Professional paper

ESG AND SOCIAL RESPONSIBILITY: HOW COMPANIES SHAPE A BETTER FUTURE

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Abstract: *In the context of global challenges related to climate change, growing social inequalities and the need for responsible corporate governance, sustainability is emerging as a key priority in business strategies. The coming period will mark significant changes in the global approach to sustainability. Through innovation, regulation and governance, companies are playing a significant role in shaping a more sustainable future and responding to the most pressing global challenges by implementing ESG standards (E-Environmental, S-Social, G-Governance) and adopting a more responsible approach to society (CSR-Corporate Social Responsibility).*

Social standards cover a company`s relationships with employees, customers, suppliers, owners and the communities in which they operate. They address diversity and inclusion, fair working conditions, respect for children´s and human rights, health and safety at work, and contributions to local communities.

Managing in alignment with the elements of sustainability is very important for ensuring stability and security, and it affects a company ability to attract investment and the trust of investors, especially institutional ones. Over the last decade, due to alarming data related to climate change, several initiatives and legislative frameworks have been adopted: the Paris Climate Agreement, the Sustainable Development Goals (SDGs), the European Green Deal, and EU directives.

The main goal of this paper is to show how S-social components in ESG strategies contribute to the creation a more sustainable future and plays a key role in successful business and profitability in the service of creating long-term value and positive changes in society.

Keywords: sustainability, society, governance, social impact, corporate sustainability

1. Introduction

A company, as an independent economic, technical, and social entity, provides services or produces goods intended for the market and incorporates social responsibility into its strategies through strategic activities aimed at generating profit.

Society and businesses have mutual expectations. Enterprises recognize their impact on society as well as society's and the market's expectations, and accordingly allocate financial resources for socially responsible projects, sponsorships, donations, or other forms of community support. If companies meet market expectations concerning their social responsibility, they may gain positive publicity. However, if they fail to meet these expectations, they may face negative publicity, which can impact demand for their products, credibility, image, and ultimately their profitability.

Due to alarming data related to climate change, growing inequality, economic imbalances, and social needs, the concept of sustainable business has evolved from a "nice to have" into a key strategic element that shapes management decisions, investor behaviour, owner and employee expectations, and consumer perceptions. In many industries, the implementation of ESG strategies has yielded a range of positive effects. Besides positively influencing reputation, they also enhance competitiveness and market sustainability.

In the past decade, the ESG framework (Environmental, Social, Governance) has emerged, representing a set of standards for assessing business sustainability. It enables deeper understanding of how companies manage environmental risks, their relationships with employees, customers, and the community, and whether governance is conducted in a transparent, ethical, and responsible manner.

1.1. The History of the Sustainability Concept

The concept of sustainability is broader than ESG. Since 1987, it has been defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland Commission, 1987).

In 1994, John Elkington, a global authority on corporate responsibility and sustainable capitalism, applied this concept to business through the *Triple Bottom Line* approach, measuring business success through the three Ps – People, Planet, and Profit (Grzunov, A., Đopar, M., Grbavac, K., Jakobović, D., Rupčić, M. (2025).

The term ESG was formally adopted in 2004 in the "Who Cares Wins" report, created under the leadership of the United Nations. ESG issues began to be integrated into financial analysis and investment decisions. Initial support came from the financial sector, as institutions realized that environmental, social, and governance issues are directly linked to competitiveness, profitability, and the desirable allocation of financial resources in global operations (*Who Cares Wins, 2004*).

1.2. ESG Criteria

Environmental Criteria – stem from the increasing need to mitigate and limit the consequences of climate change and involve how companies and their business processes interact with the environment. Climate change contributes to migration, conflicts over scarce resources, and social and labor instability. Environmental criteria help assess corporate environmental responsibility and the effectiveness of managing environmental risks and opportunities, aiming to reduce negative ecosystem impacts. One goal is to reduce greenhouse gas emissions. The European Parliament has mandated climate neutrality by 2050 as part of the European Green Deal. Reducing carbon emissions by at least 55% by 2030 is a legal obligation the EU is committed to. Achieving this goal would make Europe the first climate-neutral continent, with benefits for current and future generations (*The European Green Deal, 2019).*

Social Criteria – relate to a company's impact on employees, partners, customers, and the broader community. They include issues such as human rights protection, working conditions, supplier labor practices, diversity, inclusion, equal opportunities, customer responsibility, health and safety, community investment, and local impact. Emphasis is placed on dignified work and promoting employment for youth and women. In the EU and worldwide, social issues are often regulated by law, including minimum wages, worker safety and health standards, whistleblower protection, and data privacy (Grzunov et al, 2025).

