ESG Is Not Sustainability — And It Was Never Optional

Author: Savaş Aslantepe, FCCA, ACMA, CGMA

with AI-assisted research and drafting support

Companies today often speak about their **ESG** efforts as if the term were interchangeable with **sustainability** or treat it as a simple checklist to burnish their image. ESG — which stands for **Environmental, Social, and Governance** — refers to a set of measurable criteria investors and analysts use to evaluate a firm's performance on those dimensions. **Sustainability**, by contrast, is the overarching mission or end-goal: a long-term vision of running a business in balance with society and the natural world. Confusing the two can misdirect strategy and even encourage misleading claims. Crucially, an ESG lapse (say, a data privacy scandal or pollution incident) tends to inflict immediate reputational and financial damage, whereas neglecting sustainability as a strategic ambition erodes a company's resilience over the long run. The distinction matters because, regardless of terminology, attention to these issues has *never* truly been optional for successful companies. Long before "ESG" became a buzzword, forward-looking firms were already managing pollution, labor practices, and corporate governance as core parts of risk management and strategy. Today the stakes are higher than ever: governments, customers, and investors now demand transparency and action on ESG topics. Put simply, strong **governance** – the "G" in ESG – is what ensures environmental and social commitments translate into real outcomes and measured improvements.

ESG vs. Sustainability: Foundation vs. Ambition

ESG and sustainability are related, but they are *not* interchangeable. Think of **sustainability as the destination** and **ESG as the operating system or toolkit** that helps you get there. A truly sustainable company aims to meet the needs of the present without compromising the ability of future generations to meet theirs. ESG criteria, on the other hand, provide one way to measure and report progress toward that goal . For example, investors might rate a firm based on its carbon footprint, labor standards, and board diversity. A high ESG score indicates strong performance on those **specific indicators**, but it doesn't automatically mean the company is sustainable in a holistic sense . Conversely, a business with an ambitious sustainability vision may pursue initiatives well beyond today's ESG metrics – such as radically redesigning products for circular economy or committing all profits to climate restoration – efforts that might not fully reflect in an ESG score . In short, **ESG is an operational framework and measurement system**, whereas **sustainability is the strategic ambition and outcome**.

Each letter of ESG covers a vital dimension of performance. **"E" (Environmental)** encompasses things like resource efficiency, greenhouse gas emissions, pollution control, and stewardship of ecosystems. **"S" (Social)** covers how a company treats employees and communities – employee safety and well-being, labor rights, diversity and inclusion, customer and community impact, and so on. **"G" (Governance)** refers to how the firm is run at the highest level: board structure, executive compensation, ethics and compliance systems, transparency, and shareholder rights. ESG, by itself, is *not* the final destination – it's a management framework for identifying risks, setting targets, and tracking progress . Sustainability, by contrast, is the end-state we aspire to: a condition where the business creates enduring value for society and the planet within the limits of our natural and social systems .

This difference between foundation and ambition also underscores why **governance** is often the linchpin. Governance is the accountability mechanism that makes the environmental and social pillars actually work. You can think of governance as the **engine** that propels the environmental and social initiatives forward. A strong governance system aligns incentives (for instance, tying executive bonuses or evaluations to sustainability goals), builds transparent reporting, and enforces clear ethical policies . If governance is weak, even well-intended environmental or social programs can falter or fail to gain traction. In practice, governance is what turns ESG from a catchy slogan into measurable progress – by ensuring commitments are monitored, managed, and ultimately met .

Governance: The Overlooked Backbone of ESG

Governance ("G") often receives less airtime than the environmental and social aspects of ESG, yet it is the **backbone of credible progress**. Good governance means a company's board and top management take clear responsibility for ESG risks and goals, rather than treating them as peripheral matters . It means having the right expertise among directors, truly independent oversight, and incentive structures that encourage long-term thinking. It also means strict policies against fraud, corruption, discrimination, and a corporate culture that genuinely values ethics and transparency. In short, governance defines *how* decisions are made and *who* is accountable for them.

