REDEFINING CORPORATE SOCIAL RESPONSIBILITY: THE ESG PARADIGM

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Abstract

This study explores the transition from Corporate Social Responsibility (CSR) to Environmental, Social, and Governance (ESG) as a fundamental shift in how businesses conceptualize and operationalize their commitment to responsible and sustainable practices. The study explores the structures and underlying theories of CSR and ESG, addressing the criticisms and challenges associated with both frameworks. It discusses the emergence of ESG ratings and scoring as a paradigm shift in investment and corporate governance, highlighting its potential benefits and criticisms. Furthermore, the study includes a comparative analysis of CSR practices in the Philippines within the broader context of Asian countries and Hungary. This examines the regulatory environment, focus areas, cultural factors, and government and NGO involvement in CSR initiatives, showcasing how these factors influence CSR practices in diverse regions. The study concludes by the transformative nature of the shift from CSR to ESG, which encompasses a redefinition of corporate responsibility for the 21st century. The growing importance of ESG in the Philippines, driven by regulatory requirements and a rapidly evolving trend. Lastly, it identifies areas for future research. This research provides valuable insights into the evolution of sustainable business practices and the challenges and opportunities associated with this transition.

Keywords: Corporate Social Responsibility, CSR, ESG, Corporate Sustainability
Discipline: economics

Absztrakt

A VÁLLALATI TÁRSADALMI FELELŐSSÉGVÁLLALÁS ÚJRAÉRTELMEZÉSE: AZ ESG PARADIGMA

Ez a tanulmány a vállalati társadalmi felelősségvállalásról (CSR) a környezeti, társadalmi és irányítási (ESG) elvekre való átállást vizsgálja, mint alapvető változást abban, ahogyan a vállalkozások megfogalmazzák és működőképessé teszik a felelős és fenntartható gyakorlatok iránti elkötelezettségüket. A tanulmány a CSR és az ESG struktúráit és mögöttes elméleteit vizsgálja, kitérve mindkét keretrendszerrel kapcsolatos kritikákra és kihívásokra. Tárgyalja az ESG-besorolások és -pontozások megjelenését, mint paradigmaváltást a befektetésekben és a vállalatirányításban, kiemelve annak lehetséges előnyeit és kritikáit. Továbbá a tanulmány összehasonlító elemzést is tartalmaz a Fülöp-szigeteki CSR-gyakorlatokról az ázsiai országok és Magyarország tágabb kontextusában. Ez a tanulmány a szabályozási környezetet, a fókuszterületeket, a kulturális tényezőket, valamint a kormányzati és nem kormányzati szervezetek CSR-kezdeményezésekben való részvételét vizsgálja, bemutatva, hogy ezek a tényezők hogyan befolyásolják a CSR-gyakorlatokat a különböző régiókban. A tanulmány a CSR-ről az ESG-re való áttérés transzformatív jellegével zárul, amely magában foglalja a vállalati felelősségvállalás 21. századi újradefiniálását. Az ESG növekvő jelentősége a Fülöp-szigeteken, amelyet a szabályozási követelmények és a gyorsan változó trend vezérel. Végül azonosítja a jövőbeli kutatások területeit. Ez a kutatás értékes betekintést nyújt a fenntartható üzleti gyakorlatok fejlődésébe, valamint az ezzel az átmenettel kapcsolatos kihívásokba és lehetőségekbe.

Kulcsszavak: Vállalati társadalmi felelősségvállalás, CSR, ESG, Vállalati fenntarthatóság

Diszciplina: gazdaságtudomány

The transformation from Corporate Social Responsibility (CSR) to Environmental, Social, and Governance (ESG) marks a significant shift in the way businesses conceptualize and operationalize their commitment to responsible and sustainable practices. This evolution reflects an increasingly complex global landscape where corporate actions and impact extend beyond traditional profit-centric goals. Corporate social responsibility (CSR) is a concept that has been widely adopted by businesses to demonstrate their commitment to the social and environmental well-being of their stakeholders. However, CSR that illustrates the positive impact of a company's commitments are mostly self-regulated practices and have been criticized for being inconsistent, vague, self-serving as well as having immeasurable and incomparable results to validate its outcomes (Carroll and Shabana, 2010). Moreover, some of companies' CSR programs have faced accusations of greenwashing which have led increased doubt on their corporate sustainability initiatives.

