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Entry

The Evolution of ESG: From CSR to ESG 2.0

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Definition: The evolving landscape of Corporate Social Responsibility (CSR) has transcended its traditional boundaries, transitioning into Environmental, Social, and Governance (ESG) principles and their more advanced iteration, ESG 2.0. Unlike traditional CSR, which primarily emphasizes voluntary ethical practices, ESG integrates sustainability into the core business strategy, transforming how corporations address environmental and societal challenges while enhancing shareholder value. This entry focuses specifically on the European and North American contexts, where regulatory pressures, investor demands, and societal expectations have played pivotal roles in accelerating this transition. Understanding the evolution from CSR to ESG practices is crucial, given the increasing complexity of global challenges such as climate change, inequality, and governance scandals. The emphasis on ESG 2.0 highlights a proactive, strategic approach to embedding sustainability into corporate DNA, ensuring relevance in a rapidly changing world.

Keywords: ESG; CSR; sustainability; accountability; stakeholder theory

1. Introduction

Corporate Social Responsibility (CSR), which began as a voluntary practice addressing the ethical obligations of businesses, has undergone profound transformations. Over the past several decades, it has evolved into structured frameworks emphasizing Environmental, Social, and Governance (ESG) metrics. ESG 2.0, the latest iteration, represents a paradigm shift where sustainability becomes a cornerstone of strategic planning and value creation.

This entry explores how CSR, traditionally associated with philanthropy and ethical practices, has transitioned into ESG and its advanced form, ESG 2.0. The geographical focus is on the European and North American regions, where regulatory frameworks such as the European Union's Corporate Sustainability Reporting Directive (CSRD) and market-driven forces, including shareholder activism, have played pivotal roles. Definitions of CSR and ESG 2.0 are central to this narrative, offering clarity on the shift from reactive compliance to the proactive integration of sustainability into corporate operations [1–5].

The growing complexity of global challenges—including climate change, social inequality, and demands for greater transparency—has catalyzed the emergence of ESG 2.0 [6–8]. This concept signifies a fundamental shift in how companies incorporate ESG principles—not as peripheral considerations but as core elements of strategic planning and value creation. By delving into the core tenets of ESG 2.0, this entry highlights its potential to drive transformative corporate accountability and contribute significantly to sustainable development, offering a path forward amid these challenges.

The urgency for a more robust ESG framework has never been greater [9]. With companies under increasing scrutiny from regulators, investors, customers, and civil society, the expectation now extends beyond profit generation to include tangible, positive impacts on the environment, communities, and culture. ESG 2.0 addresses these demands

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by embedding sustainability into corporate DNA, ensuring that businesses not only survive but thrive in a rapidly changing global landscape [10].

This entry explores the evolution of CSR from its roots in the 1950s to the present-day concept of ESG 2.0. It provides a comprehensive understanding of CSR's transformation over time and sheds light on the key researchers who have contributed to shaping this critical field in contemporary business.

2. The Evolution

The story of CSR is one of evolution, shaped by changing societal needs, global challenges, and the growing realization that businesses are more than just engines of profit—they are also stewards of our world. It all began in the 1950s, when the idea of Corporate Social Responsibility (CSR) first emerged, with figures like [11] urging businesses to look beyond their financial goals and consider their impact on society. Over the decades, this simple but profound idea grew, adapting to new pressures and opportunities. From addressing civil rights and environmental activism in the 1960s to integrating social good into business strategies in the 1980s, companies slowly began to see the value of aligning their success with the well-being of people and the planet.

By the 2000s, this responsibility took on a new form with the rise of Environmental, Social, and Governance (ESG) metrics—a way to measure and improve corporate impact concretely. Today, as we navigate the challenges of the 2020s, the concept has matured into what we now call ESG 2.0. It is no longer just about compliance or good PR; it is about embedding sustainability and accountability into the "heart" of businesses, driving innovation, and creating lasting value. This journey, from the first steps of CSR to the strategic integration of ESG today, shows how businesses have come to embrace their role in building a more resilient and equitable future for all, Figure 1 [12].