Without a solid governance framework, even the best environmental or social commitments can end up as empty rhetoric. For example, a company might announce an ambitious plan to cut carbon emissions or set bold diversity targets. But if no one's pay or performance is tied to achieving those goals, and if the board doesn't regularly review progress, those promises may never translate into action on the ground. **History provides cautionary tales**. Companies with lax oversight have seen avoidable disasters and scandals wreak havoc on their reputations and shareholder value. A striking case is **Volkswagen's "Dieselgate" scandal** in 2015: weak internal controls and an unethical tone at the top allowed engineers to install software that cheated emissions tests. When regulators uncovered the deception, Volkswagen's stock price plummeted by roughly a third within days and its CEO resigned; as of 2020 the fiasco has cost VW over €30 billion in fines, recalls, and legal settlements. Such an egregious governance failure on an environmental matter dealt immediate damage to the company's reputation and finances. By contrast, companies that embed sustainability into their governance – for instance, by making climate and social risks a regular part of board agendas and decision-making – ensure that even under financial pressure, their environmental and social priorities cannot be easily sidelined. In effect, good governance acts as a safeguard: it keeps a company honest about its ESG commitments and integrates those priorities into core business decisions.

It's worth noting that governance is not just about preventing scandals; it's about actively positioning the company for long-term success. Strong governance drives *continuous improvement*. It might involve creating a dedicated sustainability committee on the board, linking CEO compensation to carbon reduction or diversity metrics, and establishing robust mechanisms for stakeholder feedback and whistleblowing. These practices help detect risks early and ensure the company adapts to emerging ESG challenges. Ultimately, governance is the pillar that holds the other pillars up – without a culture of accountability and ethics, "E" and "S" efforts will remain hollow.

The Pitfalls of Superficial ESG (and the Backlash Risk)

Today's stakeholders – from consumers to institutional investors – are too savvy to accept ESG claims at face value. If a company approaches ESG as a **marketing label** rather than a fundamental part of how it operates, it will likely face backlash. In the tech industry, for example, firms often tout green initiatives or diversity programs. But if at the same time they suffer high-profile social or governance failures, their credibility evaporates quickly . **Meta Platforms (formerly Facebook)** is a case in point. Meta has publicized investments in renewable energy and efforts to improve diversity. Yet these laudable moves were overshadowed by major governance and social lapses – notably the Cambridge Analytica data privacy scandal in 2018 and ongoing issues with misinformation on its platforms. Those crises severely damaged public trust in Facebook/Meta. In their wake, even some investors who initially cared about the company's environmental progress lost confidence; a number of socially responsible investment funds divested their Meta shares after the scandal . The message was clear: **strong ESG performance requires consistency across all fronts**. You cannot tout your environmental work while turning a blind eye to data ethics or user safety. One big "G" (governance) or "S" (social) failure can overshadow any number of solar panels on your roof.

Empty environmental claims likewise ring hollow if they aren't backed by genuine impact. Consider **Volkswagen's** earlier positioning of its diesel cars as "clean" — it marketed low emissions and eco-friendly performance, but that façade collapsed when the truth of cheating came out. The result was not just fines and legal costs, but a profound loss of trust that haunted VW for years. Or take **Patagonia**, often seen as a gold-standard sustainability pioneer. Patagonia's founder famously gave away ownership of the company to a trust and nonprofit in 2022, legally ensuring that profits support environmental causes. The company donates 1% of sales to conservation and encourages customers to repair and reuse products, reflecting a true circular economy ethos . Yet even Patagonia faces scrutiny. Some critics point out the irony that it still sells new jackets and gear while urging consumers to *buy less*. The brand has to actively address such tensions through radical transparency and continuous innovation – illustrating that *deeply embedding purpose is very different from mere PR messaging*. The takeaway: even for leaders, there's **no room for complacency**. If you brand yourself as sustainable, you will be held to the highest standards, and any perceived hypocrisy will be called out.

Other large brands have learned how quickly bold ESG promises can collide with reality. For instance, **Nestlé** publishes extensive sustainability reports and has announced ambitious commitments (on deforestation, plastic waste reduction, and more). Yet Nestlé continues to come under fire for issues like water extraction practices and the environmental impact of its supply chain. When a company's public ESG pledges don't match its real-world footprint or controversies, customers and regulators grow skeptical . The lesson is unmistakable: **transparency and integrity must underpin all ESG communications and actions**. Buzzwords like "green" or "ESG-compliant" lose meaning if they're not backed by honest data and accountability. This is exactly why we are now seeing a wave of new regulations pushing companies to put up or shut up – to disclose hard data and prove they're walking the talk.

