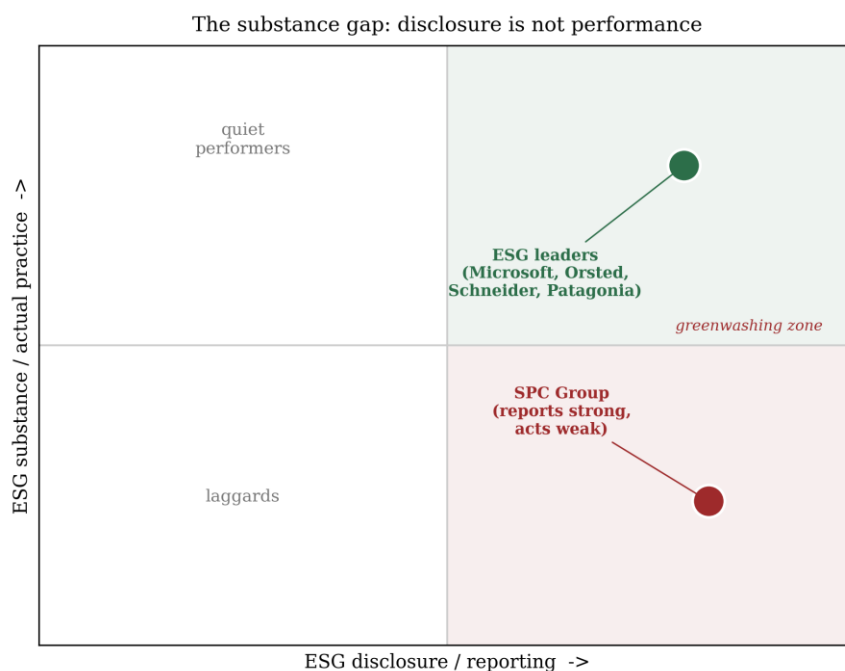


**Figure 7.** The substance gap. Disclosure and actual practice are distinct axes; genuine leaders are high on both, while reporting-heavy, action-light firms like SPC occupy the greenwashing zone.

## 6. How Good ESG Creates Value

Why does substantive ESG pay while cosmetic ESG does not? The value flows through four channels (Fig. 8). Talent and motivation: employees are more engaged and less likely to strike or leave when treated well—the mirror image of SPC's demotivated, unionised, unsafe workforce. Brand and customer loyalty: credible ESG builds brand equity, whereas exposed failures invite boycotts and reputational loss. Risk and resilience: strong governance and safety reduce the probability of the very accidents, lawsuits, and scandals that destroy value, which is why ESG acts as downside protection in crises. Capital access: with more than US\$40 trillion screened on ESG criteria, credible performers enjoy a deeper investor base and, often, a lower cost of capital. These channels explain why the financial benefit is real but diffuse and long-term rather than an immediate share-price jump.

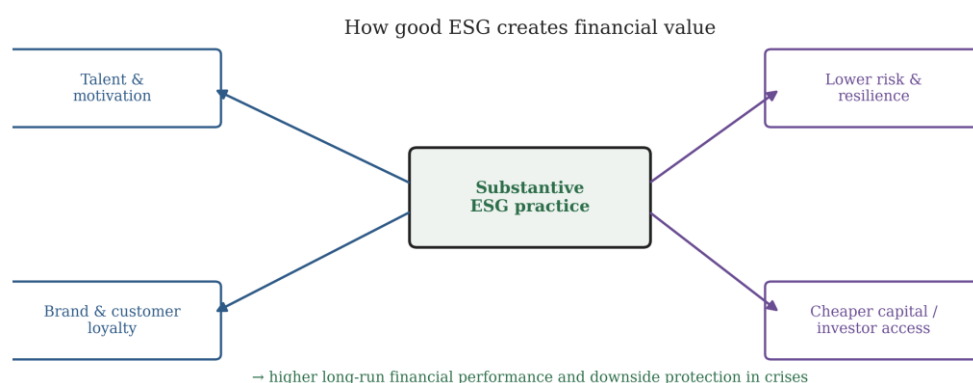


**Figure 8.** How substantive ESG converts into financial value—through talent, brand, risk reduction, and cheaper access to capital—yielding higher long-run performance and crisis-time resilience.

## 7. Conclusion and Recommendations

ESG has become financially material, but its value depends entirely on being genuine. The SPC Group shows the failure mode: polished reporting over unaddressed environmental, social, and governance failures, a boycott that was widely known yet weakly acted upon, and a short-run market signal too noisy to discipline the company—while the real costs fell on a worker's life, on franchisees, and on the brand. The evidence base shows the opposite pattern for real ESG: a positive financial relationship in 58% of some 1,400 studies, concentrated in long-horizon returns and crisis resilience, and conditional on strategy rather than disclosure. The benchmarks show what genuine looks like: Microsoft's carbon-negative pledge, Orsted's coal-to-wind pivot, Schneider's and NVIDIA's top ratings, and Patagonia's mission-locked ownership. For managers, the practical implications are direct: treat ESG as operating strategy, not communications; set specific, time-bound, externally verified targets across all three pillars; align governance and executive incentives with those targets; and close the substance gap before the market, the regulator, or a tragedy closes it for you. Good ESG, done for real, is not a cost centre but a durable source of talent, trust, resilience, and capital.

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