



# The S in ESG



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# What is the S in ESG?



An Environmental, Social and Governance (ESG) strategy sets out the framework and measurable targets that demonstrate how an organisation contributes to the environment and society and how well it is run.

The accelerating climate crisis and associated stakeholder interest – especially from regulators and investors – mean that businesses and organisations are beginning to understand and report on their environmental and governance standards. However, until recently, social factors failed to receive the same level of recognition.

Driven by the experience of the COVID-19 pandemic, the #MeToo movement, and Black Lives Matter, social commitments have now become a pressing issue. Inequality is now recognised as a systemic risk to the resilience of business models, operations, and value chains. There is also a growing recognition that environmental actions and social outcomes are closely linked, and acting on one without considering the other is not only a missed opportunity to have a positive impact, but can create unforeseen consequences.

The success of any business or organisation rests on whether it can be trusted to behave fairly and appropriately in the way it treats everyone whose life it touches. That is how it wins the support of stakeholders including consumers, employees, and its community neighbours, locally, nationally and globally. The 'S' in ESG refers to those social commitments, effectively providing an organisation with a social license to operate.



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# How are social commitments embedded within an organisation?



An organisation's starting point is to set out its social priorities, recognising the impact of its business model and strategy, and its day-to-day operations on its workforce, communities and consumers.

## Typically, this includes:

- Leadership and a healthy corporate culture
- Workforce wellbeing and development
- Equity, diversity, and inclusion
- Human rights and modern slavery commitments
- Community engagement
- The social impact of products and services

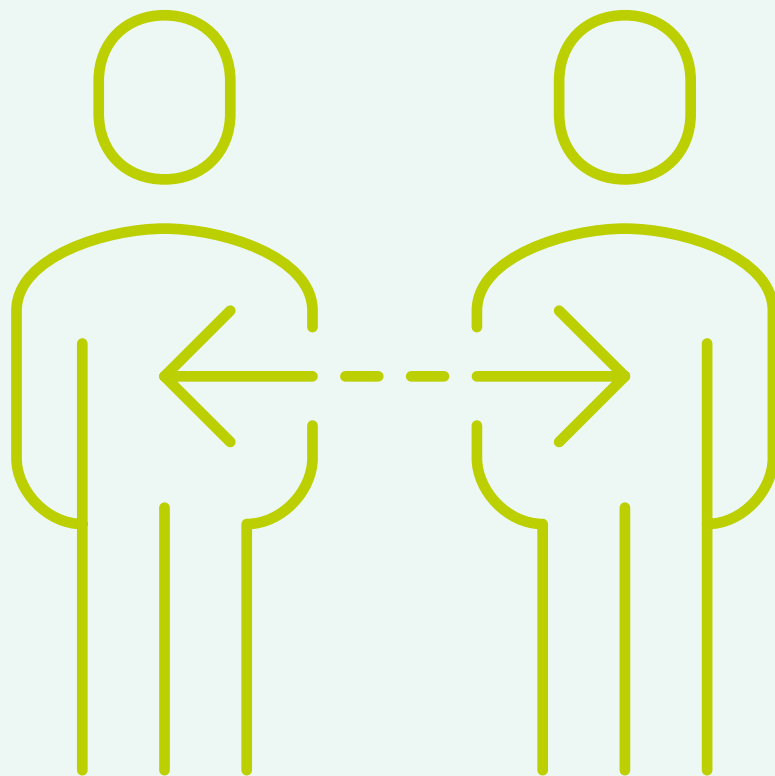
This demands a wide view of who **stakeholders** are and how they are affected. A stakeholder map will help to plot this. The most effective strategies look beyond the immediate organisation to its supply chain, in addition to direct impacts.

According to the Impact Institute, 90% of a business' impact is indirect. Some of the risk attached to that is managed by taking a value-chain approach, like knowing your manufacturer has several tiers of small suppliers below them.

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However, if you take something like the customer microloans being facilitated by a supermarket, the direct social benefit is enabling people to feed their families, but the indirect impacts could include a corresponding drop in foodbank use, reduced use of loan sharks, better diets etc. They really need to be understood and measured too.