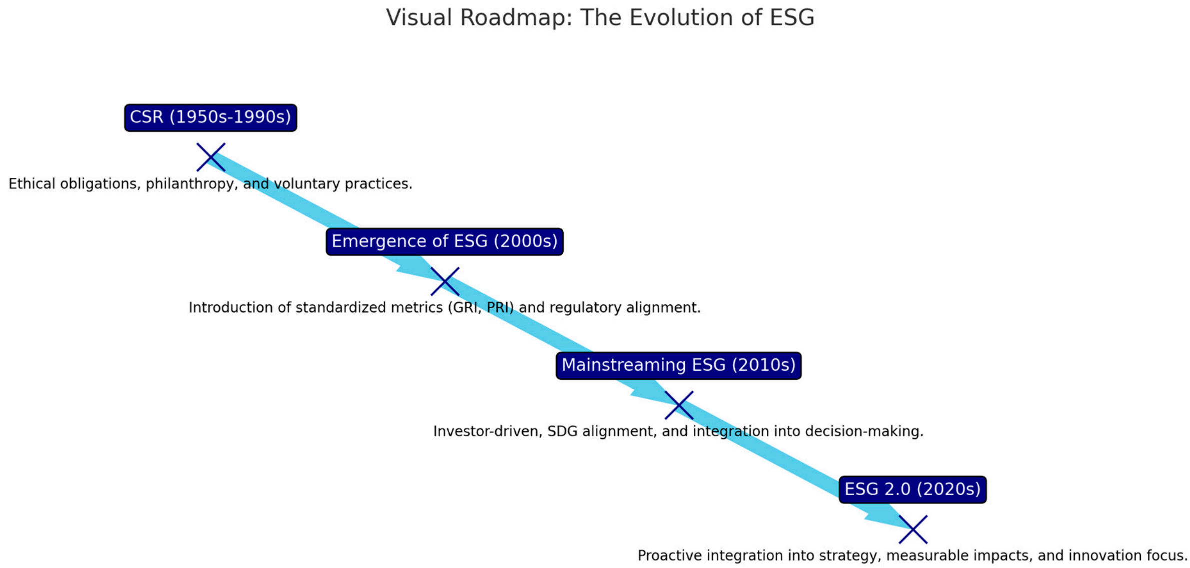

Figure 1. The evolution of ESG.

2.1. 1950s: The Birth of CSR

The 1950s are often considered the inception point of CSR, with Howard Bowen being one of the first to introduce the idea that businesses have responsibilities that extend beyond profitability [11]. This decade saw the foundational belief that corporations should be accountable for their impact on society. Although CSR practices were largely voluntary and based on ethical considerations, they marked a significant shift in the perception of corporate roles and obligations. Companies realized their operations could have broader societal impacts, and business leaders began thinking beyond the traditional financial bottom line.

2.2. 1960s: Growing Awareness

In the 1960s, CSR began to gain more traction as society became increasingly aware of social and environmental issues [12]. This decade witnessed a rise in social activism, which put pressure on corporations to address their societal responsibilities [13]. The civil rights movement, environmental protests, and growing public discontent with corporate practices meant that businesses could no longer afford to ignore their impact on communities [14]. For instance, the civil rights movement in the United States pushed corporations to adopt more equitable employment practices, while rising environmental protests highlighted the need for responsible resource management [15]. These societal pressures forced corporations to begin acknowledging their broader responsibilities, setting the stage for more structured efforts in the coming decades.

2.3. 1970s: Formalizing Corporate Responsibility

By the 1970s, CSR had expanded to focus on corporate responsiveness to social issues thanks to scholars like Murphy and Davis, who promoted the idea that businesses should be proactive in addressing community needs [16,17]. This decade marked a turning point, as businesses began to see CSR as an ethical obligation and part of their strategic approach to mitigating risks and enhancing their reputation. The publication of Rachel Carson's Silent Spring in 1962 had a profound impact, drawing attention to the environmental harm caused by corporate practices and leading to increased regulatory scrutiny [18]. Companies that were previously reactive in their approach began taking proactive steps to demonstrate their commitment to society, understanding that their success was intertwined with the well-being of the communities in which they operated.

