International Labour Organization

Navigating the ESG alphabet soup

A concise dictionary of the ESG acronym landscape

Key points

- ESG is an evolving concept that overlaps with terms like Corporate Social Responsibility, Socially Responsible Investing, Responsible Business Conduct, and Sustainable Development Goals, each reflecting different yet interconnected approaches to sustainable business.
- These concepts are complementary, not mutually exclusive. Businesses and investors integrate multiple frameworks to create long-term growth.
- Clarity drives action. Understanding each acronym's definition and objective helps businesses strategically navigate sustainability goals.

Introduction

The term ESG — *Environmental, Social, and Governance* —has gained significant attention in recent years, but for many, it remains a complex and sometimes confusing concept due to its all-encompassing nature. A variety of overlapping terms, such as Responsible Business Conduct (RBC), Sustainable Development Goals (SDGs), Corporate Social Responsibility (CSR), and others, often create confusion, resembling an "alphabet soup." This brief aims to provide a clear overview of the key acronyms and concepts related to business sustainability. It will clarify what ESG (Environmental, Social, and Governance) encompasses — and what it does not. Additionally, it will explore the evolution of terms such as sustainability, SDGs, RBC, CSR, BHR (Business and Human Rights), Socially Responsible Investing (SRI) and ESG. This exploration will highlight how these terms overlap with ESG and where they differ. Understanding these distinctions is essential to correctly positioning ESG within the broader landscape of responsible business conduct and sustainability efforts.

From SRI to ESG: a quick evolution

The proliferation of acronyms stems primarily from the evolving legal and policy landscape surrounding sustainability. To understand the origins and evolutions of these frameworks and standards, it is useful to trace back the start of this change, which can be positioned around the 1950s-60s when social initiatives like the Civil Rights and Women's Rights movements inspired the rise of Socially Responsible Investing. Investors began excluding companies in certain sectors or tied to controversial issues, linking financial decisions with ethical and social values. In the 1970s, debates around the role of business in society led to the idea that companies have responsibilities beyond purely seeking profits. This era saw the adoption of foundational international instruments, such as the OECD Guidelines for Multinational Enterprises (1976) and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977), establishing voluntary norms for responsible business conduct.[i] [ii] The 1990s brought global momentum around environmental and labour standards, with milestones like the UN Earth Summit (1992) and the ILO Declaration on Fundamental Principles and Rights at Work (1998), reinforcing the idea that sustainable development and sustainability should include both environmental and human rights dimensions.[iii] This led to a number of initiatives around concepts such as Corporate Citizenship, Corporate Responsibility, and Corporate Social Responsibility, as well as their use as organizing frameworks for companies. The early 2000s marked the formal emergence of ESG, beginning with the UN Global Compact (2000) and the coining of the term "ESG" in the 2004 *Who Cares Wins* report.[iv] The launch of the UN Principles for Responsible Investment (PRI) in 2006, along with the growing adoption of the

Global Reporting Initiative (GRI) standards throughout the 2000s, solidified ESG as a global framework for responsible investment and responsible business conduct.[v] From 2015 onward, the sustainability landscape evolved rapidly, influenced by the Sustainable Development Goals (SDGs), the increasing uptake of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, and a range of regulatory developments.[vi] These developments are contributing to a shift: ESG is moving from a primarily voluntary framework to one that increasingly involves regulatory expectations and formal disclosure requirements. In addition, there is a growing trend towards embedding sustainability, human rights, and governance considerations into business operations and supply chains.

Understanding the ESG alphabet soup

The growing number of acronyms— such as SRI, CSR, RBC, ESG, and SDGs—can sometimes appear interchangeable, but they serve distinct yet interconnected purposes. Rather than competing, these concepts form a coherent set of approaches within the broader sustainability agenda. This brief provides a comprehensive definition of each to clarify its exact purpose.

