CSR ACCREDITATION
Show that you care

Decoding CSR & ESG

Independent validation for sustainable business

ESG COMPLIANT
Independent Validation

A symbiotic relationship between CSR (social responsibility*) and ESG (environment, social and governance)

These two terms emerge frequently in corporate discourse. Both terms relate to the social responsibilities of businesses. While CSR holds organisations accountable for their social commitments in a qualitative and quantitative manner, ESG provides measurement and quantifies such social efforts.

Social responsibility / sustainability* are no longer concepts that organisations can talk about but fail to act on. It is now essential to show that you are delivering on both social and financial value.

Speaking the Same Language

Is 'ESG' the same as 'sustainability' and 'corporate social responsibility'?

Many organisations use 'sustainability', 'corporate responsibility' or 'corporate social responsibility' to refer to strategies and programmes related to environmental, social or governance (ESG) activities. These frameworks provide the structure in which you can address ESG reporting, other terms include 'non-financial' and 'extra-financial' reporting.

Social responsibility is about developing a strong company culture that empowers employees to do environmental and social good. Social responsibility is important to businesses because employees benefit from working in an inclusive environment and towards a valued social goal. This builds a strong company culture that positively impacts people and productivity. It delivers both social and financial value through staff engagement, retention, attracting talent, efficiencies, tendering and reputation.

While social responsibility/sustainability impacts internal processes and company culture, ESG is a measurable set of propositions that external partners and investors look at in their evaluation of a company. ESG scoring illustrates a company's identification and quantification of its risks and opportunities. Measurable considerations are beneficial both for external partners and investors and company executives in making strategic decisions.

Some of the concepts we all understand and recognise as important are: Improving working conditions and human rights, reducing resource use, carbon foot-printing and improved community engagement. Many existing and new standards help organisations drive positive outcomes in each of these areas, providing the impacts that organisations have traditionally focused on when looking to improve their social responsibility/sustainability.

ESG scoring is different. It encompasses all these factors and yet is focused on its material impact on a business. The aim of business managers and board members may, ultimately be the same, to work more efficiently and with a reduced impact on the environment and society. But the language they employ to describe and achieve these goals can be very different. Business managers are concerned with improving and communicating sustainability and social responsibility impacts. However, a board is also interested in ESG scoring because it is a vital part of what an investor will consider – this is part of it's materiality.

ESG performance on subjects such as resource use, human rights, corruption and transparency are increasingly used to draw conclusions about the quality of governance, identify exposure to business risks and assess ability to leverage business opportunities.

Therefore it is now increasingly important for organisations to communicate with investors clearly and accurately about these aspects of performance.

***Challenging the 'C' in CSR** - Increasingly the term 'corporate' has been challenged. This is because it excludes a large number of stakeholders, specifically the third and public sectors and because 'corporate' does not encompass sole traders or smaller SME's. For this reason we have defined the 'C' in CSR to be more inclusive.

***Sustainability** means meeting our own needs without compromising the ability of future generations to meet their own needs. **(Brundtland Report)**

Making claims about social responsibility/sustainability that cannot be validated is no longer acceptable to the drivers of change which are the financial markets. Instead, senior management must find an effective way to quantify their organisations operations against set environmental, social and governance (ESG) criteria.

Active engagement by corporate boards stems from a profound change in the way financial markets are approaching social responsibility/sustainability. Investors are no longer solely focusing on financial statements. Instead, they are taking an integrated approach to investment decision-making that involves financial information and ESG performance. This approach is gaining support from government authorities.

An ESG score is now essential for anyone looking to invest in a business. The adoption of ESG practices points to a growing understanding that a healthy profit doesn't have to come at the expense of people or the planet – in fact there is a direct link between profitability and simultaneously striving to make the world a better place.

Investors now routinely analyse information on ESG performance alongside other financial and strategic information in order to gain a better understanding of companies' risks and future prospects.

How investors use ESG information is changing

According to the 2020 Global Sustainable Investment Alliance (GSIA) report at the start of 2020, global sustainable investment reached USD35.3 trillion in five major markets, a 15% increase in the past two years (2018-2020). The most common sustainable investment strategy is ESG integration, followed by negative screening, corporate engagement and shareholder action, norms-based screening and sustainability-themed investment.

The need for organisations to respond to this demand for information is clear. By disclosing the information that investors want, organisations can provide reassurance that they are effectively managing business risks and identifying opportunities.

There is growing evidence that organisations that publish high quality information on the far reaching implications of ESG performance for their business are more likely to attract and retain long-term investors. Having a clear view on a socially responsible strategy and ESG issues, positions businesses at the forefront of opportunities presented by the unfolding sustainable and low carbon economy.

Having said that, in a recent study, over a third of companies believed they were able to quantify the business value of sustainability initiatives accurately, yet only 7% of investors agreed.