In recent years, a new approach to corporate sustainability has emerged, namely environmental, social, and governance (ESG) criteria. ESG is a set of standards that evaluates the performance of a company in terms of its impact on the natural environment, the society, and the quality of its governance (Eccles et al., 2017). ESG is perceived to have a more rigorous and holistic assessment of a company's ethical and sustainability practices which incorporates a broader framework such as Sustainability Development Goals (SDG). ESG also has implications for the financial performance and reputation of a company, as investors, customers, and regulators increasingly demand higher ESG standards from businesses (Clark et al., 2015). From message to meaning, from reactive to proactive, and from compliance to performance are the three main foundations of the evolutional changes of CSR to ESG. The purpose of this research paper is to delve into the evolution from CSR to ESG, examining their structures and underlying theories. The paper will extensively review existing literature to offer a comprehensive analysis and will complement this with a case study from the Philippines. This case study will serve to highlight the distinctions between CSR and ESG from a global perspective. Understanding the CSR landscape in the Philippines is particularly significant for this study. The Philippines' unique socio-economic and cultural context can provide valuable insights into the opportunities faced by businesses in transitioning from CSR to ESG. This case study will contribute to a broader understanding of the global adoption and adaptation of ESG practices in various regional and cultural contexts, making it an essential component of this research.

Shifting Perspectives: Corporate Volunteering in the Context of Evolving CSR Philosophies

The concept of CSR has a rich historical legacy that can be traced back to the early

20th century. Initially, CSR was primarily focused on philanthropic activities and charitable giving by businesses. However, the landscape of CSR started to change significantly in the latter half of the 20th century. Scholars such as Howard Bowen (1953) played a pivotal role by emphasizing that businesses have broader societal responsibilities beyond profit maximization. Moreover, Elkington (1994) concept of Triple Bottom Line (TBL) proposes that society depends on the economy, which in turn depends on the ecosystem's health, people, profit pillar. Despite the progress made in advancing CSR, it faced criticisms for being voluntary, fragmented, and often driven by public relations concerns. The limitations of the traditional CSR approach became apparent as global challenges such as climate change, social inequality, and governance failures called for more comprehensive and systematic responses from corporations. However, based on the TBL a transition from public relations to competitive advantage and corporate governance is seen with the rise of ESG, as it could be observed that it considers the diversity of Board of directors, all the stakeholders, involves CSR and ESG committee as well as Rating Agencies in shaping a company's activities.

As stated by Porter and Linde (1995) there are numerous means to view environmental challenges. From the perspective of orthodox economics, conserving and using natural resources in a rational manner could hinder the economic development and the profitability of a company since environmental protection can generate costs and negatively impact competitiveness. On the other hand, another point of view argues that environmental protection is beneficial for business, while a third perspective suggests that neglecting environmental protection can have a costly outcome. Extensive notions of the CSR were agreed and criticised by economists and academics who revealed different views of how companies should operate such as Milton Friedman, Henry Manne, Maria Csutora and more.

Friedman argued that "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1962). Maximization of profits for its shareholders is the business primary responsibility as argued by Friedman. He believes that it is inappropriate for CSR initiatives to divert resources away from profit-making activities as it should be for profit generation and maximization. With this comes along criticism as it is seen as being overly narrow because the potential long-term benefits of CSR are not considered such as improved reputation and stakeholders' trust. Moreover, neglecting to consider that societal issues can impact business operations thus CSR could be an approach to manage risks and opportunities.