▶ Sustainable Development and Sustainability

Sustainable development describes the many processes and pathways through which this goal can be achieved. This distinction is essential: sustainability is the vision, while sustainable development is the action plan. The concept gained global momentum with the 1987 *Brundtland Report*, which defined sustainable development as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” [vii] Since then, it has become a guiding framework in addressing major global challenges such as climate change, biodiversity loss, social inequality, and overconsumption. Sustainable development is often described through three interconnected pillars:

- **Environmental protection**: Protects natural ecosystems and ensures the responsible use of resources such as water, air, soil, and biodiversity.
- **Social progress**: Promotes equity, human rights, well-being, and the social cohesion necessary for thriving communities.
- **Economic growth**: Ensures economic systems remain viable over time, using resources efficiently and supporting innovation and stability.

In contrast, sustainability usually refers to what sustainable development means at the company level and is now seen as a strategic imperative that goes beyond environmental compliance. It involves assessing the impact of business activities on people and the planet and integrating responsible practices into business operations and supply chains. Businesses are increasingly setting measurable sustainability targets—such as achieving net-zero emissions or adopting circular economy principles—and reporting progress transparently. Therefore, sustainability is the broader umbrella concept under which approaches like RBC, CSR, and ESG fall, with each offering specific frameworks or strategies to advance sustainability goals in the business context.

• SDGs or Sustainable Development Goals

The Sustainable Development Goals (SDGs) are among the most widely adopted international frameworks for operationalising sustainability at the global level. Adopted by the United Nations in 2015, the Sustainable Development Goals are a set of 17 interconnected global objectives which were established under the 2030 Agenda for Sustainable Development.[viii] They provide a universal blueprint for action by governments and other actors to end poverty, protect the planet, and ensure peace and prosperity for all by 2030. The SDGs address a wide range of interrelated global challenges, including poverty, inequality, climate change, environmental degradation, and justice. Each goal is supported by specific targets (169 in total) and measurable indicators, enabling countries and stakeholders to track progress and guide policy, investment, and action. The private sector plays a critical role in achieving the SDGs. Companies are increasingly aligning their strategies with the SDGs, recognizing their relevance for both social impact and long-term business resilience. By integrating the SDGs into their operations, companies can manage risks, identify new market opportunities, and enhance stakeholder trust. Key goals particularly relevant to businesses include:

- **Goal 5 – Gender equality**: Promote equal opportunities, close wage gaps, and eliminate discrimination in the workplace.
- **Goal 8 – Decent work and economic growth**: Promote sustained, inclusive, and sustainable economic growth, productive employment, and decent work for all.
- **Goal 12 – Responsible consumption and production**: Encourage resource efficiency and sustainable business practices.
- **Goal 13 – Climate action**: Urge companies to reduce emissions and build climate resilience.
- **Goal 17 – Partnerships for the goals**: Encourage collaboration between governments, the private sector, and civil society to achieve the SDGs.

Sustainability reporting increasingly includes references to SDG alignment, with many companies mapping their ESG initiatives against relevant SDGs. While the SDGs are not a reporting standard per se, they provide a globally recognized framework for setting impact-driven goals and communicating contributions to sustainable development. The broad agenda of sustainability—exemplified by the SDGs—sets out global ambitions for inclusive, equitable, and environmentally sound development. Within this framework, Responsible Business Conduct (RBC) emerges as a key driver, guiding how businesses align their strategies and operations with societal expectations.

