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Exploring the difference between CSR, CS and ESG

Some view organisational sustainability as actions that relate to reducing environment impact, others view it as a focus on improving the well-being of individual stakeholders. Corporate Social Responsibility (CSR) is a broad area of research that emerged to emphasize the obligation of the firm to improve the lives of people and communities. Corporate Sustainability (CS) has similar aims, but the approach replaces responsibility language with sustainability. The rise of Environment, Social and Governance (ESG) in recent years, attempts to achieve sustainability objective, while focusing on measurement of impact. Since accounting includes recording and communicating financial data to stakeholders, it requires methods that can quantify sustainability objectives and measure their impact. ESG is an important link between accounting activities and corporate sustainability ambitions.

Corporate Social Responsibility (CSR) is a concept that emerged in the 1970s, initially focusing on the idea that corporations had an obligation to improve the lives of people while pursuing their economic objectives (Montiel, 2008). Later the concept of CSR expanded to include the impact on the environment as it was argued by some that social ecological prosperity were intertwined. The CS term emerged as separate but related idea that proposes that, companies should be responsible for reaching targets that go beyond shareholder value. The emphasis on sustainability rather than responsibility, meant that the company had to consider the long-term impact of their actions. Firms had the obligation to act in a way that was beneficial for society and the environment, while at the same time making a profit. Economic sustainability was a key concept that ensured that corporate objectives and sustainability goals were in sync. That alignment would enable the firm to be sustainable in the long term.

Environmental, Social, and Corporate Governance (ESG) emerged in recent years as a method for sustainably conscious investors to evaluate the impact of their decision when selecting companies or projects to invest into (Syed, 2017). Along with establishing a set of criteria that evaluate the firms' and their commitments to sustainability related issues, ESG also has a focus on the quality of a firm's corporate governance. As a result, ESG seeks to evaluate the behaviour of the company regarding ethical business practices and transparency of operations. As such, accounting methods of the firm are an important factor when using ESG to evaluate firms' commitment to sustainability. In many domains it is possible to refer to sustainability as a broad theme that guides corporate actions. From an accounting perspective, however, it is necessary to precisely define and track what is meant by sustainability, in terms of resources invested, and impact generated. ESG is way to translate the sustainability ambitions of organisations, with the fiscal accountability related to the bottom line. As such, corporate sustainability ambitions can quantify and evaluated.

Organisational sustainability is a complex subject focused on aligning the activities of the company to create economic, social, and environmental value. In past decades, there have been different terms that attempt to crystalise the meaning of organisational sustainability. From an investment perspective, ESG emerged to align the fiscal responsibility of the firm with its sustainability objectives. Transparency of accounting practices is an important aspect of ESG that allow investors to translate corporate sustainability promises with actionable results. The benefit is that corporate sustainability commitment can be compared more easily.