Sharing similar views to Friedman's is Manne, who is associated with the Chicago

School of Economics. He believed that CSR should not be governmental mandate but rather to be the interests of shareholders and individual preferences. His argument reflects corporate public relations or agency costs for self-interest appearing as "corporate statement" – abandonment of the free market for an an ineffective programme that is highly unlikely to improve social welfare. His views were criticized for ignoring that CSR may result to reputational risks and failure to address the ever-changing societal expectations that can impact business's long-term sustainability.

Porter and Kramer (2011) published ana article in the Harvard Business Review introducing the concept of "shared value" as a framework that integrated social issues in the business strategy while creating economic value. He argues that business could align their strategies and activities with societal advancement and generate profit. Unlike the views of Friedman and Manne of strict profit-maximization, this is seen as an improvement. However, assuming that the interest of business and the society always aligns is a weakness of this concept because there could be conflicts between social and economic goals that requires careful management.

Consequently, Carroll (1979) introduced the "CSR Pyramid" which considers economic, ethical, legal, and philanthropic responsibilities of business for the society. The pyramid expects the responsibility of businesses to the society should be relative to its importance. His argument stems on the businesses have the obligations to the society beyond just profits. However, it should be noted that the CSR Pyramid does not have specific guidance on how to balance these responsibilities, therefore, businesses may prioritize what is more beneficial for them (e.g., economic goals than philanthropic or ethical initiatives) particularly to gain short-term profit.

Drucker (1984) highlighted the businesses moral and ethics behavior – perceiving CSR as a moral duty. He advocates the integration of ethical considerations into the business operations, which translates to CSR being a strategic imperative that takes into account the perspective of stakeholders' while using this for innovation that can contribute to the business' success and social well-being. Although taking ethical consideration is advantageous, it should be considered that it varies across individuals and cultures, therefore, it is quote challenging to establish an ethical guideline for business universally. Moreover, the focus on morality itself might not be enough for a practical framework for the implementation of CSR.

Csutora (2008) emphasized sustainability and the reduction of social and environmental impacts. Her argument gives importance on sustainability as the focus of CSR practices that goes beyond profit motives of business engagement. Focusing on sustainability is essential, however this may not tackle the full range of areas in CSR. As some companies may use this and engage on sustainability initiatives that is aimed to enhance their image rather than addressing wider societal issues. Therefore, to address CSR's wider range of social and environmental responsibilities a more comprehensive approach is needed.

As in the 21st century the "business case" of CSR – ethical and altruistic justification have shifted to the debate of corporate sustainability and incorporating ESG dimension and practices. The ESG is not only for sustainability measures or social, environment and governance practices itself but also the whole non-financial aspects that could impact the financial performance of a company. The scepticisms of Friedman (1962) and Manne (1962) are logical because as we look deeper in the ESG rating, ranking and scores it is very complex and the standardisation is lacking, therefore why would the outcome be credible. If CSR could be a PR stunt, ESG could be also a form greenwashing as different rating agencies assign different weights on different variables and produce varying interpretations, mainly showing the dimension that a company is doing well and hide the dimensions the company are struggling with.