▶ RBC or Responsible Business Conduct

Responsible Business Conduct (RBC) refers to the expectation that all businesses—regardless of size, sector, ownership, or location—should contribute positively to sustainable development while avoiding and addressing adverse impacts on people, the environment, and society that may result from their operations or that may be indirectly linked to them via their supply chains or business relationships. The concept of RBC, which gained prominence in the 2000s, was first reflected in the 1976 OECD Guidelines for Multinational Enterprises. It was later reinforced by the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), which continues to guide responsible conduct from a labour and social development perspective, in alignment with the ILO Declaration on Fundamental Principles and Rights at Work. Today, RBC offers a forward-looking framework that positions enterprises as drivers of inclusive economic growth, environmental protection, and social inclusion. Companies that align with internationally recognised standards can boost their competitiveness, enhance their brand value, and build lasting trust with stakeholders. Ultimately, RBC affirms the role of the private sector as a key partner in achieving the global development agenda, including the promotion of decent work, environmental responsibility, and strong governance systems. The following core elements illustrate how RBC contributes to business success and sustainable development:

- **Job creation and skills development:** RBC calls on enterprises to contribute to economic development by creating decent jobs, particularly in emerging economies. Businesses are expected to support skills development, training, and lifelong learning, helping workers adapt to technological and economic changes and enhancing employability.
- **Respect for human rights:** Enterprises are expected to avoid infringing on human rights, as set out in the UN Guiding Principles on Business and Human Rights (UNGPs) and to address adverse human rights impacts with which they are involved.[ix] Companies are expected to uphold the ILO's Fundamental Principles and Rights at Work (FPRW), which include: a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour; (c) the effective abolition of child labour; (d) the elimination of discrimination in respect of employment and occupation; and (e) a safe and healthy working environment.
- **Social dialogue and industrial relations:** Enterprises should engage constructively with workers and their representatives. Social dialogue is a key pillar of RBC under the MNE Declaration, promoting stable industrial relations and participatory decision-making that benefits both workers and businesses.
- **Environmental sustainability and just transition:** In line with ILO principles on just transition, enterprises are encouraged to manage environmental impacts responsibly while supporting workers and communities in the shift to greener economies. This includes adopting sustainable technologies and contributing to climate resilience.

- **Good governance, transparency and compliance:** RBC includes strong standards for anti-corruption, transparency, taxation, and fair competition. Enterprises are expected to combat bribery, avoid anti-competitive practices, pay taxes responsibly, and implement effective governance, disclosure, and compliance systems.
- **Stakeholder engagement and local development:** Responsible businesses engage meaningfully with stakeholders—such as workers, local communities, consumers, and authorities— respect Indigenous peoples' rights, contribute to local development goals and ensure timely and accurate disclosure on material issues, including policies and due diligence efforts related to RBC.

Therefore, RBC provides a broad framework for how enterprises can contribute to sustainable development by integrating social, environmental, and governance considerations into their operations. This framework is operationalised through various approaches, including Corporate Social Responsibility (CSR) and Business and Human Rights (BHR), which offer complementary pathways for promoting ethical and responsible business practices.

- **CSR or Corporate Social Responsibility**

CSR can be understood as one of the ways in which enterprises implement RBC, focusing primarily on voluntary initiatives that go beyond legal compliance to contribute to social and environmental goals. Emerging in the 1970s in the United States, Corporate Social Responsibility (CSR) – also referred to as Corporate Responsibility or Corporate Citizenship - is based on the idea that businesses should be responsive to the expectations of the societies in which they operate. This implies that businesses have an obligation to respond to the needs of society that grants them the legitimacy and social license to operate. With the CSR approach, the company's performance on economic, environmental, and social goals is often evaluated using the "Triple Bottom Line" approach, which expands traditional business success metrics to categories that are commonly referred to as the three "P's": people, planet, and profit. The commitment of businesses to operate responsibly can be guided by four types of CSR: environmental, financial, philanthropic and ethical.

- **Environmental responsibility:** a company is expected to minimize its negative environmental impact and contribute positively, for example by planting trees, reducing emissions, or developing sustainable product lines.
- **Financial responsibility:** financial decisions should also create social value—for instance, by investing in community projects, research initiatives, or donations that serve the public good.
- **Ethical responsibility:** refers to transparent and fair behaviour toward all stakeholders, including equitable treatment of employees, promotion of diversity and inclusion, and maintaining accountability in operations.
- **Community engagement:** involves giving back to local communities through donations to non-profit organizations, employee volunteer programs, or partnerships with suppliers and vendors that reflect the company's values.[x]

While CSR is often associated with corporate philanthropy, the two differ in scope and motivation. The box below will clarify what corporate philanthropy is.

