



A more honest market

Good evening.

I'm going to start with a story.

In ancient Hindu mythology, two brothers, Kartikeya and Ganesha, were set a challenge by their parents: The first to circle the world three times and return would win the fruit of wisdom.

Kartikeya set off immediately. He flew across oceans and mountains, racing around the globe at extraordinary speed.

Ganesha paused.

Instead of travelling far, he calmly walked around his parents three times and said, "For me, you are the world."

And he was given the fruit.

Kartikeya returned believing he had won, but he found his brother already victorious. Not because he moved faster. But because he understood what mattered.

That distinction, between motion and understanding, feels especially relevant to ESG today.

In my work, leading the Finance Industry Practice at ERM, I sit at the intersection of sustainability and finance, advising investors on how ESG translates into valuation, risk, and long-term enterprise value. And from that vantage point, I've seen just how much motion this market has generated.

Over the past decade, we have travelled far.

Capital has moved. Products have launched. Ratings have multiplied. Disclosures have expanded. Strategies have rebranded.

And to be clear, real progress has been made.

Global energy transition investment reached \$2.3 trillion last year, up eight percent year-on-year. That is not a marketing statistic. That is capital deployed into physical assets: grids, storage, infrastructure, and technology.

More than 10,000 companies now have validated science-based targets.

ESG is no longer marginal. It is embedded in boardrooms, credit committees, and investment memoranda.

So yes, we have come a great distance.

But the more important question is whether we have defined the world clearly enough.

Because the environment has changed.

Capital is no longer cheap. Geopolitics are unstable. Governments are directing capital flows. Physical climate events are no longer projections; they are operational risks playing out in real time.

We are no longer in the phase of easy consensus. We are in the phase of economic consequence. And capital behaves very differently in that environment.

The first chapter of ESG was about recognition.

The second was about commitment.

The third, the one we are now entering, is about repricing.

- Repricing carbon.
- Repricing water.
- Repricing safety.
- Repricing governance failure.
- Repricing resilience.

This is where the market becomes more honest.

Insurance markets are withdrawing from geographies where climate exposure can no longer be economically underwritten.... We've seen this in parts of California and elsewhere.

Carbon pricing assumptions are entering credit models.

Lenders are stress-testing transition pathways.

Regulators are penalising greenwashing.

Asset owners are demanding data that can withstand fiduciary scrutiny.

Sustainable fund flows have become more volatile, not because sustainability is irrelevant, but because investors are separating substance from symbolism.

The label is no longer enough. It is the durability of earnings that matters.

Let me make that concrete.

We recently advised on the acquisition of an LNG pipeline business for an infrastructure fund where safety performance was materially below industry norms.

In the past, this might have been flagged during due diligence, something to fix post-acquisition.

Instead, the investment team translated safety into financial terms and found:

- Safety incidents led to shutdowns.
- Shutdowns reduced throughput.
- Reduced throughput eroded EBITDA.

They modelled the probability of future disruption and adjusted what they were willing to pay.

Poor safety was recognised for what it was: a driver of earnings volatility and therefore, multiple compression.

That is the shift. Capital is being repriced.

ESG is no longer a narrative overlay. It is underwriting discipline.

And this is where the industry now enters its next stage of maturity.

Disclosure and taxonomy alignment were foundational. Markets need transparency to function.

But transparency does not, by itself, change valuation.

The next step is integration.

The leaders will be those who take ESG data and embed it directly into underwriting, capital allocation, and portfolio construction.

Disclosure tells you what is happening.

Integration determines what you are willing to pay.

And that is what ultimately defines long-term value creation.

In the next phase of this market, three shifts will separate leaders from laggards.

First: transition plans will be judged not by ambition, but by sequencing of Capex. Investors will scrutinise not the existence of a net-zero target, but the order and economics of capital deployment. A credible transition strategy must improve competitiveness, not impair it.

Second: nature and resource constraints will enter mainstream valuation. Water stress, land use, and biodiversity are not peripheral variables in infrastructure, agriculture, or real estate—they are productivity drivers.

Third: sustainability data will move from narrative disclosure into regulated financial reporting. Firms that build audit-grade systems will reduce uncertainty. And reducing uncertainty lowers risk.

These shifts are not about virtue. They are about valuation.

And yet, we should not pretend the work is complete.

- Global emissions remain elevated.
- Biodiversity loss continues at scale.
- Social instability persists across supply chains and labour markets.

There remains a material gap between the capital mobilised and the structural challenges ahead.

Closing that gap will require more than innovation. It will require clarity, discipline, and the courage to act on what the economics are telling us.

- To say some business models are structurally mispriced.
- To withdraw capital where risk is underestimated.
- To insist sustainability claims withstand economic scrutiny.



Which brings us back to the story.

Kartikeya travelled far and fast.

Ganesha defined the world correctly.

Over the past decade, ESG has travelled far.

The next decade will be defined by whether we understand the system clearly enough to price risk honestly and allocate capital wisely.

In this environment, resilience will not differentiate institutions.

It will determine which endure.

And the fruit of wisdom will not belong to those who move most visibly, but to those who understand the economics of the transition most clearly.

Thank you, and congratulations to tonight's finalists and winners.