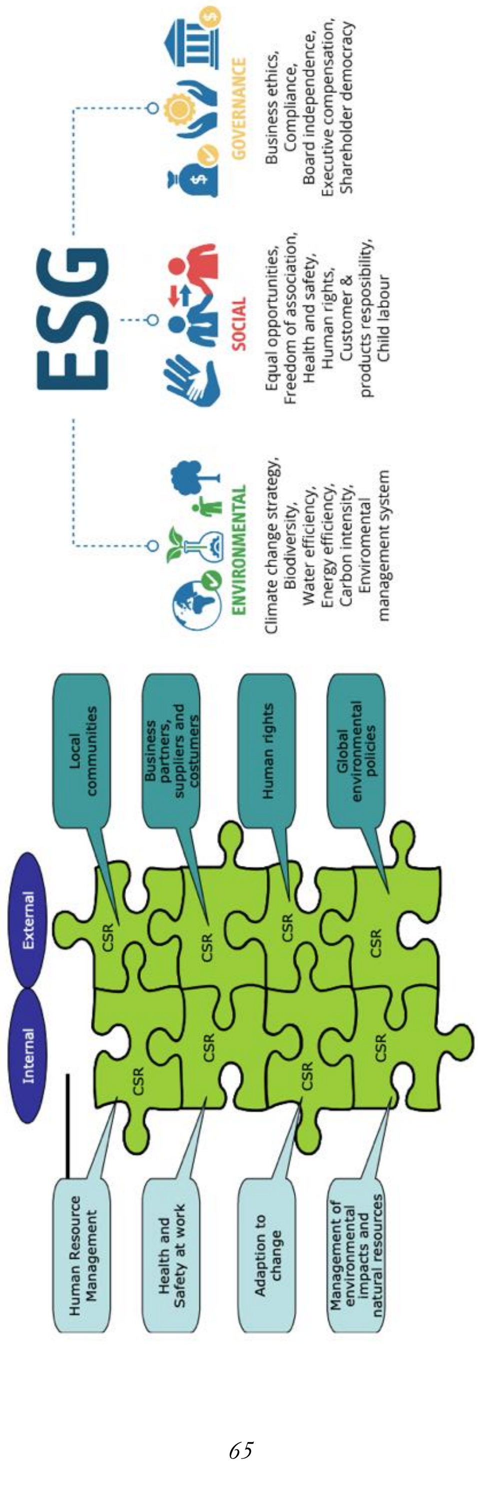
Numerous studies examining whether environmentally responsible companies also tend to be more profitable or whether businesses should rely on ESG to determine their sustainability have emerged because of the ongoing debate regarding how to balance environmental responsibility and profitability. Based on scholarly research and the opinions of numerous professionals, it is widely recognized that the majority of corporate misconduct cases stem from a profit-over-ethics mindset. While some academics contend that corporations should prioritize profits over accountability, others maintain that ESG, and CSR is not sufficient enough in integrating sustainability into business operations. However, all of these scholars conform the notion that businesses should have moral, legal, and ultimately philanthropic responsibilities.

Nonetheless, it is observed that using ESG and CSR on assessing a company's environmental performance has proven to be a significant challenge for academic study because of the underlying concepts' ambiguity and complexity.

The Need for a Holistic Approach: Unveiling the Structure of CSR and ESG

According to Arayssi et al., (2019) ESG is the evolution or the extension of CSR, therefore there may be some similarities and overlapping information between the two concepts, however, the structure of CSR and ESG may have distinctions. ESG is a sustainability assessment using Environmental, Social, and Governance metrics to evaluate how sustainable and resilient a company is to make it accountable for its sustainability claims. While CSR is an internal initiative to fulfill a corporate purpose and refers to sustainability strategies businesses employ to ensure that the company is carried out ethically.

Figure 1. Typical Structure of Corporate Social Responsibility (CSR) and ESG Reporting Source: Authors own editing based on Wetzker et al. (2006) and Hauptmann (2020)



ESG includes a wider set of factors concentrating on environmental, social, and governance disclosing the corporations' practices and performance in these areas. ESG reporting is guided by recognized standards and frameworks (e.g Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), etc.) that provide specific metrics, indicators, and reporting guidelines for their ESG performance disclosure. The emphasize on the materiality of ESG factors of a company's financial performance and long-term sustainability is crucial as it motivates companies to disclose information which is significant to their stakeholders, industry, and potential risks and opportunities. Stakeholder is ESG's main concept, considering the stakeholders perspective is crucial but centers on the information material to investors and financial decision making as it provides in-depth information relevant to investment analysis, risk management, and long-term value creation (Billio et al., 2020; Bose, 2020).