Defining and measuring **social commitments** can be more challenging than dealing with environmental and governance ones, as the latter tend to be more regulated with access to historical data. There is currently no single reporting system that focuses on social factors, but a combination of frameworks with complementary ambitions and standards. The **United Nations' 17 Sustainable Development Goals (SDGs)** are the most comprehensive, containing 231 targets, including specific social commitments.



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# Growing regulation and legislation



**Regulation** is increasingly driving ESG behaviour, including **reporting** requirements on some social issues (for instance anti-slavery and gender pay gap legislation), and sits alongside voluntary disclosures, which are specific to particular reporting frameworks or business sectors. It is important to determine which new ESG-related regulations and reporting standards are relevant to your organisation to ensure **compliance** and this is particularly so for the social commitments for which there are no standard reporting guidelines.

Procurement legislation is also changing – for instance, the new Procurement Act in the UK comes into force in February 2025 and is designed to deliver greater value for money for the public sector, including economic growth and social benefit.

While the previous Social Value Act influenced social value weightings of up to 20% in UK government contracts, new rules place a legal requirement for buyers to shift from awarding contracts based on the Most Economically Advantageous Tender to the Most Advantageous Tender, encouraging suppliers to focus competitively on the social value aspect of their bids.

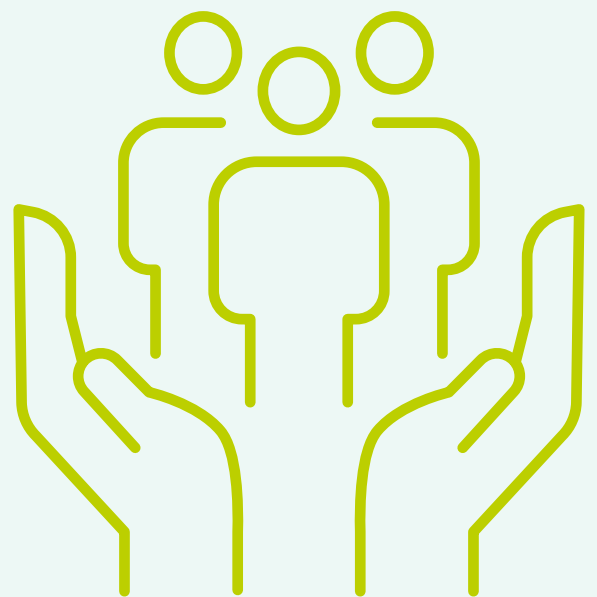
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# Just Transition



The term “just transition” refers to the process of shifting towards a low-carbon, climate-resilient economy while ensuring fairness and equity for all. The catchphrase “leave no one behind” captures the essence of a Just Transition and recognises that the transition to a sustainable future must be inclusive, aiming to minimise the negative impacts on workers, communities, and vulnerable populations.

This involves creating new green jobs, retraining workers, providing social safety nets, and investing in communities that may be negatively impacted by the transition. Moreover, it requires collaboration between governments, businesses, labour unions, and civil society organisations to develop policies and programmes that support a smooth and equitable transition.



# How do we know if the 'S' in ESG is effective in an organisation?



An effective approach to social impact can be seen in:



**Leadership and culture** – visible responsibility for ESG at board level. Approachable management and willingness to invite and react to feedback.



**Workforce** – inclusive policies that prevent discrimination and promote a positive working culture; fair pay; benefits and working conditions; engagement, and development opportunities. From governance through to employment, succession planning, retention and recruitment. Compliance with health and safety and respect for human rights and modern slavery rules in all operations.



**Community relationships** – positive interaction with local communities, expanding beyond commercial relationships with a genuine intention and actions to create impact.



**Products and services** – policies that identify and ensure good social outcomes, from the sourcing of raw materials, through production, manufacturing, logistics, retail, use and end of life.



**Philanthropy** – businesses may choose to adopt a strategic approach to philanthropy, building charity relationships that play to the existing knowledge and expertise of their organisation to drive positive social change.

# 10 principles to consider in order to pursue best practice:



1. 'S' themes span **customer** relationships, your **workforce** and **supply chain**, and the **communities** you impact through your organisation's operations.



2. Social themes are inextricably linked with the organisation's approach to environmental and governance issues, in a holistic approach to ESG.



3. The most effective social initiatives are **aligned** with the vision and mission of the company – and leverage its core competencies.



4. Themes are developed from a **materiality assessment** that identifies which social issues are most significant, both to the organisation and its stakeholders.