> **Corporate philanthropy:** refers to the actions a company can intentionally take to give back to society beyond its business operations, such as donations, community projects, or sponsorships. On the other hand, CSR generally includes broader efforts to integrate social and environmental concerns into business operations.

- **BHR or Business and Human Rights**

Alongside CSR, Business and Human Rights (BHR) represents another key dimension of the broader RBC framework. BHR refers to the set of principles adopted in 2011 in the UN Guiding Principles on Business and Human Rights (UNGPS) that defines the different duties and responsibilities of Governments and enterprises. It rests on three pillars: the State's duty (obligation) to protect human rights, the corporate responsibility (expectation) to respect human rights, and access to remedy for those whose rights have been infringed.[xi] The UNGPs have become the authoritative global instrument on BHR and have informed a growing body of multistakeholder initiatives, national legislation, corporate policies, and due diligence frameworks. While RBC encourages ethical and sustainable business practices in general, BHR focuses specifically on taking adequate measures for preventing, mitigating and, where appropriate, remediating adverse human rights impacts. It reinforces the idea that respecting human rights is a fundamental responsibility for all enterprises and applies equally to all enterprises, regardless of size or sector. In order to meet the responsibility to respect human rights, enterprises should have the following:

- **Policy commitment**: Businesses are expected to express their responsibility to respect human rights through a publicly available policy statement approved at the most senior level. This statement should set out expectations for personnel, business partners, and other entities directly linked to their operations. It should be communicated internally and externally and embedded in operational procedures.
- **Human rights due diligence (HRDD)**: HRDD is a process that allows enterprises to identify, prevent and/or mitigate their actual and potential negative human rights impacts and account for how they address such impacts. Enterprises should carry out HRDD as an ongoing process to identify, prevent, mitigate, and account for how they address their human rights impacts. This involves assessing actual and potential impacts, integrating findings into decision-making and action, tracking responses, and communicating how impacts are addressed.
- **Remediation**: Where a business identifies that it has caused or contributed to adverse human rights impacts, it should provide for or cooperate in their remediation. This includes establishing or participating in effective grievance mechanisms at the operational level or through external processes.

▶ SRI or Socially Responsible Investing

Building on the principles of sustainability and RBC, Socially Responsible Investment (SRI) adds a financial lens. SRI is an investment approach that integrates environmental, social, and governance considerations into financial decision-making. The objective is to generate competitive financial returns while contributing to positive societal and environmental outcomes. SRI strategies seek to support business practices that align with the values of sustainability, equity, and long-term responsibility. Investors using the SRI approach typically apply two types of screening:

- **Negative screening**, which excludes companies, mutual funds, or exchange-traded funds (ETFs) involved in certain sectors or activities based on ethical considerations, such as alcohol, tobacco, gambling, weapons, or fossil fuels.
- **Positive screening**, which actively selects companies that promote socially responsible practices, such as environmental sustainability, consumer protection, diversity and inclusion, and respect for human rights.

SRI is often used as an umbrella term that also encompasses more proactive investment practices, including impact investing and shareholder advocacy. The box below explains these and related concepts to help show how they are different and connected.

- ▶ **Impact investing:** an investment approach aimed at generating measurable, positive social or environmental outcomes alongside a financial return. Impact investing typically targets businesses, organizations, or projects that address specific societal or environmental challenges—such as access to education, renewable energy, or healthcare—while still being financially sustainable.
- ▶ **Shareholder advocacy**: A strategy whereby shareholders use their rights and influence to engage with a company’s management and board, advocating for improved practices on social, environmental, and corporate governance issues. This can involve filing resolutions, voting at annual meetings, or engaging in dialogue to promote long-term, responsible business conduct within investment portfolios.