Meanwhile, CSR focuses on addressing social, environmental, and economic challenges through philanthropic activities, voluntary actions, community engagement, supply chain practice, employee's well-being, and environmental stewardship. It does not conform to a standardized framework which gives companies flexibility on reporting their CSR initiatives. As businesses have the discretion of determining what to include in their CSR based on their materiality perspective therefore, CSR varies across company and industry priority that may cover a wide range of topic. CSR emphasize on company's engagement with various stakeholders such as customers, communities, employees, government, and NGOs (Wilkins, 2017).

However, ESG comes with challenges and complexities as it lacks universal standards in reporting which leads to inconsistencies. The variation and subjectivity of the materiality of ESG may fail to address critical issues. Moreover, ESG metrics does not always accurately reflect the actual performance of companies as there are various reporting practices. ESG reporting may face legal and regulatory risks due to inaccuracies. ESG is mostly handled as a separate reporting initiative than being fully integrated. While CSR, also lacks a standardized framework that could result to greenwashing. The measurement of CSR effectiveness is a known difficulty as the initiatives' impact on the environment and society is not always straightforward therefore, it may not always effectively address the most pressing social and environmental issues. Additionally, CSR may be used as a safeguard against ethical and legal issues as it is not fully integrated into the businesses' core strategy. CSR engagements' authenticity may be questioned and could be seen as a PR strategy. Lastly, both ESG and CSR are inclined to greenwashing as companies could engaged in insincere or superficial initiatives to appear environmentally and socially responsibly, thereby affecting trust.

Overall, ESG and CSR both have their respective strengths and weaknesses. CSR provides businesses a valuable means on addressing sustainability issues and foster sustainable culture within an organization. While ESG offers a more standardized and measurable approach to sustainability which has become increasingly desirable by investors and stakeholders. Both frameworks could be criticized on their significant focus on compliance instead of affectively addressing the underlying causes of sustainability challenges. Furthermore, to guarantee accurate representation of companies' sustainability initiatives there is a necessity for greater consistency and transparency in the reporting standards.

Environment, Social and Governance (ESG) Ratings and Scoring as a Paradigm Shift

ESG disclosure and reporting is a term used widely in the capital markets to describe formal corporate reporting outside the published financial reports required under the Accounting Standards (UNPRI, 2011). ESG is used especially in the capital markets which divide CSR into areas of environmental, social and governance responsibility "pillars" that could be measured, factors to evaluate sustainability practices and performance within a company. ESG ratings, scoring and ranking creates accountability measures that considers the sustainable development and voluntary commitment to non-financial goals (Arayssi et al., 2019).

ESG scores are ratings that are presented in figures or letters through the evaluation of environment, social and governance, and was established to assess the corporation's performance on the said three dimensions and identify the best performing companies. Private commercial corporations who have clients that are portfolio managers and other investors take intangible and tangible data to create the ESG score to provide new data that will meet the needs of investors while corporations who are on the process of receiving or updating their ESG score utilises self-reporting indexes that are audited by rating agencies or independent firms (Escrig-Olmedo et al., 2019). ESG scores can make it possible to anticipate financial risks related to the negative impacts of dishonest actions, this is also a main advantage of the ratings. Nonetheless, it was discovered that it is less efficient to analyse the positive effects that develop from actions on adopting the criteria significantly the degree on which corporations contributes to the society's wellbeing and the environment where it is operating (Baker et al., 2015; Lai et al., 2016).

