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Navigate the Compliance Universe

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Focus on a longer-term strategy

By Gerry Zack, CCEP, CFE, CIA

Much has been made lately about whether environmental, social, and governance (ESG) as we know it is already failing and about to go away, only to re-emerge with a new twist and a new label. Most valid criticism revolves around the misguided expectation of an immediate and measurable return on investment, a ridiculous concept that won't disappear by coming up with a new name.

The combination of ratings, standards, and the push for disclosures that are then used to evaluate companies and executives has resulted in a system ripe for game-playing. How many E, S, and G boxes can we tick off, and how can we get a better score? How can we disclose some things and not others? It can easily become focused on the short-term return on an organization's ESG efforts and an attempt to accomplish too many goals in too many areas. That will doom a company—as well as the goals associated with ESG—to failure. It reminds me of the games that charities can play to improve their ratings, which focus on metrics that don't come anywhere close to measuring mission-based accomplishments.