Governance Criteria – represent the third element of ESG and refer to how a company is managed, led, and controlled. Emphasis is placed on internal controls, transparency, and ethical conduct. This includes board composition, executive compensation, risk management policies, and governance practices that build trust with owners, shareholders, and the market (Grzunov et al, 2025).

The purpose of ESG is to measure and demonstrate how well companies meet their obligations in operations, supply chains, and the local community.

1.3. The Importance of ESG in Business

Transforming business operations according to ESG standards and legislative guidelines brings numerous benefits and opportunities for innovation, digital technology development, competitiveness, more efficient resource use, and building a more advanced, fairer, healthier, and safer society. The sustainable transition is not limited to companies alone—local communities, educational systems, and national policies play vital roles.

Companies that implement ESG strategies deliver higher value and return on investment for their owners and shareholders, better identify and manage risks, more easily comply with regulations, expand into new markets, and have better access to finance—especially for the development and expansion of green technologies. A company's reputation and brand are significant financial assets, and ESG has a direct impact on them.

2. Methodology

The compilation method and descriptive research method were used, supported by professional literature, publicly available company and institutional data, publicly published sustainability reports of Croatian companies, and secondary data sources. The descriptive method involves simply describing facts, processes, and phenomena in nature and society, as well as empirically confirming their relationships, without scientific interpretation or explanation.

3. Problem analysis

The problem addressed in this paper concerns the understanding and application of the principles of corporate social responsibility within the ESG (Environmental, Social, Governance) principles, using the example of the company Hrvatska Lutrija. Although social responsibility has become an important element of modern business operations, there is still a need for a more detailed analysis of how organizations, particularly companies engaged in games of chance, integrate the social component of ESG into their business strategies and practices. In this context, the paper examines how Hrvatska Lutrija contributes to social well-being, fosters a responsible relationship with its employees, promotes responsible gaming, and supports the community, as well as the extent to which these activities align with the principles of sustainable development and ethical conduct.

4. Corporate Social Responsibility

The ESG concept and Corporate Social Responsibility (CSR) provide a framework for responsible, long-term, sustainable business in the interest of all stakeholders. ESG criteria are used in investment analysis, reporting, and rating systems. CSR refers to a set of activities and policies conducted in line with ethical norms to contribute to the community and protect the environment, employees, business partners, owners/shareholders, and other stakeholders.

CSR activities include community investments, donations, volunteering, and awareness campaigns. CSR is often associated with a company's identity and reputation and is used to strengthen consumer trust and employee loyalty. It improves reputation, market credibility, and motivates current and potential (especially younger) employees. It encourages diversity and inclusion and fosters a supportive and healthy work environment.

ESG and CSR are increasingly intertwined, creating a new business model based on transparency, sustainability, and responsibility. The key difference is that ESG is more metrics-, risk-, and investor-oriented, while CSR emphasizes ethics and values, aiming to create a positive social impact. Their shared philosophy is that business should positively impact the world.

The cooperation of civil society, companies, and local communities plays a crucial role in raising awareness and mobilizing citizens to actively participate in implementing ESG and CSR goals and policies.

4.1. The Impact of Companies on Society

Socially responsible companies, or those striving to become such, collaborate with local communities, governments, and non-profit organizations on environmental protection, support education programs, and develop sustainable innovations. Companies greatly influence their workforce. Due to the shift toward new technologies, it is essential to train current and future employees in digital skills, machine learning, and AI.

Innovation is key to developing environmentally friendly, recyclable, organic, and socially beneficial products. Supply chains are increasingly aligned with ESG-compliant ethical practices.

Corporate social responsibility is becoming a key factor in consumer choice. According to a 2021 PWC report, 75% of consumers plan to stop buying from companies that neglect social and environmental responsibility (PWC, 2021).

One of CSR's key goals is corporate transparency—companies must clearly and objectively communicate their achievements, plans, and goals in the area of social and environmental responsibility, report according to prescribed standards, and align with EU directives (Commission Delegated Regulation, 2021).CSR elements should be fully integrated into all business processes—from production and marketing to supply chains and HR

4.2. Corporate Responsibility Towards Employees

Working conditions and employee benefits directly affect employee satisfaction, productivity, and standard of living. Competitive and fair wages above the legal minimum, along with additional benefits, help attract and retain qualified, motivated employees and reduce staff turnover.

Legal regulations ensure a safe working environment to prevent workplace accidents, injuries, illness, and other health risks. Good practices include offering psychological support, labor counselling, regular medical check-ups, safety protocols, flexible working hours, remote work options, subsidized sports activities, grievance channels, indefinite and full-time contracts, and social protections for life events such as unemployment, illness, injury, disability, parental leave, and retirement.