In short, superficial adoption of ESG – treating it as a checkbox or a branding exercise – can backfire spectacularly. The term "greenwashing" has entered the mainstream vocabulary to describe companies that **overstate or misrepresent** their environmental efforts. Not only can greenwashing erode a brand's reputation, it can invite legal challenges and fines. The era when a clever ad campaign could mask unsustainable practices is ending. Stakeholders today have access to more information than ever, and they are adept at sniffing out inconsistencies. For businesses, the imperative is clear: *make sure your ESG narrative is grounded in real performance improvements.* When mistakes happen (as they inevitably will), owning up and rectifying them openly is better than hiding them. In the digital age, any gap between what you say and what you do will be spotted – and the court of public opinion can be unforgiving.

Regulatory and Market Forces: The New Reality

As of the mid-2020s, ESG is no longer just a voluntary nicety or a niche concern – it is increasingly a **mandated part of doing business**. A flurry of new laws and regulations around the world are effectively making ESG disclosure and performance a requirement. In the **European Union**, for instance, the new **Corporate Sustainability Reporting Directive (CSRD)** will compel nearly 50,000 companies (including large non-EU firms with significant EU operations) to file detailed sustainability reports in a standardized format. The CSRD, adopted in 2022 and phased in starting 2024, vastly expands on previous non-financial reporting rules – meaning that by mid-decade virtually all large public companies and many private companies in Europe will be legally obligated to report on their ESG metrics and impacts. Simultaneously, the International Sustainability Standards Board (ISSB) – created under the IFRS Foundation – has issued global reporting standards (IFRS **S1** for general sustainability disclosures and **S2** for climate-related disclosures) that take effect in 2024. These standards provide a common baseline for what companies should report regarding climate risks and broader sustainability issues, and many jurisdictions (from the UK to Japan to Canada) have signaled plans to align with them. IFRS S1 and S2 essentially incorporate the well-known TCFD recommendations into a formal accounting disclosure format, meaning climate and ESG data will increasingly sit alongside financial statements.

Across the Atlantic, **California** has emerged as a leader in ESG mandates. In late 2023, California passed the **Climate Corporate Data Accountability Act (SB 253)**, which requires any company doing business in California with over $1 billion in revenue to publicly report its greenhouse gas emissions. This reporting will happen in phases – Scope 1 and 2 emissions (direct emissions and those from purchased energy) must be disclosed starting in 2026, and full **Scope 3** emissions (covering the value chain, often the bulk of a company's carbon footprint) by 2027. A companion law, **SB 261**, mandates that companies with over $500 million in revenue annually assess and report on their climate-related financial risks by 2026. Given California's massive economy (one of the largest in the world), these laws effectively set a new de facto standard that will ripple across the United States and beyond. Thousands of companies, including many headquartered elsewhere but with operations or markets in California, will be swept into measuring and disclosing their carbon footprints and climate exposure. In short, even absent U.S. federal action, large companies will soon have to **account for their climate impact or face penalties**.

Similar moves are popping up globally. **Canada** has introduced requirements for climate and ESG disclosures in financial filings. **Japan's** financial regulator is urging listed companies to provide more sustainability details. **China** has issued guidelines nudging corporations (especially state banks and insurers) toward ESG-style reporting. Stock exchanges and rating agencies are integrating ESG factors into their listing rules and credit evaluations. Central banks, through initiatives like network for greening the financial system, are examining how climate risks could affect financial stability, prompting banks to scrutinize their loan portfolios for ESG risks.

On the **investor side**, the market itself is enforcing ESG. Trillions of dollars of capital are now committed to funds that apply sustainability screens or follow ESG indices. The world's largest asset managers routinely vote in shareholder meetings for resolutions related to climate action, diversity, and accountability. Many institutional investors (BlackRock, Vanguard, State Street, etc.) have publicly pledged to push companies on ESG performance, arguing that these issues affect long-term value. For example, some pension funds will vote against board directors at companies that lack climate disclosure or diversity on the board. And if a company egregiously fails on ESG, investors can and do vote with their feet, reallocating capital elsewhere.