Five Core ESG Performance Considerations

1 - Establishing strategic relevance

It is important for any organisation to be able to explain how its core business strategies may be impacted by global environmental, social and economic trends, and how it is seeking to position itself either to benefit from them or manage and mitigate risks associated with them. This provides the context for ESG reporting and allows investors to assess how well prepared the company is strategically for changes in its operating environment. For example demonstrating resilience as well as readiness to transition to a sustainable and low carbon economy is relevant for organisations across a number of industries and sectors.

At a working level in larger companies, investor relations, finance and CSR/sustainability divisions will need to align to ensure the quality and consistency of information reported. For smaller organisations using a CSR or sustainability framework will help focus on reporting.

This is about balancing out social and financial value as well as current and future planning.

2 - Materiality Analysis

Understanding business materiality has multiple advantages. It enables the reporting of non-financial issues to improve investment decisions, risk and opportunity assessment, enhancing stakeholder engagement and helping to future-proof a business against regulatory and legal changes.

Materiality analysis means identifying which issues, risks, opportunities are the most important to be addressed. Conducted with the cooperation of key stakeholders, this is a powerful tool for reviewing strategy and addressing what is critical to the success and longevity of business.

To understand a company's long-term prospects, investors will focus on those issues that they believe to be most relevant – or 'material' – to any particular business. However, different investors inevitably have different views on what they see as material.

3 - Validated data

Investors and other interested parties want ESG information to be complete, consistent, reliable, comparable and clear. Organisations should ensure that the data they provide is accurate, timely, recent and based on consistent global standards to facilitate comparability. Data should be transparent, accessible, accountable and evidenced. Organisations should offer a balanced view that highlights both positives and negatives in performance. To provide investors with a greater degree of confidence in reported data, organisations can choose to have ESG data validated.

CSR Accreditation provides independent recognition and validation ensuring ESG compliance.

5 Core ESG Performance Considerations

4 - Global frameworks

ESG scoring is typically calculated by third party companies who specialise in this area. Some consultants might use the GRI (Global Reporting Initiative)/SRI (Socially Responsible Investment) guidelines as well as qualitative evaluation while others use data points drawn from the most currently available information such as CSR Accredited organisations.

Increasing use of global standards and frameworks by companies has a key role to play in making information more available, consistent and reliable. For example, according to KPMG's 2020 Sustainability Report the use of sustainability reporting guidelines and standards is increasingly widespread. In 2020, a significant majority of reporting companies in both the largest 100 (N100) companies across 52 countries (77 percent) and world's largest 250 companies (G250) (84 percent) used some kind of guidance or framework to support their sustainability reporting.

GRI remains the most commonly used reporting standard or framework, used by around two-thirds of N100 reporters and around three-quarters of G250 reporters.

5 - Social impact reports

The social impact (CSR/sustainability) report is an approach favoured by many organisations. These reports provide a clear 'home' for ESG content, consolidating the information in a single location. In addition, a sustainable and social impact report does not necessarily need to align with the style of the annual report.

The CSR-A Social impact report categorises the information into the CSR four pillars and maps this information against ESG criteria and the UN SDGs. This can address regulatory requirements and the reporting standards required in different countries.

Future advisories

Investors want to understand how well organisations are managing the risks associated with ESG issues, seeing this as a key test of management quality. They are also interested in the opportunities presented by the low carbon economy – and increasingly, they are allocating capital to companies that are well equipped to benefit from this.

With data on ESG reporting now frequently being used alongside other financial and strategic information in investment analysis and decision making, there is a compelling case for organisations strengthening their reporting and communication by incorporating ESG performance.

ESG performance is just one part of the wider dialogue held with investors.

The leading global reporting frameworks

Global Reporting Initiative (GRI)

GRI Sustainability Reporting Standards are the most widely used standards for reporting on ESG impacts globally, and have been developed over many years through multi-stakeholder contributions - www.globalreporting.org

UN Global Compact (UNGC)

The Global Compact requires companies to commit to a set of ten universal principles concerning human rights, labour, environment and anti-corruption - www.unglobalcompact.org

The Sustainable Development Goals (SDGs)

Specified in the UN's '2030 Agenda for Sustainable Development

CDP (formerly the Carbon Disclosure Project)

CDP collects standardised information from companies on climate change and the use of natural resources such as water and soft commodities - www.cdp.net

Climate Disclosure Standards Board (CDSB)

The CDSB Framework helps companies explain how environmental matters affect their performance and show how they are addressing associated risks and opportunities to investors in annual or integrated reports. - www.cdsb.net

Standards Board (SASB)

SASB issues sustainability accounting standards that help public corporations disclose material and decision-useful information to investors in their mandatory filings, based on their industry, in line with the notion that under existing regulation material information should be disclosed in the Forms 10-K or 20-F - www.sasb.org

The Financial Stability Board's Task Force on Climate-Related Financial Disclosures

The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.