The ESG ratings have become increasingly popular due to the anticipation for companies to be responsible and because responsible investment strategies that have great returns on investments would then thrive in the future (Friede et al., 2015). High ESG score is believed to improve corporate financial performance and sustainability performance of companies, therefore in the way the rating differentiates the non-transparent companies – those who does not engage and have an

ESG score to the transparent companies - those who does disclose, engage, and have an ESG score. Consequently, it only illustrates limited risks on long-term investment because these translates to mitigation of risk that climate change, and other environmental, social challenges that can affect the companies' profitability (Lisin et al., 2022). Furthermore, ESG scoring is becoming an attractive tool for financial clients such as retail investors to institutional investors that has the desire to invest in businesses that are responsibly proven in the dimension of environmental and social issues in terms of the organisation's conviction. With the known fact of growth potential for mid-to-long-term investment is increasingly higher for socially responsible investment as it is seemly acknowledged in finance that sustainability will be the future's growth market indicator (Clément et al., 2022).

ESG ratings and scoring have been regarded as a significant shift in investment and corporate governance which aims to align businesses with ethical and sustainable practices. However, the general critique of ESG is the accuracy of the ratings as it may not effectively depict the actual environmental, social, and governmental impact of companies resulting to a disconnect between the ratings and the reality. The attempt to balance the three pillars and dimensions to a single rating is difficult as there is still inconsistency of how ESG ratings and scores are weighted and measures by different rating agencies which further complicates the matter at hand. Scholars argue that the aggregate ESG scores/ratings lack meaningful significance and cannot be accurately assessed as it may prioritize one pillar to another or the needs of investors and financial decision-making over other stakeholders such as employees, customers, and communities. Therefore, ESG ratings could be seen as a compliance initiative than to address sustainability challenges.

ESG ratings and scoring continues to be a significant instrument for investors and stakeholders in assessing a company's sustainability performance and practices, despite of these criticism and challenges. As ESG ratings considers a broader range of company's actions than CSR, such as energy efficiency, waste management, employee well-being, community involvement, and ethical supply chain sourcing. The ratings and scores provide a more comprehensive view by evaluating various aspects of the company's dedication to generating profits while positively contributing on the society and environment.

CSR in the Philippines: A Comparative Analysis of Asian Countries' and Hungary's Perspectives

In the recent years, Corporate Social Responsibility (CSR) has seen a significant increase in attention in the Philippines. Various companies are now giving importance on CSR to positively contribute to social and environmental sustainability while improving their reputation and long-term profitability. This emphasize came from the 1987 Philippine Constitution which involves partnerships of companies and communities. CSR in the Philippines is generally through donations or activities carried out by corporate foundations, or even a company unit. Consequently, the Philippine government has implemented policies and initiatives that promotes sustainable development and the reduction of greenhouse gas emissions, which motivated companies to integrate sustainability strategies that aims to reduce their environmental impact, address social responsibility, and improve corporate governance (Yap et al., 2020).

In the Philippines, CSR initiatives and awareness gained significance as many companies realized the importance to help the community and address social and environmental problems that their company is affecting. The regulatory and legal framework mandates corporations to act responsibly however CSR practices is still a voluntary action. While Philippines CSR efforts focuses on social welfare and community engagement, in other countries such as India, Japan, Saudi Arabia and Hungary focuses from technology and innovation to community welfare and are subject on each country's unique conditions and priorities. It is important to emphasize that each country has its own genuine social, cultural, economic, and regulatory conditions that shape their CSR efforts that is why companies adapt their CSR initiatives that meets the expectations and needs of their own local communities and stakeholders (Table 1).

As in many other countries, CSR in the Philippines has shortcomings as CSR practices can be inconsistent and voluntary. Therefore, some companies engage in CSR activities while others do not which results to divergences in the contributions to social and environmental initiatives. Although the 1987 Philippine Constitution and the government-initiated policies and promotes CSR, there should be a regulatory requirement to guarantee a wider and consistent adoption of CSR practices. As companies could possibly undertake greenwashing activities – exaggerating or misrepresenting their CSR efforts to enhance their image without a significant change in their business operations. Therefore, it is essential to have consistent, standardized, and transparent CSR practices that address social and environmental issues and make sure that the companies contribute to societal and environmental responsibility.