Meanwhile, **consumers and employees** are raising their voices. Survey after survey shows that the public prefers companies with strong social and environmental values. A recent global Deloitte survey in 2025 found that **70% of Gen Z and millennial professionals** consider a company's environmental practices important when deciding where to work, and nearly two-thirds of them are willing to pay more for sustainable products. Almost half of these young respondents said they have pressured their own employers to take stronger action on climate change. These attitudes are not limited to the young – overall consumer data show a growing majority will favor brands that align with their values and shun those that violate basic ethics or sustainability norms. This generational shift means that as millennials and Gen Z become the core of the workforce and the largest consumer segment, companies will ignore sustainability at their peril. Winning the war for talent and maintaining brand loyalty increasingly require proving your ESG bona fides.

The combined effect of these regulatory and market forces is unmistakable: **ESG has moved from the periphery to center stage**. Companies that once dismissed ESG as a "nice to have" or a side project are now finding it thrust upon them as a strategic and compliance imperative. Those that merely do the bare minimum to check the boxes will struggle to keep up with rising standards, whereas the leaders who proactively integrate ESG into strategy are gaining a competitive edge . In essence, the rules of the game in business are being rewritten. Much as quality control or digital transformation became mainstream business requirements in earlier eras, today **ESG integration is becoming a baseline expectation**. This is not a transient trend; it's a structural change in the operating environment for business.

The Tangible Payoffs of Embracing ESG

Amidst all the pressure and compliance requirements, it's easy to lose sight of a crucial fact: doing ESG right isn't just about avoiding penalties or satisfying regulators – it can actively **unlock significant business value**. Leading companies increasingly find that investments in sustainability often pay for themselves and then some. Consider the area of **operational efficiency**, one of the simplest ways to marry environmental and financial performance. Energy efficiency projects – upgrading to more efficient lighting, HVAC systems, industrial processes, etc. – often yield very high returns because every kilowatt-hour of electricity or gas saved is money straight to the bottom line. One extensive study of 500 U.S. publicly traded companies found that **79%** of them earned a higher ROI on carbon-reduction initiatives than on their average business investments, with those projects delivering an average 196% return on investment and payback periods of just 2–3 years . In other words, cutting emissions via efficiency isn't a cost center – it's a profit center with triple-digit percentage returns in many cases. Even traditionally resource-intensive sectors like oil and gas have found that investing in efficiency (e.g. optimizing fuel use, reducing leaks) directly boosts profits, because saving fuel or electricity directly reduces operating costs.

Moving beyond one's own operations, **supply chain improvements** offer even larger opportunities. A 2024 report by CDP (Carbon Disclosure Project) estimated that companies who actively engage suppliers to reduce emissions and waste have together saved at least **$13.6 billion** in costs so far, simply through cutting inefficiencies and waste out of their value chains. The report identified up to $165 billion in additional potential savings and new revenue opportunities for firms that push sustainability deeper into their supplier networks. For instance, food companies working with farmers to improve manure management in agriculture can reduce methane emissions (a greenhouse gas) while also cutting fertilizer costs for the farmers – a win-win that lowers environmental impact and improves margins for both supplier and buyer . These kinds of collaborative efforts up and down supply chains not only reduce risk (like ensuring your suppliers aren't polluting or violating labor rights, which could blow back on your brand), but also trim costs and secure supply. In an interconnected world, your environmental footprint and social footprint extend beyond your factory walls – and so do the efficiency gains.

Investors are taking note of these dynamics. A recent analysis by McKinsey identified a class of "**triple outperformers**" – companies that manage to grow their revenues, grow their profits, *and* improve ESG performance at the same time. These companies significantly outperformed their peers in total shareholder return, delivering about 2 percentage points higher annual TSR than comparable firms that focused only on traditional financial metrics. In plain terms, aligning business growth with sustainability creates a measurable premium over time. There's a growing recognition in capital markets that a well-run company should be able to do both – make money and improve its ESG profile – and that those who do so are likely the better long-term bets. Many asset managers have said they will pay a higher valuation multiple for companies with clear, credible ESG strategies, reflecting a belief that those companies are better positioned for the future (less regulatory risk, more adaptability, stronger brands, etc.) .