Looking to the Future

To date, corporate engagement in ESG assurance has been driven by investors, but things are changing. In April 2021, the EU issued a proposal to strengthen sustainability reporting and assurance through the Corporate Sustainability Reporting Directive (CSRD). If adopted, this will fundamentally change the way companies of all sizes need to approach social responsibility / ESG reporting, bringing regulatory requirements into closer alignment with financial sector demands.

This represents an opportunity for small- and medium-sized enterprises (SMEs). They can set their own social responsibility agenda and ESG reporting by choosing a framework and assurance standard that closely fits their needs, such as CSR Accreditation. Early adoption also means they will benefit from reduced long-term costs and an increase in credibility among stakeholders.

Conclusions

A socially responsible business makes financial sense. Social responsibility boosts company morale by engaging staff, improves retention, enhances productivity, attracts talent and creates a workplace that is a positive place to work in. Couple this with environment and community engagement and an improved brand image that appeals to customers and you have a business that is well-positioned for sustained growth and development. It is about investing in social value as an essential part of an organisations culture. This provides purpose and impact and will ensure a sustainable and profitable business. It will help to build a better world for future generations by improving the environment and ensuring a cohesive community to live and work in.

Secondly, ESG reporting helps ensure that internal processes are socially and environmentally sustainable. Good ESG performance will provide positive insights into the identification and quantification of an organisations risks and opportunities. These measurable considerations are beneficial both for external partners, investors and company executives in making the correct strategic decisions. This provides assurances that validate an organisations value, future sustainability and profitability.

These qualitative (cultural) and quantitative (cost) benefits illustrate the importance of social considerations to all aspects of business. In other words, it makes business sense to be socially responsible. This really does define the true nature of social and financial value.

Committing to socially and environmentally equitable practices may seem overwhelming at first, especially when returns to the business are unclear or hard to quantify. However, when properly implemented, a CSR policy and good ESG performance can provide the guiding principles and measures that make social commitments actionable and directly beneficial to all stakeholders. Considering the business benefits and the meaningful social differences we can make with such practices, it is definitely a win-win situation for all concerned.

CSR Accreditation ensures ESG Compliance

CSR-A is the only organisation delivering a global CSR Accreditation. Our independent assessment panel provides accredited organisations with validation of their CSR claims. It is a powerful way to communicate positive actions to all stakeholders.

CSR Accreditation provides the tools to benchmark what you are already doing as well as your future plans. It is a process in which you collate, measure and report on your organisation's socially responsible activities. An Accreditation will also provide you with a roadmap for planning future activity and the content for a social impact report. A CSR Accreditation is a crucial component of an organisation's promotional tool-kit and will increase your competitive edge. Social responsibility is a vital policy that should be embedded in every organisations overall strategy, with the ultimate aim of achieving a positive impact on society and the environment.

With a CSR Accreditation businesses can demonstrate that they are creating shared value for owners, employees, shareholders, stakeholders and the communities in which we live and work. Above all it validates your CSR claims and proves your organisation is genuine in intention.

CSR Accreditation will:

DEMONSTRATE ESG COMPLIANCE | **IDENTIFY RELEVANT UN SDG'S** | **LEVEL UP YOUR TENDERING POWER** | **RECRUIT & RETAIN TALENT** | **MANAGE AND MITIGATE RISK** | **PROTECT & ENHANCE YOUR BRAND**

Supporting your organisation – we provide:

Workshops & Webinars

To inform and inspire CSR policy and its benefits. Introducing the Four Pillars of CSR and explaining how good CSR policies drive corporate change. How with well defined objectives and measurable targets, your policy will provide the foundation towards running a sustainable, ethical and efficient business.

CSR Training Courses

CSR-A provides a comprehensive, 6 module training course to explore CSR, CR, ESG and learn how your organisation will benefit. The course enables organisations to understand how to create a CSR policy using the CSR Four Pillars and suggests ways of working that deliver positive outcomes for all.

Social Impact Reporting

A Social Impact Report is similar to an annual report and shows all your audiences the impact that your organisation is making through its CSR commitments. This includes financial benefits, environmental impact, staff and stakeholder engagement, positive impact on communities and charities.

Demonstrate your commitment now **and become a CSR Leader**

THAMES VALLEY CHAMBER OF COMMERCE GROUP •MEMBER•

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Call **01494 444494** or visit **www.csr-accreditation.com** to find out more about CSR eduction, accreditation and communication

Find out now where you are on your CSR journey with our online Interactive Roadmap **https://csrroadmap.herokuapp.com/**

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