With this, ESG is becoming more widely adopted by organizations in the Philippines, as it addresses risk factors and creates solutions. ESG is a more comprehensive framework than CSR and the impact of the operations of company on its stakeholders, environment governmental structure and the society are considered. Moreover, policies and initiatives were introduced by the Philippine government to promote sustainable development and greenhouse gas emission reduction.

Table 1. Comparison of CSR Initiatives in the Philippines with Asian Countries and Hungary. Source: Authors own editing based on (Alampay, 2022; Georgescu, 2016; Jablonkai, 2016; Munro, 2013; Sagar & Singla, 2004; Yap, 2020).

Variable	Philippines	Southeast Asia	Asia	Hungary
Regulatory Environment	CSR is voluntary - donations and philanthropic activities guided by the Corporation Code of the Philippines. Companies are encouraged but are not required to produce CSR. Ayala Corporation focuses on education through scholarships, healthcare, and disaster response.	Indonesian government enforces a requirement CSR spending on certain industries (mining and oil & gas). Freeport such as McMoRan in mining sector should have an allocated funds for community development and environmental initiatives.	India has a mandatory spending on CSR for certain companies. Tata Consultancy Services complies with the legal requirement through various CSR activities.	The Act on Business Information mandates large companies in Hungary to disclose information in their ESG initiatives, such as energy consumption, emissions, and practices to reduce environmental impact.
Focus Area	Poverty alleviation, education, and healthcare are the focus of CSR initiatives. Such as San Miguel Corporations which is known for community development projects and humanitarian solutions.	Malaysia focuses on environmental sustainability. Palm oil industry such as Sime Darby has commitments to sustainable palm oil production.	Japan focuses on technology and innovations. Toyota for example invests on sustainable technology and environmental initiatives.	The focus is on education, healthcare and environmental sustainability. Company like Gedeon Ritcher sponsors medical research and education, while Magyar Telekom prioritize environmental initiatives.
Cultural Factors	Catholicism and “Bayanihan” community support in English influences the CSR practices of Philippines through charity, donation, community engagement and social development. Jollibee Foods Corporations engages philanthropic activities as well as education support.	Thailand Buddhist values shapes the CSR initiatives, focusing on social responsibility and giving back to the community. Thai Beverage focuses on local community development and humanitarian relief.	Saudi Arabia reflects the Islamic values focusing on philanthropy and community welfare. SABIC’s CSR focuses on activities aligning with Islamic principles.	CSR initiatives reflects cultural priority in education and social welfare. TESCO providing scholarships to support higher education and Richter Gedeon Nyrt, supports healthcare facilities and initiatives to improve public health.

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Table 1 continued:

Variable	Philippines	Southeast Asia	Asia	Hungary
Industry-Specific Differences	BPO (Business Process Outsourcing) and manufacturing sectors are significant in the Philippines. Companies such as Accenture Philippines CSR initiatives supports education and workforce development.	Vietnam's textile industry such as Vinatex focuses on labor and environmental issues in CSR practices.	South Korea, CSR initiatives is known for its technology industry, innovation and research. Samsung efforts focuses in STEM education and healthcare.	Technology and automotive is a significant industry adopting sustainable and innovative CSR initiatives, Audi Hungary focuses on reducing their environmental footprint and green technologies. OTP Bank highlights responsible banking and financial literacy.
Government and NGO Involvement	Governmental and NGOs collaboration is common in the initiatives. The Philippine Disaster Resilience Foundation (PDRF) cooperation in disaster preparedness and relief.	Singaporean government actively encourages incentives and awards in their CSR. DBS Bank are involved in community development and sustainability efforts.	Chinese government is actively encouraging environmental sustainability in CSR efforts. Companies such as Tencent are involved in environmental protection and digital inclusion.	National Corporate Responsibility Council (NCRC) in Hungary encourages the collaboration between business and civil society. NGOs, such as the Hungarian Business Leaders Forum (HBLF), actively participate in CSR advocacy.
Sustainability and Environmental Concerns	CSR initiatives that focus on disaster preparedness, environmental conservation and sustainable practices is significant in the Philippines being vulnerable to climate change. SM Prime Holdings involves green building practices and energy efficiency.	Indonesia faces environmental challenges due to deforestation and pollution. Asia Pulp & Paper (APP) have made commitments and initiatives to sustainable forest management.	Delhi government initiated "Odd-Even Scheme." This is part of a wider sustainability and CSR effort to air pollution reduction and sustainable transportation options promotion.	Companies focus their CSR efforts on carbon footprint reduction, adopting green practices, and actively participating in environmental protection initiatives.

