

ESG

# When ESG gets personal: reputation as the interface of governance

By *Prachi Shrivastava* June 16 2025



**From misalignment in messaging to lack of transparency, reputational governance is becoming an increasingly important ESG metric that businesses need to be mindful of**

ESG frameworks have evolved into non-negotiables for companies across all stages, from venture-backed startups to state-owned enterprises. But ESG in 2025 is no longer just about disclosures or board composition. The most overlooked risk variable is also the most volatile one: reputation.

Not reputation as a vanity metric managed by post-facto PR or investor memos but as a real-time interface where governance signals are interpreted, amplified, or distorted. When mishandled, it collapses value faster than any compliance violation. And that collapse often begins not with breach, but with tone.

Reputation is not a fourth pillar of ESG. It is the interface where all three pillars are translated, contested, and amplified. In an age where governance decisions surface through Reddit threads, WhatsApp groups, and Slack leaks, perception is no longer downstream of action. Perception is the medium in which action acquires meaning. Reputation isn't about narrative spin. It's about narrative coherence.

Let's take five moments we've seen unfold in the last 18 months. These were each a quiet ESG inflection point that became reputational risk not because of what happened, but because of how it was handled.

### 1. **Procedural signaling risk**

In late 2023, a growth-stage startup hired a fleet of mid-level employees under aggressive projections, only to "shelve" their onboarding silently three weeks later when the term sheet got delayed. No written retraction, no apology, just silence. Screenshots leaked. Reddit lit up. And when the funding did come through, none of the top candidates returned.

That's not an HR mishap. The signal wasn't the hiring freeze. It was the silence.

### 2. **Narrative disalignment risk**

A well-funded direct to consumer brand started using "carbon neutral" as a marketing anchor while ignoring scope 3 emissions entirely. When called out by climate-aware customers, the CEO's team issued a defensive legal rebuttal. That decision lost them 11 influencer partnerships in a week - not because the product was bad, but because founders refused to engage criticism with transparency.

### 3. **Latent structural risk**

A fintech firm celebrated the appointment of two women directors in a now-deleted LinkedIn post, only to have ex-employees call out toxic work culture and gender pay gaps in comments. The board was clean, but the culture was cracked. ESG reports stayed silent. Reputation didn't.

### 4. **Leadership trust risk**

A founder known for volatility triggered multiple departures, sexual harassment allegations and a media storm. The startup was dead months before its paperwork. Everyone had seen the signs. No one moved.

### 5. **Founder as governance signal**

Some of the sharpest founders have been seconds away from reputational suicide and not because they were wrong. A highly rated founder removed a cofounder via Slack. Another triggered litigation against an early hire. Technically legal. Strategically lethal. Investors panicked.

## Typology of reputation risk in governance

Risk type	Description	Example
Latent structural risk	Formal ESG optics mask deeper dysfunction	Diverse board, persistent gender pay gap
Procedural signalling risk	Method of decision-making generates backlash	Ghosting new hires post-offer
Narrative misalignment risk	ESG messaging diverges from stakeholder reality	"Green" branding vs. actual emissions
Leadership trust risk	Executive behavior undermines institutional integrity	Slack firings, impulsive litigation

In each of these moments, the legal documents were airtight. The ESG metrics were passable. But reputation cracked the deal. The lesson: reputational governance begins where checklists end.

This grey zone between action and perception demands a new kind of counsel - one that operates in founder Slack channels, investor decks, and internal memos. Not as post-crisis repair but as preemptive signal alignment. The mandate for this counsel sometimes is stopping a technically valid legal notice that would trigger a reputational spiral, other times scripting the one internal memo that saves a team from resigning, for instance.

To scale this logic beyond startups, consider a public sector undertaking with impeccable environmental credentials, but a leadership culture rife with opacity. Or a legacy manufacturing firm with an inclusive HR policy but chronic procedural delays in addressing harassment complaints. In both, formal compliance doesn't protect against reputational rupture. The mismatch between stated intent and perceived behavior becomes the risk vector.

Whether in a unicorn or a utility, governance decisions now move at the speed of interpretation. What changes is not the velocity of risk but its visibility. The question for regulators and investors is no longer just "Is the house compliant?" but "Is the story coherent?" For founders, it means understanding that ESG isn't a quarterly checkbox. It's a strategic posture. One that becomes visible long before it becomes official.

Over the years we've worked with lawyers who knew the black-letter of law and we've heard from founders who had the capital but no clarity. Founder blindspots were around how their internal signals would land with regulators, future hires, or downstream investors. Legal and ESG advisers must now act as interpreters, helping clients see not only what they can do, but what they signal by doing it. This is not narrative spin. It's narrative integrity.

Because in the long arc of institutional trust, it's rarely the incident alone that breaks trust. It's what gets repeated, misheard, or quietly passed on.

ESG then, isn't a checklist. It's the subtext that quietly shapes how every stakeholder listens.

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