The implementation of SRI strategies is increasingly facilitated by sustainability indices developed by stock exchanges in various countries. These indices list companies that demonstrate strong performance on non-financial factors, such as environmental stewardship, social responsibility, and sound governance. Often aligned with internationally recognized frameworks like the Global Reporting Initiative (GRI), they provide a practical tool for investors applying SRI criteria. For instance, the FTSE/JSE Responsible Investment Index in South Africa includes companies listed on the Johannesburg Stock Exchange that meet defined standards in these areas. The index promotes transparency and encourages companies to enhance their sustainability practices and reporting.

▶ **ESG or Environmental, Social, Governance**

Environmental, Social, and Governance (ESG) refers to a set of criteria used to assess a company's impact on environmental, social and corporate governance factors. It has become a cornerstone for assessing sustainability risks and opportunities, particularly in the context of investment decisions. Crucially, effective stakeholder engagement plays a key role in identifying these risks and opportunities. By actively engaging with stakeholders—including employees, customers, investors, and communities—companies can gain valuable insights into emerging issues and expectations, helping to inform their ESG strategy and improve long-term sustainability outcomes. Specifically:

- **Environmental factors** assess how a company interacts with the natural environment. This includes issues such as climate change mitigation, greenhouse gas emissions reduction, energy efficiency, waste and water management, biodiversity preservation, and the sustainable sourcing of raw materials.
- **Social factors** evaluate how a company manages its relationships with employees, suppliers, customers, and communities. Key elements include labour rights, workplace health and safety, human rights across the supply chain, diversity and inclusion, gender equality, and community engagement.
- **Governance factors** pertain to corporate leadership, accountability, and ethical business practices. This includes board composition and diversity, executive compensation, anti-corruption policies, internal controls, shareholder rights, and compliance with legal and regulatory standards.

The 2000s marked the formalisation of ESG. The term "ESG" was introduced in the 2004 *Who Cares Wins* report, highlighting the link between ESG actions and financial performance. In 2006, the UN launched the Principles for Responsible Investment (PRI), providing a framework for integrating ESG into investment decisions. In the 2020s, ESG considerations expanded from niche initiatives to mainstream business and financial strategies. Today, companies are increasingly expected to set measurable ESG objectives and report transparently on their progress. To respond to this demand, a range of ESG reporting frameworks and standards have emerged. Frameworks provide high-level guidance on what should be disclosed and how to structure it, while standards offer specific technical metrics and detailed rules for measuring and reporting ESG performance. While not exhaustive, the following are among the most widely used frameworks:

- ▶ **Global Reporting Initiative (GRI):** Provides widely adopted standards to report on environmental, social, and economic impacts. It's stakeholder-focused and applies across industries, covering broad ESG topics such as governance, labour practices, and community engagement.
- ▶ **International Sustainability Standards Board (ISSB) – IFRS S1 & S2:** A global initiative to create a standardized approach to sustainability disclosures. S1 covers general sustainability, while S2 focuses on climate-related disclosures, offering a framework that supports comparability for investors across regions.

Spot the difference

To clarify, it is useful to highlight how these concepts are interconnected yet distinct. While they often overlap in practice, they vary significantly in terms of scope, purpose, and target audience. **Sustainable Development** and **Sustainability** serve as the overarching approach, focusing on balancing economic growth, social inclusion, and environmental protection. The **SDGs** translate this principle into 17 global targets for action, providing a framework for countries and businesses alike to work toward a more sustainable future. Within this broad framework, **RBC** is a core concept, grounded in international guidelines such as those from the UN, ILO, and OECD. Within this broad framework, **CSR** refers to companies' commitment to operate ethically and engage stakeholders in socially responsible practices. Building on this, the **BHR** agenda specifically addresses companies' responsibilities to respect human rights in their operations and business relationships. The UN Guiding Principles on Business and Human Rights provide a clear framework. In addition to these broader frameworks, more specific approaches like **SRI** and **ESG** have emerged to guide investment decisions and evaluate company performance. SRI integrates ethical values into investment choices, often avoiding harmful sectors, while ESG evaluates risks and opportunities based on environmental, social, and governance metrics. Together, these terms reflect different levers used by businesses, investors, and policymakers to promote responsible, inclusive, and sustainable practices across sectors.

