



Enabling our clients to make sustainable decisions



Introduction to Social within ESG

The "Social" component of ESG (Environmental, Social, and Governance) focuses on the impact an organization has on its internal and external social environments. This includes employee relations and diversity, community engagement, human rights, and consumer protection. Social criteria are crucial for assessing a company's social performance and its capacity to sustain a positive social license to operate. Effective management of social issues can enhance a company's reputation, operational efficiency, and resilience to social crises.

Key Aspects of Social in ESG

Key factors in the social pillar of ESG include:

- **Employee engagement and diversity:** Policies and practices that support a diverse and inclusive workplace, fair labour practices, and employee satisfaction.
- **Community relations:** How a company engages with the communities in which it operates, including support for local businesses, infrastructure improvements, and community development programs.
- **Human rights:** Ensuring that the rights of individuals and communities affected by the company's operations are respected and upheld.
- **Consumer protection:** Standards and practices that ensure the safety, fairness, and integrity of products and services offered by the company.

Social and ESG Regulations

Several regulatory frameworks and standards highlight the importance of managing social issues within companies:

- **Global Reporting Initiative (GRI):** GRI provides extensive guidelines for reporting on social topics such as labour practices, human rights, society, and product responsibility. GRI indicators help companies measure and communicate their impact on these critical areas.
- **Sustainability Accounting Standards Board (SASB):** SASB identifies social issues that are likely to affect the financial condition or operating performance of companies within an industry. SASB standards help businesses disclose material information on topics like workforce diversity and engagement, data security, and customer privacy.
- **Corporate Sustainability Reporting Directive (CSRD):** The CSRD enhances how European companies report on social issues, requiring more comprehensive disclosures on aspects like employee matters, respect for human rights, and social engagement.
- **Corporate Sustainability Due Diligence Directive (CSDDD):** CSDDD focuses on ensuring that companies conduct due diligence regarding the social impacts of their operations, particularly in terms of human rights and labour standards across their supply chains.

Case Studies in Social ESG

Case Study 1: Retail Corporation Enhances Worker Conditions A multinational retail corporation faced significant backlash over poor working conditions in its supply chain factories in Southeast Asia. In response, the company implemented a rigorous supplier oversight program aligned with SASB guidelines, improving working conditions by enforcing stricter labour standards and regular audits. This not only enhanced the company's compliance with CSRD but also improved its public image and employee morale.

Case Study 2: Telecommunications Firm's Community Engagement Following the rollout of a new infrastructure project, a telecommunications firm engaged in extensive consultations with affected communities to mitigate negative impacts. The company established community development funds to support local education and healthcare services, demonstrating compliance with GRI standards for societal impact. This approach significantly reduced community resistance and enhanced the project's success, showcasing the benefits of proactive social engagement.

Using Data to Enhance Social Practices

Data is instrumental in managing and improving social practices within companies. Metrics such as employee turnover rates, gender pay gaps, and community investment impacts are crucial for monitoring performance and guiding corporate social strategies. Reporting this data in line with frameworks like GRI and SASB ensures that stakeholders are informed and can hold companies accountable for their social performance.

Conclusion

The social dimension of ESG is integral to a company's operational and reputational success. By adhering to established regulations and standards and implementing best practices in social governance, companies can enhance their societal contributions and secure a sustainable competitive advantage. The case studies highlighted above illustrate how tangible improvements in social ESG practices can lead to substantial benefits for both businesses and society.