There are also more direct financial carrots for ESG leaders. Firms with strong sustainability credentials can often access **cheaper capital** through instruments like green bonds or sustainability-linked loans that carry lower interest rates if ESG targets are met . Credit rating agencies have begun to incorporate ESG risk management into their evaluations, meaning robust ESG oversight can support better credit ratings and lower borrowing costs. Conversely, companies seen as high ESG risks might face higher insurance premiums or capital costs. In effect, capital is being reallocated in favor of sustainability, rewarding those who lead.

Beyond cost savings and investor appeal, **there are top-line and market growth opportunities** tied to ESG. Sustainability challenges often spur innovation – think of all the new products and services being developed to address climate and environmental needs: renewable energy technologies, plant-based proteins, biodegradable packaging, recycling and reuse platforms, electric vehicles, carbon capture solutions, and on and on. By engaging proactively with these issues, companies can open up new markets or create next-generation offerings. A classic example is **Ørsted**, the Danish energy company. A little over a decade ago, Ørsted (then named DONG Energy) was a fossil-fuel-heavy utility company. Seeing the writing on the wall about climate change and the future of energy, it undertook a bold transformation: shifting its portfolio almost entirely from coal and oil to offshore wind and other renewables. The result? Today Ørsted is the world's leading offshore wind farm developer and has been wildly successful financially – its market capitalization has soared, rising by over 60% since its 2016 IPO and making it the most valuable energy utility in Western Europe. By 2020, over 90% of its power generation was from clean energy sources, compared to just 15% a decade earlier . Ørsted's earnings and share price reflected this shift, far outpacing its old fossil fuel peers. This real-world case illustrates that **sustainability can be a driver of strategic reinvention** – capturing opportunities in emerging industries and avoiding the decline awaiting those stuck in the past. Ørsted avoided the fate of having stranded assets (coal plants that get shut down early) by making the transition early, and in doing so created enormous shareholder value.

Another payoff comes in the form of **talent attraction and brand equity**. Today's workforce, especially younger employees, increasingly expects their employer to have a purpose and to act responsibly. In the Deloitte survey mentioned earlier, nearly 70% of millennials and Gen Z said they factored in a company's environmental record when considering a job. Furthermore, about half of them said they have pressured their employer to step up on climate action. Companies with authentic ESG commitments find it easier to recruit and retain these employees, who are not only motivated by a paycheck but by a sense of mission. A reputation for sustainability and ethics can significantly bolster employee morale and loyalty. This translates into lower turnover (saving costs on hiring and training) and often higher productivity, as employees are more engaged. Conversely, a company known for toxic culture or unethical practices will deter many top-talented candidates (just as, for example, many tech workers in recent years steered away from companies perceived to misuse data or contribute to societal harms).

On the **consumer side**, countless studies show a strong segment of consumers prefer brands that align with their values. They will reward such brands with loyalty and even a price premium. One study indicated that a majority of consumers (especially under age 40) are willing to pay more for a product if it's sustainably produced, and will actively avoid brands that get caught in scandals or that violate their ethical expectations. This kind of brand equity is hard to quantify on a balance sheet, but incredibly valuable. It can give a company resilience: loyal customers are more forgiving during a crisis and more likely to stick with you through price fluctuations or mistakes, provided they believe in your broader mission. Think of how companies like Patagonia or Ben & Jerry's enjoy almost cult brand loyalty largely because of their values and activism. That loyalty is in a sense a competitive moat.

Finally, embracing ESG is fundamentally about **risk management and future-proofing the business**. We live in a time of major transitions – energy systems shifting away from fossil fuels, social expectations shifting in terms of diversity and equity, technology disrupting privacy and labor dynamics, and so forth. Companies that ignore these trends risk being caught unprepared, with assets that no one wants or business models that no longer fit. For example, as the world tries to limit climate change, demand for coal has plummeted in many regions and even natural gas and oil face long-term decline. Power companies that doubled down on coal a decade ago are now scrambling as those plants become unprofitable or need early retirement – these are **stranded assets** in financial terms. By contrast, firms that invested early in renewables or alternative technologies avoided that trap. In the auto industry, companies that kept pushing gas guzzlers now find themselves having to pivot hurriedly to electric vehicles to catch up with regulators and Tesla. Or consider physical climate risks: we are seeing more extreme weather events disrupting supply chains and operations (from floods to wildfires). A decade ago, catastrophic floods in Thailand shut down factories that supplied critical parts to global electronics and automotive companies, highlighting that a flood in one part of the world could halt production lines across continents.