Dialogue with social partners is based on the right of employees to unionize to protect labor rights and professional interests. It involves negotiations, consultations, and information exchange on business results, development plans, salary changes, overtime, safety, hiring, new technologies, and other decisions affecting employees.

Social dialogue is a cornerstone of the European social model aimed at achieving long-term business competitiveness, job quality, and a good standard of living for workers.

Employee development leads to new skills, higher productivity, better motivation, and faster adaptation to challenges like decarbonization, digitalization, and AI. Investment in employee development should be continuous and planned, contributing to both business success and worker satisfaction.

Training programs include internal and external seminars, conferences, consultations, academic education (undergraduate, graduate, postgraduate, master's, PhD), internal trainers and mentors, and initiatives to maintain and enhance employee skills and knowledge.

Non-discrimination and equal opportunity are key themes recognized by the EU, which introduced the European Diversity Charter (Hajjar, L., Hugonet, C. 2015). This obligates companies to promote diversity and inclusion in the workplace, ensuring all employees have equal conditions, fair evaluations, and success opportunities, regardless of race, ethnicity, gender, age, sexual orientation, gender identity, disability, religion, political opinion, or social status.

In cases of violations, companies must have mechanisms for reporting discrimination or harassment, along with clear policies and penalties.

Through materiality analysis, the Hrvatska Lutrija has identified goals related to employees, as evidenced by indicators obtained from an analysis of the situation in society and working conditions.

Table 1. Indicators about society and working conditions in Hrvatska Lutrija

Total number of employees	1481
Labor force by gender: **Women** **Men**	 1126 355
Women in Bord **Men in Bord**	2 1
Proportion of employees with disabilities	2,3%
Structure by contracts: **Permanent employees** **Temporary employees**	 1363 (Women 1026, Men 337) 118 (Women 100, Men 18)
Turnover Rate	6,35%
Employees participated in training: **Women** **Men**	894 699 (47% employees) 195 (13% employees)
Average training hours per employee: **Women** **Men**	 10,98 15,99

The internal workforce is a key social factor within ESG. They are responsible for the company´s success, they influence the long-term sustainability and it´s shaping a more prosperous society and better future. Therefore, it is important for company to incorporate the principles of gender equality, diversity and inclusion, fair working conditions, fair pay, respect for children´s and human rights, health, work-life balance, and safety at work.

Gender equality in a Hrvatska Lutrija, especially in management, helps create an inclusive work environment where all employees can reach their full potential.

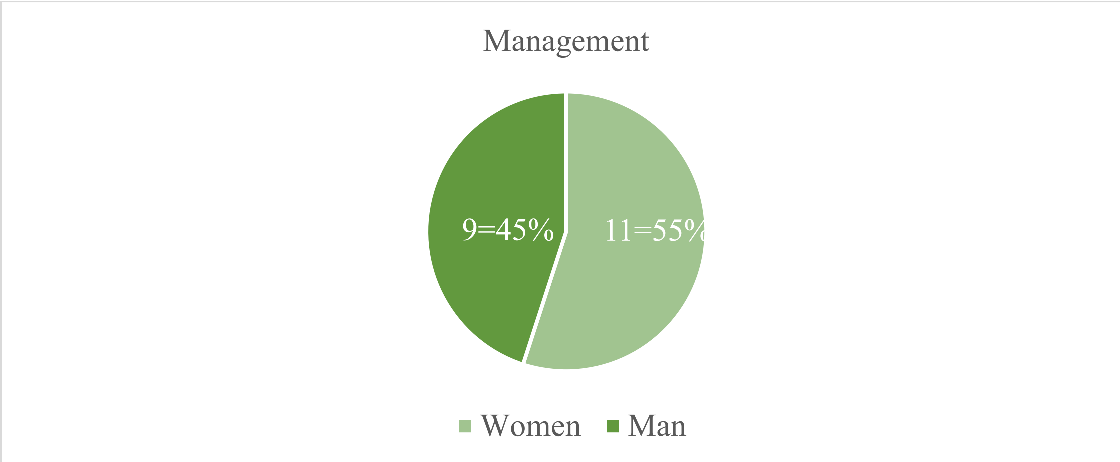

Figure 1. Gender equality in Hrvatska Lutrija
Source: Hrvatska Lutrija, Sustainability report 2024

A gender balanced team is better equipped to understand the needs of diverse customer groups and adapt products to a wider market.

By care about gender equality and diversity, Hrvatska Lutrija demonstrates social responsibility and contributes to sustainable development.

