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The comeback of ESG: A Fresh Perspective on Sustainability

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For decades, ESG (Environmental, Social, and Governance) has served as a cornerstone in the financial world, highlighting the impact of investment decisions on the environment and society. However, its journey hasn't been smooth. Early critics pointed out the disconnect between ESG scores and actual business performance. A glaring example? Lehman Brothers, which boasted high ESG scores just before its infamous collapse in 2008. This misalignment led many to view ESG as an optional, even superficial, addition to corporate strategy.

Why ESG Matters Now More Than Ever

Fast forward to today, even while critics remain vocal (especially in the US), ESG is no longer a choice—it's a necessity. The European Union's Corporate Sustainability Reporting Directive (CSRD) now mandates stringent action and reporting on environmental and social impacts. Non-compliance isn't just a slap on the wrist; it brings financial penalties and increased capital costs. ESG has transformed from a nice-to-have to a must-have, pushing companies to embed these principles into their core operations. But how can businesses ensure genuine, lasting change?

Rethinking ESG: Governance First

Traditionally, ESG efforts have focused on environmental issues—carbon emissions, waste management, and pollution—because they are visible and measurable. Social and governance aspects often followed. However, for true transformation, this sequence needs a rethink.

Governance, the "G" in ESG, is the cornerstone of sustainable success. It's about leadership, transparency, purpose and ethical decision-making, which lay the groundwork for consistently meaningful environmental and social change. Without strong governance, efforts in the social and environmental realms are often fragmented and less effective. If ESG is understood as merely E and S, compliance efforts will be an uphill battle.

"The sequence of the term ESG is misleading; the G is a precondition for S, and S is a precondition for the E. So if we are serious about embedding sustainability behaviors into the company, we'd better speak of GSE"

Netherlands Association of Accountants – annual meeting

Governance: The Catalyst for Cultural Shift

Strong governance fosters a culture of accountability and shared responsibility. It shapes leadership behavior, which in turn influences employee actions and societal impact. By focusing on governance first, leadership teams can develop a sense of shared purpose, which in turn will enable companies to authentically integrate environmental and social factors into the business. By focusing on governance first, organizations can turn CSRD compliance into meaningful change and create a culture of sustainability that permeates every level.

Introducing GSE: Governance, Social, Environmental

At Triple Value Leadership (TVL), we propose flipping the traditional ESG model to GSE. Starting with governance ensures that leadership is equipped to drive sustainable practices throughout the organization. This governance-first approach doesn't just meet regulatory requirements—it positions companies for innovation, resilience, and long-term success.

In today's rapidly evolving landscape, embarking on a GSE company-wide journey is more critical than ever. Let's embrace this shift and lead the way toward a more resilient and responsible future.

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