2.4. 1980s: The Strategic Approach

The 1980s saw CSR evolve from philanthropic acts to strategic initiatives directly linked to corporate performance. Businesses began to understand that socially responsible practices could be aligned with financial success [19–21]. The notion of "shared value" started to gain ground, suggesting that companies could simultaneously create economic value while addressing societal needs [22–26]. During this period, iconic companies like Johnson & Johnson set a precedent with their swift and transparent response to the Tylenol crisis, prioritizing consumer safety over short-term profits [27–29]. This response preserved their brand reputation and demonstrated how CSR could be embedded into corporate strategy. The rise of stakeholder theory emphasized that businesses should consider the needs of all stakeholders—employees, customers, suppliers, and communities—not just shareholders, laying the foundation for the broader adoption of CSR as a strategic imperative [30,31].

2.5. 1990s: The Rise of Accountability

In the 1990s, the focus shifted toward accountability and transparency, driven by globalization and increasing scrutiny from NGOs, governments, and the media [32,33]. As multinational corporations expanded their global footprint, they faced growing pressure to act responsibly, particularly in developing countries. High-profile incidents, such as the sweatshop labor scandals involving Nike, led to public outcry and forced corporations to adopt more stringent ethical standards across their supply chains [34]. The concept of sustainability gained prominence, emphasizing the need for businesses to operate in ways that ensure resources are available for future generations. The 1992 Earth Summit in Rio de Janeiro was a landmark event highlighting businesses' role in sustainable development [35,36]. Many companies began to issue their first CSR reports, disclosing their social and environmental impacts, which marked an important step towards greater corporate transparency.

2.6. 2000s: The Emergence of ESG Metrics

In the early 2000s, CSR practices began to formalize, largely driven by increasing pressure from stakeholders—including investors, governments, and civil society—demanding transparency and accountability [37–39]. The rise in ESG metrics during this period brought about a significant transformation. Unlike CSR, which was often criticized for lacking concrete measurement, ESG introduced standardized metrics to assess a company's impact on the environment, its social contributions, and the quality of its governance structures [40,41]. This decade also saw the emergence of initiatives like the Global Reporting Initiative (GRI) and the United Nations' Principles for Responsible Investment (PRI), which provided guidelines for companies to disclose their ESG performance [42–44]. Companies like Shell and BP, facing public pressure over environmental disasters, began adopting these frameworks to regain stakeholder trust and demonstrate their commitment to responsible practices [45–47].

2.7. 2010s: ESG Becomes Mainstream

The 2010s marked a turning point as ESG principles became mainstream [12,48]. The financial crisis of 2008 underscored the importance of good governance, prompting investors to pay closer attention to the governance practices of companies [49]. During this decade, ESG considerations became increasingly integrated into investment decision-making processes [50]. The launch of the United Nations Sustainable Development Goals (SDGs) in 2015 further emphasized the importance of sustainability, and companies were encouraged to align their operations with these global goals [51]. ESG ratings and indices became common, providing investors with tools to evaluate companies based on their environmental, social, and governance performance [52–55].

2.8. 2020s: ESG 2.0 and Strategic Integration

The emergence of ESG represented a compliance-driven approach, where companies focused on satisfying regulatory requirements and using ESG data as a public relations tool [12]. However, as global challenges like climate change and inequality intensified, the need for meeting compliance became evident. This led to the current phase of ESG 2.0, where sustainability is strategically integrated into business operations to drive innovation and create competitive advantages [56,57]. In the 2020s, companies are increasingly expected to demonstrate measurable impact, and the focus is on embedding ESG deeply into corporate culture and decision-making processes. The COVID-19 pandemic further highlighted the interconnectedness of social, environmental, and economic systems, reinforcing the need for resilient and sustainable business practices [49,58–63]. Companies like Patagonia and Microsoft have been at the forefront, showcasing how deeply integrated ESG strategies can foster resilience and ensure long-term viability [64–67].