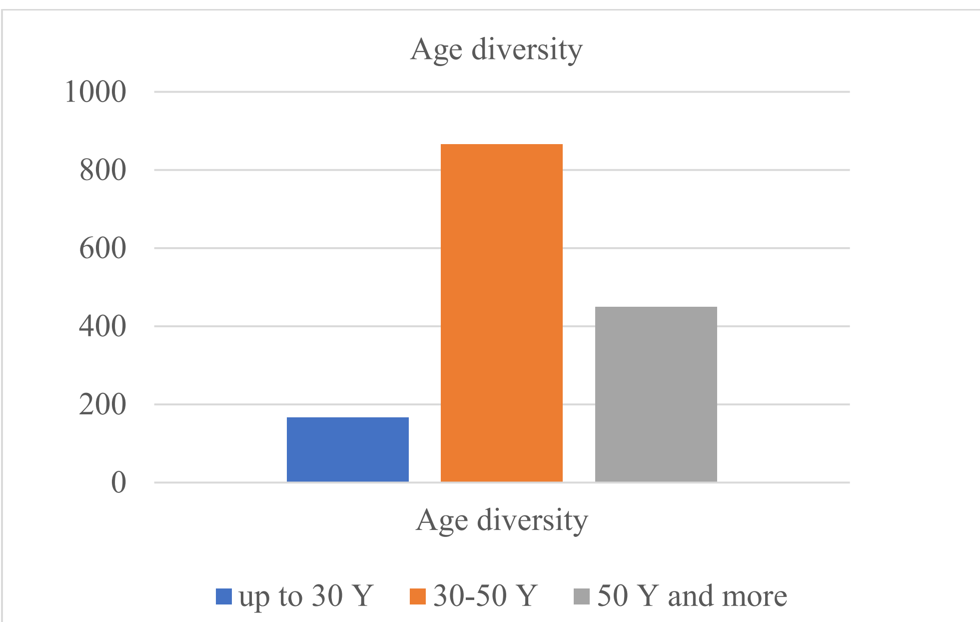

Figure 2. Age diversity in Hrvatska Lutrija
Source: Hrvatska Lutrija, Sustainability report 2024

4.3. Responsibility Towards the Community

Companies can participate in projects that promote social values in various ways: by committing to finance activities and socially beneficial projects through sponsorships, donations, and patronage; by providing volunteer support independently or in cooperation with other stakeholders. Support is provided for projects whose target beneficiaries are outside the company, and the organizers and recipients of support may include charitable institutions, NGOs, recreational and sports facilities, educational, scientific, health and cultural institutions, associations, and other civil society organizations *(The Sustainable Development Goals Report 2024).*

Identified areas of participation include: environmental protection, activities related to children, culture, education, science, professional conferences, medicine, health, and sports. A good practice is to additionally evaluate the time each employee spends on volunteering.

In 2024, Hrvatska Lutrija allocated €950,530 directly from its revenues for sponsorships, donations, and community contributions, thus supporting the implementation of 55 projects. Additionally, revenues from games of chance are distributed to the state budget in accordance with Article 8 of the Law on Games of Chance and the Regulation on the Criteria for Determining Beneficiaries and the Manner of Distribution of Part of the Revenue from Games of Chance. Consequently, €20,602,207.12 was allocated for the development of civil society, of which 38.2 % was allocated to sports organizations, 18.66 % to meet the needs of people with disabilities, and 14.45 % to cultural beneficiaries. The remaining percentage was distributed among organizations contributing to civil society development, youth education, social and humanitarian activities, and the fight against drugs and other addictions (*Sustainability report, 2024*).

4.4. Responsibility towards players, suppliers and other stakeholders

Transparent information and communication are the foundation for building mutual trust and long-term business relationships between a company and its stakeholders. By adhering to the principles of ethical business, false advertising and misleading marketing and sales practices, such as greenwashing, are avoided.

Aligning corporate social responsibility strategy with broader communication strategy, timely internal communication, clarity about target audiences, key messages, objectives, and performance indicators, along with the appropriate choice of communication channels and tools, are some of the key components for setting up successful socially responsible communication programs.

Companies are obligated to provide products and services that fully meet players needs and expectations in a safe and transparent way, in accordance with quality standards and norms. Timely and effective complaint resolution reflects a high level of respect for players, significantly contributing to players loyalty and satisfaction. Responsibility also includes players education on proper product use and ensuring equal access to products and services for all users without discrimination. Players care does not end with the end of games but continues through after-sales services and systematic collection of feedback to improve offerings. Increasing attention is paid to the sustainability and environmental aspects of products and compliance with agreed delivery times, payments, and after-sales activities remains a sign of professionalism. Systematic customer care ensures satisfaction and the long-term sustainability and competitiveness of the company in the market.

