Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG)

Why They Matter, Benefits, Global Standards, and How to Create a Policy

December 2025

Insight

In today's business environment, organisations are under increasing pressure from investors, regulators, customers and employees to act responsibly and transparently. Two of the most recognised frameworks for achieving this are Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG).

While related, they are not interchangeable. Understanding their differences, benefits and practical implementation steps can help organisations create meaningful policies that improve their performance and reputation.

CSR and ESG: Understanding The Difference

Corporate Social Responsibility (CSR) is the voluntary commitment of a company to contribute positively to society and the environment beyond legal obligations. It focuses on ethics, community engagement, philanthropy, and sustainability practices - often motivated by values and reputation.

Environmental, Social and Governance (ESG) on the other hand, is a structured, measurable approach that assesses a company's performance in key sustainability and governance areas. ESG integrates these considerations into risk management, strategy and investment decisions, making it highly relevant for financial markets.

Key Distinctions

Aspect	CSR	ESG
Purpose	Voluntary ethical commitment to do good	Strategic, measurable framework to manage sustainability and governance risks
Focus Areas	Philanthropy, community impact, ethical conduct	Environmental impact, social responsibility, governance practices
Measurement	Often qualitative, narrative-based	Quantitative metrics and KPIs
Stakeholder Audience	Communities, employees, customers	Investors, regulators, analysts, stakeholders
Integration	Often separate from the core business strategy	Embedded into core business strategy and operations
Reporting	Informal or via sustainability reports	Standardised, audited and comparable reporting

CSR is values-driven: "We want to do the right thing."

ESG is data-driven: "We measure, manage, and report our impact."

Why Companies Should Have a CSR or ESG Policy

There are many reasons that companies should have CSR or ESG policies. These include, but are not limited to;

1. Investor Attraction and Risk Management: Investors increasingly use ESG data to assess long-term resilience. A CSR or ESG policy signals that the organisation actively manages environmental and social risks, making it more attractive to capital markets.
2. Regulatory Compliance and Preparedness: Regulatory requirements around ESG disclosures are expanding. Examples include the EU's Corporate Sustainability Reporting Directive (CSRD) and the UK's Task Force on Climate-related Financial Disclosures (TCFD) mandate. A policy ensures readiness and avoids last-minute compliance costs.
3. Brand Reputation and Customer Loyalty: A visible commitment to social and environmental responsibility strengthens brand trust. Modern consumers are more likely to choose companies aligned with their values.
4. Operational Efficiency and Cost Savings: Sustainability measures often cut waste, energy consumption and costs.
5. Employee Engagement and Retention: Employees, particularly younger generations, seek purpose-driven employers. CSR activities like volunteering or ESG goals like workplace diversity improve morale and retention.
6. Competitive Advantage: Early adoption can differentiate a company in its industry and position it as a leader in innovation.

Benefits Overview

There are many proven benefits for organisations having a defined strategy and having implemented CSR and ESG policies. These may include, but are not limited to;

- Financial Benefits: Access to capital, reduced insurance premiums, improved investor confidence.
- Operational Benefits: Reduced resource usage, supply chain efficiency.
- Reputational Benefits: Stronger public image, increased customer trust.
- Talent Benefits: Attraction of skilled employees, increased employee pride and productivity.
- Innovation Benefits: Incentive to develop sustainable products and services.

Important Global CSR and ECG Accreditations & Standards

Adopting recognised standards strengthens credibility, comparability and trust with stakeholders. Recognised European standards include;

Environmental Standards

- ISO 14001 - Environmental Management Systems for continuous improvement.
- Science Based Targets initiative (SBTi) - Validates corporate climate targets.
- Carbon Disclosure Project (CDP) - Global disclosure system for environmental impact.

Social Responsibility Standards

- ISO 26000 - Guidance on social responsibility.
- SA8000 - Social accountability standard focusing on workplace conditions.
- Fairtrade Certification - Ethical trade and fair pricing standards.

Governance and Reporting Frameworks

- Global Reporting Initiative (GRI) - Comprehensive sustainability reporting guidelines.
- Sustainability Accounting Standards Board (SASB) - Industry-specific ESG metrics.
- Task Force on Climate-related Financial Disclosures (TCFD) - Guidance for reporting climate-related risks.
- UN Global Compact - Principles-based approach for human rights, labour, environment, and anti-corruption.

ESG Ratings and Indexes

- MSCI ESG Ratings - Evaluates ESG risk management.
- Dow Jones Sustainability Index (DJSI) - Recognises top sustainability performers.
- FTSE4Good Index - Measures companies' ESG performance.

Steps to Create a CSR or ESG Strategy and Policy

A structured approach ensures the policy is meaningful, actionable and measurable.

Step 1: Secure Leadership Commitment

- Obtain board and senior management support.
- Appoint an CSR/ESG leader or steering committee.

Step 2: Assess Current Position

- Review existing initiatives, risks, and gaps.
- Conduct a materiality assessment to identify the most important CSR/ESG issues for your stakeholders.

Step 3: Define Goals and KPIs

- Align with international frameworks such as the UN Sustainable Development Goals (SDGs).
- Ensure goals are SMART (Specific, Measurable, Achievable, Relevant, Time-bound).
- Example Goal: Reduce Scope 1 and Scope 2 carbon emissions by 30% within 5 years.

Step 4: Engage Stakeholders

- Consult employees, suppliers, customers and community representatives.
- Incorporate their perspectives into strategy development.

Step 5: Develop the Policy Document

A strong CSR/ESG policy should include:

- Purpose - Why the policy exists.
- Scope - Who and what it covers.
- Commitments - Environmental, social, and governance goals.
- Responsibilities - Roles and accountabilities.
- Reporting - How progress will be measured and disclosed.

Step 6: Integrate into Business Operations

- Embed CSR/ESG considerations into decision-making, supply chain management and product design.
- Provide training for staff to understand and apply the policy.

Step 7: Monitor and Report Progress

- Use software tools for data tracking.
- Report progress publicly, using recognised frameworks like GRI or SASB.

Step 8: Review and Improve

- Conduct annual reviews.
- Update goals based on performance and emerging best practices.

Practical Tips for Starting Small

- Begin with one or two focus areas, such as reducing energy use or improving diversity.
- Set measurable targets, even if they're basic at first.
- Communicate openly about both successes and challenges.
- Look for quick wins like switching to renewable energy providers or encouraging employee volunteering.
- Partner with industry bodies, NGOs or local community groups.

Summary

CSR and ESG are essential tools for modern business success. While CSR focuses on voluntary ethical commitments, ESG provides a measurable, strategic framework that integrates sustainability into the core of business decision-making.

Having a clear CSR or ESG policy brings significant benefits: enhanced reputation, investor confidence, regulatory readiness, operational efficiency, and employee engagement. By aligning with recognised global standards and following a structured strategy development process, companies can create meaningful change while strengthening their competitiveness.

In an era where stakeholders demand transparency and responsibility, organisations that embrace CSR and ESG not only help society and the environment but also position themselves for long-term resilience and growth.