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ESG After the Backlash

From (Over) Exuberance to Execution

Why ESG Is Not Retreating – Just Fundamentally Reshaping

For much of the last decade, Environmental, Social and Governance (ESG) considerations expanded rapidly across corporate agendas, capital markets and public discourse. That expansion phase is now largely over. In its place, a more disciplined, pragmatic, and economically grounded model is emerging.

Despite the visibility of political and media backlash—particularly in the United States—ESG has not disappeared. Instead, it is undergoing a recalibration.

Global adoption remains high. Capital Group's 2025 ESG Global Study shows ESG adoption at approximately 87% globally, with Europe and APAC still above 90%, despite a modest decline from its 2023–24 peak. The backlash, while real, is uneven, being most pronounced in the US, driven by political actors and regulatory uncertainty, but still 'in play' in Europe and advancing through regulation such as the Corporate Sustainability Reporting Directive (CSRD), albeit with some streamlining and delay.

Crucially, the narrative has cooled faster than the activity. Many organisations continue ESG actions but are less vocal publicly—a phenomenon increasingly described as "greenhushing".

Bottom line: ESG has shifted from an expansionary phase to a more disciplined, risk and value focused phase.

What Is Actually Being Challenged?

The current pushback is not against sustainability itself, but against how ESG was framed and implemented at its peak.

Three pressure points dominate:

First, environmental commitments.
Net zero targets and decarbonisation plans are being scrutinised more aggressively, particularly where they appear capital intensive, long dated, or misaligned with near term economic realities—especially during periods of inflation, supply chain disruption and tariff pressure.

Second, ESG as a political label.
In the US, the term "ESG" itself has become contentious. Many companies are deliberately moving away from the label in external communications (whilst often retaining the underlying substance, it has to be said).

Third, perceived trade offs with returns.
Investor sentiment has shifted from values led enthusiasm to a more risk first, financially grounded view. ESG is now expected to demonstrate relevance to cash flows, resilience and long term value creation.

Importantly, only a small minority of firms are actually rolling back sustainability efforts. Most appear to be holding steady or even refining them.

How Organisations Are Responding

Across sectors, organisational responses have been strategic rather than defensive.

Reframing, Not Abandoning

Around 52% of companies surveyed by The Conference Board report re working ESG language, often avoiding the term but keeping the substance. ESG initiatives are increasingly described as:

- Risk management;
- Operational resilience;
- Regulatory readiness;
- Long term value creation.

Sharper Focus on ROI and Materiality

Companies are narrowing ESG efforts to what is materially linked to business risk and value, integrating sustainability considerations into:

- Capital allocation decisions;
- Supply chain resilience;
- Energy and resource efficiency.

More than 80% of companies now measure ROI on sustainability investments in the same way as other investments.

Internal Integration, External Caution

Internally, ESG teams, data systems and governance structures largely remain in place. Externally, firms are more cautious in claims, driven by:

- Legal scrutiny;
- Greenwashing risk;
- Political backlash.

Where Capital Is Actually Going

From an investor perspective, ESG is actually evolving, not declining.

Investor views seem to be converging on a pragmatic stance. ESG matters where it affects risk, resilience and long term returns. Over 90% of ESG adopting investors have, in fact, maintained or increased ESG aligned allocations in the past year.

Notably, investors increasingly favour "transitioners", companies with credible, staged transition plans, over those with superficially "perfect" ESG profiles.

The message from capital markets is consistent. Investors are not walking away. They are demanding better evidence, better data and clearer financial linkages.

The Organisational Consequences: ESG Moves Up and In

This recalibration is now reshaping how ESG is organised and governed inside companies.

Central ESG teams are no longer expected to "own" ESG outcomes. Instead:

- Execution responsibility is shifting into core functions, finance, risk, operations, procurement and legal.

- ESG oversight is moving into Board level and executive governance structures, including audit, risk and investment committees.
- ESG debates are becoming sharper, not softer, as sustainability competes more directly for capital, management attention and strategic priority.

This tension is a sign of maturity. ESG is now being treated like any other material business issue.

What This Means for ESG and Sustainability Leaders

As ESG becomes embedded, the role of ESG and sustainability leaders is changing fundamentally.

Historically, many acted as agenda setters, framework builders and advocates. Increasingly, their value lies in:

- Integration rather than initiation;
- Translation rather than exuberance and evangelism;
- Decision support rather than narrative ownership.

They are expected to operate credibly in discussions about:

- Capital allocation;
- Risk trade offs;
- Performance management.

In this situation, control over execution may diminish, but influence can increase, if credibility is earned.

A natural bifurcation is emerging between:

- ESG roles focused on data, disclosure and regulatory assurance;
- Strategic sustainability roles focused on transition, resilience and business model adaptation.

The Competencies That Matter Going Forward

As ESG "grows up", the capability bar rises. The most critical competencies include:

- Financial and economic fluency, understanding ROI, NPV, cost curves and trade offs;
- Risk and systems thinking, scenario analysis, resilience planning, second order impacts;
- Deep knowledge of specific risks, for example climate risk modelling;
- Data, controls and assurance literacy, decision useful metrics, audit ready processes;
- Organisational influence, operating across silos without formal authority.

Pure ESG breadth without a decision critical anchor is becoming less valuable.

Who and What to Hire: A Talent and Role Design Perspective

The central talent question is no longer whether to hire ESG capability, but where it should sit and what it should enable.

Rather than one all purpose "Head of ESG", organisations are converging on complementary role archetypes:

1. ESG Risk and Integration Leads

Anchoring ESG in strategy, finance and enterprise risk management.

2. ESG Data, Controls and Reporting Specialists

Ensuring disclosure quality, internal controls and regulatory readiness.

3. Sustainability Execution Leads

Embedded in operations and supply chains, delivering real outcomes.

4. Strategic Transition and Adaptation Advisors

Focused on long term resilience and business model evolution.

Winning organisations are hiring fewer ESG generalists and more decision relevant specialists, often with hybrid backgrounds, where ESG is layered onto finance, risk, operations or strategy expertise.

The Final Takeaway

ESG is not being dismantled, it is being absorbed into the core operating system of organisations.

This phase represents:

- A shift from advocacy to accountability;
- From ambition to prioritisation;
- From narrative to evidence.

For organisations, that means better decisions, along with more tension. For ESG and sustainability professionals, it means higher expectations, sharper skill requirements and less room for credibility gaps.

In the next phase, ESG influence will belong less to those who own and emphasise the label, and more to those who actually shape and make the decisions.

For a discussion focusing on your leadership and talent needs in ESG, please contact:

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