When collecting, storing, and managing personal data, companies apply the General Data Protection Regulation – GDPR (EU Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and the free movement of such data) (Law on the Implementation of the General Data Protection Regulation, 2018).

Hrvatska Lutrija has adopted a responsible gaming policy to prevent negative consequences for players (its market) and employees. The focus is on reducing the risk for vulnerable groups and minors from developing excessive gambling habits. Games are developed to ensure sustainable player enjoyment and undergo a risk assessment process for gambling addiction. Players are regularly informed about games in an ethical manner and according to adopted advertising guidelines. Campaigns are conducted to promote a responsible approach to gambling among all stakeholders. Responsible gaming measures have been introduced in online sales channels. Relationships with stakeholders are continuously built and nurtured, and operations are conducted in accordance with legal and ethical standards and the adopted responsible gaming standards of the European Lotteries Association (*Sustainability report 2024).*

5. Challenges In Implementing Socially Responsible Approach

The transition to sustainability and related reporting, although bringing numerous benefits, is accompanied by challenges that delay transformation and sustainable goals. The implementation of EU directives faces obstacles in human and administrative capacities, expertise and knowledge, financial limitations, and unequal regional access to resources and opportunities. One significant challenge is the changes in the *CSRD* and other relevant EU regulations being transposed into national legislation (Commission Delegated Regulation, 2023). The latest Omnibus amendments significantly reduced the number of obligated entities, and further amendments are planned for the *Corporate Sustainability Due Diligence Directive (CSDDD)*, such as changes in the approach to due diligence (Directive, 2024).

There is also a risk of investment decisions being made based on incomplete information, as well as entrepreneurial myopia and the failure to recognize the benefits that can be gained through a socially responsible business approach. Inconsistent requirements and terminology across various legal acts, written in bureaucratic and business-unfriendly language, lead to inefficiencies and misunderstanding of what truly matters.

6. Discussion

The analysis of Hrvatska Lutrija within ESG principles shows that the company has made significant progress in integrating social (S) responsibility principles into its business model. By implementing the principles of social responsibility, Hrvatska Lutrija has demonstrated that companies operating in the games of chance sector can effectively combine profitability with a strong commitment to sustainable development and ethical conduct.

The company´s activities in the areas of employee welfare, gender equality, community support and responsible gaming show a high level of social impact. Substantial financial support for projects in sports, culture, education, and social welfare demonstrates the company´s understanding of its social role and its contribution to national and local development. Hrvatska Lutrija contributions through sponsorships, donations, and public benefit programs represent a crucial element of its social responsibility strategy. Gender equality, diversity, and inclusion are visibly promoted, with women making up a significant majority of employees and holding leadership positions. The availability of training opportunities, continuous professional development contributes to higher motivation, productivity, and innovation.

The company´s responsible gaming policies further highlight the importance of preventive measures and ethical communication in protecting vulnerable groups and maintaining trust among players and stakeholders. Hrvatska Lutrija´s takes initiatives to prevent gambling addictions, protect minors, and transparently inform players transparently. The company sets business practices with European and international standards such as those of the European Lotteries Association, and ensure long-term sustainability and corporate reputation.

However, despite these achievements, the analysis also reveals that the path towards full ESG integration remains complex and dynamic. Challenges such as evolving EU regulations, the need for standardized ESG reporting, and the requirement to balance economic and social objectives call for continuous adaptation and capacity building. Companies in the gaming sector also face with reputational and ethical risks, necessitating continuous communication, education, and transparency efforts. It is necessary to continuously work on establishing a balance between profitability and sustainability. Long-term sustainability depends on embedding ESG principles into all levels of corporate governance and strategic planning, not only as compliance requirements but as drivers of innovation, players and another stakeholder trust, and competitiveness.

7. Conclusion

For long-term development and transition to sustainability, investment in employees, research, and innovation is crucial. Local initiatives play a key role, showing that change can be driven from the bottom up, not only from national and international levels.

Through thoughtful employee policies, proper risk assessment, and due diligence in contracts with suppliers, companies can influence their credibility, public image, and long-term sustainability. The emphasis is on efforts to reduce inequality, respect human and labor rights, and ensure the health and safety of workers and communities.

Implementation applies across all company levels—from management to departments, divisions, services, and other organizational units—and it is up to companies to build internal capacities and policies to manage sustainability factors and shape a better future, while complying with legal standards and adopting good sustainable practices.

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