The CSR to ESG revolution underscores how corporate responsibility has shifted from voluntary charity to strategic imperatives central to long-term business success. As stakeholder expectations evolve, companies embracing ESG 2.0 will create a sustainable future for all.

3. Integrating ESG into Business Strategy

Imagine a world where businesses thrive not by cutting corners, but by doing the right thing—where sustainability and profitability intersect. That is the promise of ESG 2.0. Today, companies are not only reducing their carbon footprints or improving workplace diversity as isolated efforts. Instead, they are weaving Environmental, Social, and Governance (ESG) principles into the fabric of their strategies, making them integral to how they operate, innovate, and grow.

A defining feature of ESG 2.0 is the integration of ESG considerations into the core business strategy. Companies are moving beyond isolated initiatives, such as reducing carbon (CO_2) footprints or promoting diverse hiring, towards establishing systemic frameworks that link sustainability goals with financial performance, risk management, and social responsibility [68–70]. This integration requires a shift in mindset—from viewing ESG as a cost or regulatory burden to recognizing it as a driver of innovation and competitive advantage.

3.1. Why Context Matters

One size does not fit all when it comes to ESG. What works in one region or industry might fall flat elsewhere. For example:

In Europe, regulators like the European Union mandate detailed ESG disclosures, pushing companies to demonstrate transparency and compliance [71].

In North America, investor activism and customer preferences are major drivers. Companies are racing to win over a growing base of sustainability-conscious consumers and shareholders [72].

In industries like energy, the focus is on reducing carbon emissions, while technology companies often prioritize issues like data ethics and governance [73–76].

This diversity makes it clear that ESG strategies must be tailored to meet specific needs. A solar energy company in Greece will have vastly different priorities than a tech startup in Silicon Valley.

3.2. Stories of Success

Some companies are proving that embedding ESG into their core strategies is not just ethical—it is smart business. Take Patagonia, for instance. Known for its commitment to sustainability, Patagonia makes decisions that align with its values, like using eco-friendly materials and encouraging customers to repair rather than replace their products [77]. This approach has strengthened their brand loyalty and transformed their business into a global leader in environmental responsibility.

Unilever offers another powerful example. The company's Sustainable Living Plan prioritizes sourcing sustainable palm oil, reducing plastic waste, and reimagining product lines to align with sustainability goals [78,79]. These efforts benefit the planet and make the company more resilient to supply chain disruptions, proving that ESG can be a shield against unexpected risks.

3.3. Technology: A Helping Hand

Advanced technologies are crucial to this transformation. Data analytics, Artificial Intelligence (AI), and Blockchain are being used to enhance the measurement, verification, and transparency of ESG initiatives [80,81]. These technologies allow companies to track their progress in real time, identify areas for improvement, and ensure that their efforts are aligned with broader sustainability objectives. For example, AI can optimize energy usage, while blockchain can provide immutable records of supply chain practices, ensuring that sustainability claims are verifiable.

Of course, no transformation is without its hurdles. Changing an organization's culture to prioritize long-term sustainability over short-term profits can feel like steering a massive ship through choppy waters. Regulatory requirements can vary drastically across borders, adding complexity for multinational companies. Proving ESG claims is not always straightforward, as credibility demands rigorous standards, clear metrics, and honest communication.

4. ESG as a Driver of Innovation and Value Creation

ESG 2.0 aims to reshape the narrative from mitigating risks to seizing opportunities for innovation. Firms that excel in this transition demonstrate that sustainability and profitability are not mutually exclusive, but mutually reinforcing [70]. By adopting ESG 2.0, companies can unlock new markets, drive product and service innovation, and enhance their brand reputation. For example, companies prioritizing renewable energy investments reduce their carbon emissions and position themselves as leaders in transitioning to a low-carbon economy [82–84].

Consider Unilever's efforts to reimagine its product lines in the context of sustainability [79]. The company's Sustainable Living Plan launched over a decade ago, has driven product innovation while reducing environmental impact. Unilever's commitment to sourcing sustainable palm oil and reducing plastic waste has not only garnered consumer support. It has also made the company more resilient to supply chain disruptions—a clear example of how ESG can drive innovation and value [78].