Comparative table of related terminology

Term	Year and trend	Core focus	Who uses it?	Key characteristics
Sustainable Development & Sustainability	1980s (Increasing in common use)	Long-term balance of economic, environmental, social needs	Governments, businesses, NGOs, citizens	Overarching paradigm; foundational for ESG, SDGs; focuses on *intergenerational justice*
SDGs Sustainable Development Goals	2015 (Increasing in use, especially in policy and company strategies)	Achieving 17 global goals for sustainable development	UN, governments, private sector, civil society	Policy and development-oriented; *targets and indicators* guide national and global action; umbrella for ESG, CSR, etc.
RBC Responsible Business Conduct	1976 (OECD Guidelines); 2000s (More common, gaining regulation)	Aligning business with international standards (e.g., OECD, ILO)	Governments, companies, International Organisations, especially ILO, OECD, EU	Emphasises positive contributions of companies, above and beyond compliance; anchored in international standards; broader than CSR as it covers companies of all sizes
CSR Corporate Social Responsibility	1950s (Still common, but evolving into other frameworks)	Emphasises company responsibility to society	Companies, stakeholders, civil society	Philanthropic; reputation-driven; broad
BHR Business and Human Rights	2011 (Growing in importance and regulatory attention)	Business responsibility to respect human rights	UN agencies, especially UNDP, companies, civil society	Centres on *respect, protect, and remedy* framework as outlined in the UNGPs
SRI Socially Responsible Investment	1960s (Less common, evolved into ESG)	Ethical investing with values-based exclusions	Investors, asset managers	Investment lens; precursor to ESG investing

ESG Environmental, Social and Governance	2000s (Increasing in common use, especially with regulatory developments)	Risk and opportunity factors for companies	Financial operators, investors, companies, regulators, private sector	Provides measurable indicators for risk analysis; integrates sustainability into investment decisions

[i] Organization for Economic Co-operation and Development (OECD). *OECD Guidelines for Multinational Enterprises*. Paris: OECD, 1976.

[ii] International Labour Organization (ILO). *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*. Geneva: ILO, 1977.

[iii] International Labour Organization (ILO). *ILO Declaration on Fundamental Principles and Rights at Work*. Geneva: ILO, 1998.

[iv] United Nations Global Compact and International Finance Corporation (IFC). *Who Cares Wins: Connecting Financial Markets to a Changing World*. Geneva: UN Global Compact and IFC, 2004.

[v] United Nations Principles for Responsible Investment (PRI). *The PRI: A Global Framework for Responsible Investment*. London: PRI, 2006.

[vi] International Financial Reporting Standards (IFRS). *IFRS Sustainability Disclosure Standards*. London: IFRS Foundation, 2021.

[vii] World Commission on Environment and Development (WCED). *Our Common Future (Brundtland Report)*. Oxford: Oxford University Press, 1987.

[viii] United Nations. 2015. *Transforming our world: the 2030 Agenda for Sustainable Development*. New York: United Nations, 2015.

[ix] UN Office of the High Commissioner for Human Rights (OHCHR). *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*. New York and Geneva: United Nations, 2011.

[x] Stobierski, Tim. 2023. "What Is Corporate Social Responsibility? 4 Types." *Harvard Business School Online*. Accessed May 14, 2025. https://online.hbs.edu/blog/post/what-is-corporate-social-responsibility.