Companies that had all their eggs in one basket – one geographic area – suffered greatly, whereas those who had diversified suppliers or assisted their suppliers in climate adaptation were far more resilient. Proactively mapping such risks and mitigating them (diversifying supply sources, building in redundancies, ensuring suppliers follow safety standards, etc.) can save enormous costs down the line. ESG thinking forces companies to conduct this kind of long-range risk assessment, whether it's about climate change, water scarcity, human rights issues, or governance lapses. By anticipating environmental and social shifts – from new regulations to changing customer sentiments – companies can avoid fines, lawsuits, and disruptions that might otherwise blindside them . In effect, **prudent investment in sustainability and compliance is an insurance policy against future crises**.

When done right, ESG integration transforms from a compliance cost into a **value creator**. The benefits feed directly into long-term shareholder value. Companies that once treated ESG as an afterthought are now finding it can drive innovation, efficiency, and growth. Conversely, those that ignore these signals risk falling behind their competitors and losing trust with the public. The business case for ESG is not about altruism; it's about enlightened self-interest. As the saying goes, "doing well by doing good" is increasingly the norm, not the exception – and numerous examples bear that out.

(For a concise summary, consider how systematic ESG integration benefits the business: it yields cost savings through efficiency, spurs innovation and opens new markets, strengthens brand loyalty, helps attract and retain talent, improves access to capital, and reduces risk . Each of these advantages translates into competitive advantage and resilience.)

Looking Ahead: ESG as a Strategic Imperative

In conclusion, ESG is not a fad, a marketing slogan, or a mere checklist – and indeed, it was never truly optional for companies that aim to endure. The difference between ESG and sustainability is clear: **sustainability is the goal of running a resilient, future-ready business, while ESG provides the framework for achieving and demonstrating that goal**. Companies that weave environmental stewardship, social responsibility, and rigorous governance into their core strategy will reap tangible benefits: operational efficiencies, innovation opportunities, risk reduction, and loyalty from employees, customers, and investors. They will be better trusted and better prepared for whatever comes next.

Over the coming decade, we will likely see a widening gap between companies that take ESG seriously and those that do not. The **ESG-driven companies** – those that truly integrate sustainability and accountability into every decision – are poised to define the future of business in their industries. They will set the standards that laggards have to follow. They will attract the best talent because purpose-driven people want to work for purpose-driven organizations. They will win customers' trust, who increasingly ask: *Is this company doing the right thing?* And they will attract investor capital on favorable terms, because they'll be seen as less risky, more innovative, and more likely to survive and thrive in a fast-changing world. On the other hand, companies that cling to a narrow, short-term view – treating ESG as a superficial add-on – will find themselves playing catch-up or losing out.

The path forward requires **bold leadership and genuine commitment**. CEOs and boards must move ESG from the sidelines to the center of corporate strategy. It means setting ambitious targets (even if they're uncomfortable), *rigorously measuring* progress, and holding people accountable for the results. It means breaking down silos – sustainability can't be confined to a small team in corporate communications; it needs to involve finance, operations, R&D, HR, every function working together. Cross-functional teams should be empowered with real data and authority to drive changes across the organization. Leaders should ensure that ESG considerations are embedded in decisions from new product development to supply chain management to marketing and investor relations. And critically, it means being **transparent** about challenges and setbacks. No company is perfect, and transforming to sustainability is a journey. Stakeholders are often surprisingly forgiving of problems if they see a company is candid about them and dedicated to solving them. It's when companies try to hide issues that trust is broken. Whether it's reducing emissions or ensuring ethical labor practices, acknowledging the hurdles builds credibility.

This pivot to stakeholder-focused leadership aligns with a broader movement in capitalism. In 2019, the CEOs of 181 of America's largest companies (through the Business Roundtable) explicitly stated that the purpose of a corporation must go beyond serving shareholders to also include delivering value to customers, employees, suppliers, and communities. In essence, the most influential corporate leaders agreed that **stakeholder capitalism** is the new norm – and ESG is the concrete execution of that ethos. It operationalizes the idea that a business must consider the interests of all its stakeholders and the long-term implications of its actions. Leading investors echo this: BlackRock's Larry Fink has repeatedly told CEOs that pursuing a purpose and accounting for societal impact is essential for long-term prosperity. All of this speaks to a shift in expectations of corporate leadership. **Purpose and profit are no longer seen as opposing goals** – rather, purpose-driven, stakeholder-oriented management is viewed as the route to sustained profitability.