5. It is critical to determine which ESG-related regulations and reporting standards are **relevant**, to assure **compliance**.



6. **Two-way communication** with stakeholders is an important way to identify key issues and potential solutions.



7. In addition to understanding which **metrics** are already in place, new approaches, including **proxy metrics** (for instance using parental occupation as a measure of someone's socio-economic background) may need to be introduced.



8. The indicators that are being **measured** and reported on are meaningful, comparable, and consistent, with the methodology clearly explained.



9. **Social impact reporting** is audited by a specialist organisation or carried out independently, and impact is benchmarked with peers and industry leaders.



10. While greenwashing is a growing topic of concern '**social washing**' must also be actively avoided in communication.

**A strong S strategy can be transformational. It tells the story of how an organisation prioritises positive and impactful relationships with its stakeholders. By doing so, it creates long-term value for all and brings everyone along on the journey.**

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## Resources

- [https://ssir.org/articles/entry/fixing\\_the\\_s\\_in\\_esg](https://ssir.org/articles/entry/fixing_the_s_in_esg)
- <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2021/06/irsg-kpmg-accelerating-the-s-in-esg-report.pdf>
- <https://www.pwc.co.uk/industries/financial-services/understanding-regulatory-developments/what-does-the-s-of-esg-mean-to-your-organisation.html>
- <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/emphasizing-the-s-in-esg>
- <https://www.sap.com/resources/measuring-social-impact-s-in-esg>
- <https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-just-transition-and-what-does-it-mean-for-climate-action/>
- <https://www.unpri.org/download?ac=9452>
- <https://www.crowncommercial.gov.uk/news/procurement-essentials-procurement-act-2023-crown-commercial-service>

## Introduction to the ESG Panel

ESG is now at the top of boardroom agendas everywhere. Organisations are expected and required to communicate and report on their environmental, social and governance activities. The impact for the communication professional working in this environment today is significant. The journey to becoming a more sustainable organisation cannot be managed by one department but the role of public relations will play an increasingly important role.

The CIPR's Environmental, Social and Governance (ESG) Expert Panel will bring together public relations and ESG specialists to articulate and reinforce the role of communications in shaping, delivering and expediting organisational sustainability, while combating greenwashing.

The panel aims to identify and promote the roles and responsibilities of the public relations professional, support the industry with continuing professional development and understanding of ESG and build key networks between stakeholder groups and markets.

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## Contributors to this guide

### **Anjali Patil**

Anjali is the Founder and Director of illumina Consulting that offers services in communications consulting and executive coaching.

She has over twenty-five years of experience in communications for global financial services firms having held senior leadership roles in Morgan Stanley, Fidelity International and BNP Paribas, across India and Southeast Asia. Anjali has also worked with Ogilvy PR and Good Relations PR. Her areas of expertise include reputation management, issues and crisis management, executive communications, internal communications and corporate philanthropy. In ESG communications her focus has been on sustainable finance, just transition and diversity, equity and inclusion (DEI).

Anjali is a Member and an Accredited Practitioner with the Chartered Institute of Public Relations (CIPR), where she is a Member of the CIPR International Committee and the CIPR ESG Expert Panel. She is also a registered member of the Commission on Public Relations Education's (CPRE) research panel and a Member of the Board of Advisors at Aseema Charitable Trust.

### **Hilary Berg**

Hilary runs her own consultancy, One Planet Communications and works as a social change campaigner and communications activist. She advises leaders across the business, public and third sectors and is best known for heading sustainability and responsible business strategy for Iceland Foods, including its award-winning brand activism campaigns and work on child poverty. More recently she led strategy at LIFE, part of the global M&C Saatchi Group, advising its global clients on transformative sustainability practice.

She has more than 25 years' experience supporting organisations to integrate purpose into strategy and to campaign for change, with a focus on social innovation. Her remit as a consultant has taken her all over the world, working on supply chain and social justice projects, and won multiple industry awards. She is a CIPR Fellow and Chartered Practitioner with a Masters in PR and Communications for Social Change, including a research specialism in environmental brand activism. She is also a Trustee of the Alder Hey Children's Charity, Feeding Britain and the Rothesay Foundation.

Chartered Institute of Public Relations  
+44 (0)20 7631 6900  
[cipr.co.uk](http://cipr.co.uk)