New sustainability reporting requirements were instituted by the Securities and Exchange Commission (SEC) for the publicly listed companies in the Philippines (Reporting ASEAN, 2023). This has led for an increased awareness among

Philippine companies of the significance on incorporating ESG considerations in their business operations along with the governmental regulatory requirements and a rapidly growing trend.

Conclusion

The transition from CSR to ESG signifies a transformation evolution in the way business understand their obligations in an interconnected world. This paradigm shift goes beyond just mere words but highlights the integration of sustainability, ethical, social, environmental, governance impact into the core of business strategy. It recognizes the urgent global challenges that we are facing that requires systematic, comprehensive, and meaningful actions from corporations. The move from CSR to ESG not only involves a change in the terminology but a fundamental redefinition of corporate responsibility in the 21st century.

The transition to ESG is also the result of the limitations of the traditional practices of CSR which have faced criticism for being inconsistent, vagueness, and focuses on self-interests. On the other hand, ESG is perceived to provide a more rigorous and holistic assessment of a company's ethical and sustainability practices which incorporates a broader framework such as Sustainability Development Goals (SDG). Since, ESG has implications for the financial performance and image of a company, as investors, customers, and regulators increasingly demand higher ESG standards from businesses.

The transition from CSR to ESG encompasses three key changes shifting the focus from message to meaning, from reactive to proactive, and from compliance to performance. This shift is a response to the ever-changing expectations of the investors, stakeholders and regulators who increasingly demand a higher ESG standards from corporations. The introduction of ESG has led to the paradigm shift the approach to sustainability and corporate governance of business and investors. ESG ratings and scoring have become a crucial tool for assessing corporate sustainability performance, with high ESG scores considers enhancing the financial and sustainability performance of companies. However, ESG faces challenges as it lacks standardization, the need for materiality assessments and the potential greenwashing.

In the Philippines, CSR remains a voluntary initiative, it is criticized for being inconsistent and have a selective focus. To address these shortcomings, regulatory requirements and increased standardization is necessary. Furthermore, ESG is gaining interest in the Philippines, with the government introducing policies to promote environmental initiatives and sustainable development. The new sustainability reporting requirements for publicly listed companies are also urging greater awareness of the significance of ESG considerations. In the broader Asian context and Hungary, CSR practices are influenced by cultural factors, industry-specific differences, government and NGO involvement, and sustainability and environmental concerns. Each country's unique conditions shapes their own approach to CSR, with a focus on various aspects based on local priorities and values.

In conclusion, the evolution from CSR to ESG represents a response to the growing complexity of global challenges and the demand for more comprehensive, transparent, and accountable approaches to social responsibility and sustainability in general. While both CSR and ESG have their strengths and weaknesses, both play crucial roles in shaping the future of responsible business practices and sustainability. Areas for future research and developments in Environmental, Social, and Governance (ESG) are essential to further enhance its effectiveness and relevance in the business and academic world. As this research is limited these areas warrants exploration such as analyzing the evolution and effectiveness of ESG-related regulations, explore methods for enhancing ESG measurement consistency and global standardization, analyze evolving ESG trends in different regions and an in-depth comparison of CSR and ESG in the Asian countries and the Western countries.

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