The investment community is also beginning to appreciate this evolution, as ESG considerations determine corporate resilience and long-term success. Investors now seek transparency and measurable impact, pushing companies to provide more granular, evidence-based ESG data. This shift has led to the rise of impact investing, where investors actively seek out companies that demonstrate a commitment to generating positive environmental and social outcomes alongside financial returns.

5. Governance and Accountability in ESG 2.0

Governance is central to ESG 2.0, emphasizing accountability mechanisms that align executive incentives with sustainability objectives.

A critical component of ESG 2.0 is the emphasis on governance and accountability [70,85,86]. The focus on governance is shifting towards accountability mechanisms that ensure top management is aligned with sustainability objectives. This means redefining executive incentives, embedding ESG metrics into performance evaluation, and ensuring that leadership sets a tone of authenticity and engagement with ESG values. Effective governance structures are essential to driving meaningful progress in ESG initiatives, ensuring that companies respond to regulatory pressures, and proactively shaping the policies and expectations that will define corporate success in the coming decades [87–89].

One way to humanize this is through the example of Danone. Danone's commitment to "One Planet. One Health" is more than just a slogan—it is a governance framework that aligns the company's leadership incentives with long-term environmental and social goals. Danone has linked its executives' bonuses to sustainability targets, ensuring ESG performance is directly tied to financial reward [90,91]. This type of governance innovation is critical for ensuring that sustainability is embedded in corporate culture from the top down.

Of course, regional differences persist. European corporations emphasize regulatory compliance and transparency, while North American firms often prioritize shareholder value and market-driven governance innovations.

6. Challenges and Opportunities

The transition to ESG 2.0 is not without its challenges [92]. Companies must navigate complex regulatory environments, balance short-term financial pressures with long-term sustainability goals, and address potential organizational resistance to change [12]. For many businesses, the challenge lies in shifting from a mindset focused solely on quarterly results to one that values long-term sustainable growth. This cultural change requires strong leadership and articulating how ESG contributes to value creation.

However, the opportunities presented by ESG 2.0 far outweigh these challenges. By embedding ESG into the core of their business, companies can enhance their resilience, attract and retain top talent, and create long-term value for all stakeholders. Employees, particularly those of younger generations, increasingly want to work for companies that share their values and positively impact the world. Companies that lead in ESG are better positioned to attract and retain this talent, which is essential for driving innovation and growth.

7. Conclusions

The transition to ESG 2.0 represents a critical moment for corporations—a point where businesses must redefine their purpose and reimagine their role in the world. This transformation is a response to external pressures and an opportunity to create meaningful change. Companies that embrace ESG 2.0 are at the forefront of shaping a more resilient, equitable, and sustainable global economy. They mitigate risks, demonstrate leadership, spark innovation, and build a legacy beyond profits.

ESG 2.0 offers a fresh perspective on corporate success that balances financial performance with resilience, innovation, and positive societal impact. By viewing these elements as interconnected, companies can harness sustainability as a long-term growth and competitive advantage driver. This holistic approach strengthens trust with stakeholders, from customers to employees to investors, who increasingly expect businesses to contribute to the well-being of society and the planet.

The journey towards ESG 2.0 is also about humanizing business. It is about acknowledging that corporations are part of a broader ecosystem and their actions profoundly impact people and the environment. Leaders who understand this interconnectedness can foster an organizational culture that values transparency, accountability, and compassion. These leaders are poised to leave a lasting, positive mark on their industries and the communities they serve.

Ultimately, the path forward is clear: businesses must evolve, adapt, and lead, ensuring that they are not only profitable but also a force for good in the world. The successful adoption of ESG 2.0 represents a commitment to a future where businesses actively contribute to solving societal challenges—shaping a more equitable, sustainable, and prosperous world for everyone. Corporations can transform themselves into champions of sustainable development, driving positive change while securing their place in a resilient and thriving economy.

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