Ultimately, business has always been about creating value, and the definition of value is broadening. The ESG challenges we face – from global climate change to social inequality – are not distractions from the business mission; they are central to it. Managing these issues effectively is now a fundamental part of good management. Companies that align their strategies with these long-term societal trends often find that economic success follows naturally. Indeed, many of the next generation of market leaders are being built on the understanding that you can "do well by doing good."

The time to act is now. ESG should be embraced not as a mere box to tick, but as a **guiding compass for innovation and growth**. It offers a lens to future-proof the business, inspire your team, and earn lasting trust. The organizations that internalize this – making ESG principles the way they do business every day – will be the ones that thrive in the years ahead, driving both better outcomes for society and superior returns for their shareholders. They will have proven that sustainability and profitability *go hand in hand*. And they will have answered the call of our era: to run businesses in a way that ensures a better future for all.

Now is the moment to make that commitment and lead. The companies that do so are not only securing their own future – they are demonstrating what 21st-century corporate leadership looks like. ESG is here to stay, and done right, it will simply be known as good business.

References

BlackRock, 2024. *Larry Fink's 2024 Letter to CEOs: Capitalism and Sustainability*. [online] Available at: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter [Accessed 20 July 2025].

Brundtland Commission, 1987. *Our Common Future: Report of the World Commission on Environment and Development*. United Nations. [online] Available at: https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf [Accessed 20 July 2025].

California State Legislature, 2023. *Senate Bills 253 and 261: Climate Accountability Legislation*. [online] Available at: https://leginfo.legislature.ca.gov/ [Accessed 20 July 2025].

CDP, 2024. *Global Supply Chain Report: Engaging the Chain – Driving Resilience and Opportunity through ESG*. [online] Available at: https://www.cdp.net/en/research/global-reports/global-supply-chain-report [Accessed 20 July 2025].

Deloitte, 2025. *Global 2025 Gen Z and Millennial Survey*. [online] Available at: https://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html [Accessed 20 July 2025].

European Commission, 2023. *Corporate Sustainability Reporting Directive (CSRD)*. [online] Available at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en [Accessed 20 July 2025].

Harvard Business Review, 2023. *ESG and the Real Business of Sustainability*. [online] Available at: https://hbr.org/topic/sustainability [Accessed 20 July 2025].

International Financial Reporting Standards (IFRS) Foundation, 2023. *IFRS S1 and S2: Sustainability-Related and Climate-Related Disclosures*. [online] Available at: https://www.ifrs.org/projects/completed-projects/2023/general-sustainability-related-disclosures/ [Accessed 20 July 2025].

McKinsey & Company, 2023. *ESG and Financial Performance: Evidence from the Field*. [online] Available at: https://www.mckinsey.com/business-functions/sustainability/our-insights [Accessed 20 July 2025].

Meta (Facebook), 2022. *Data Governance and Platform Ethics Review*. The Wall Street Journal. [online] Available at: https://www.wsj.com/articles/facebook-mark-zuckerberg-privacy-data-crisis-11644194271 [Accessed 20 July 2025].

Nestlé, 2024. *Sustainability Strategy and ESG Performance Report*. [online] Available at: https://www.nestle.com/sustainability [Accessed 20 July 2025].

Ørsted, 2024. *Sustainability Report and Strategic Transformation Overview*. [online] Available at: https://orsted.com/en/sustainability [Accessed 20 July 2025].

Patagonia, 2022. *Purpose Trust Announcement*. [online] Available at: https://www.patagonia.com/ownership/ [Accessed 20 July 2025].

The Guardian, 2019. *Volkswagen to Pay €30 Billion over Emissions Scandal*. [online] Available at: https://www.theguardian.com/business/2019/may/03/volkswagen-diesel-scandal-costs [Accessed 20 July 2025].

The New York Times, 2017. *Volkswagen's Emissions Scandal and Its Aftermath*. [online] Available at: https://www.nytimes.com/2017/04/21/business/volkswagen-diesel-emissions-scandal.html [Accessed 20 July 2025].