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Ministry of Commerce, Industry and Investment Promotion

جولات تجارة
Tejarah Talks

Issue 4 of 4 - 2025

REAL CONVERSATIONS
REAL IMPACT

TEJARAH TALKS ESG

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CLIMATE REALITY, NOT CLIMATE THEATRE	CAPITAL DISCIPLINE IN THE AGE OF ESG	UNFORGIVING INFRASTRUCTURE	SUPPLY CHAINS: THE TRUTH	SKILLS, NOT HEADCOUNT	ADULT SUPERVISION REQUIRED	TECHNOLOGY, PROPERLY USED	ON THE GROUND	MARKETS LOSE PATIENCE	WHAT LASTS	START YOUR ESG JOURNEY TODAY

About Tejarah Talks

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Tejarah Talks is organized by Oman Business Forum in association with the Ministry of Commerce, Industry & Investment Promotion. With a firm focus on Oman's current and future business, export and investment environment, Tejarah Talks is a series of informal, interactive discussions that brings together some of Oman's most inspirational and innovative thinkers and doers to share their stories, insights and ideas with an enthusiastic crowd. It is a platform for positive interaction.

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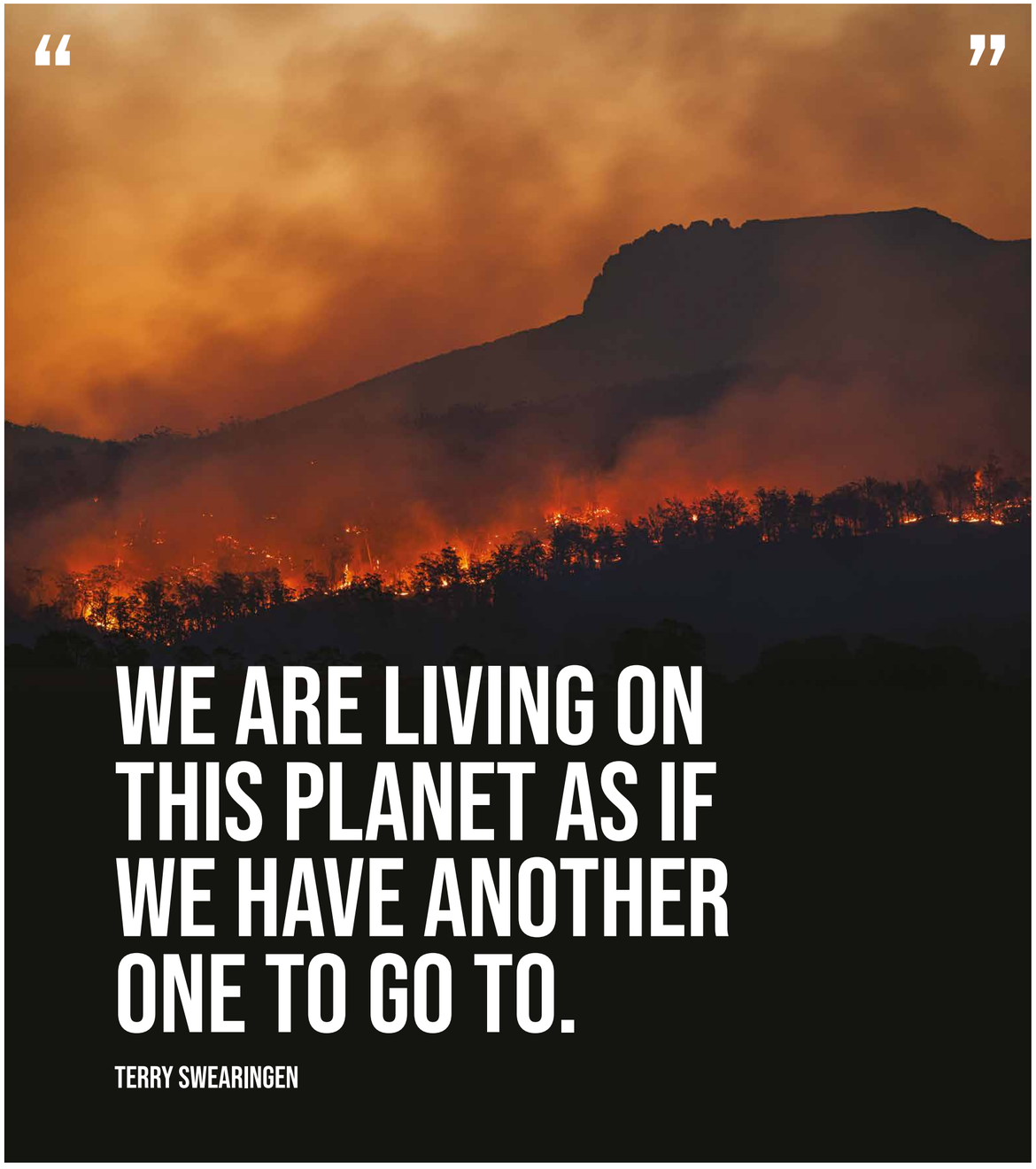


Talking Point 1

CLIMATE REALITY NOT CLIMATE THEATRE

IN 2024, MORE THAN 60% OF THE WORLD'S LAND AREA EXPERIENCED A MATERIALLY HIGHER NUMBER OF DAYS OF SEVERE HEAT STRESS THAN HISTORICAL NORMS.

Climate change has moved from projection to operating condition. In 2024, global average surface temperatures reached their highest level since records began, sitting around 1.6°C above the pre-industrial baseline.[1]

Whether this breaches political commitments remains debatable. That physical systems are already responding is not. What matters less than the global average is how heat manifests locally and repeatedly. In 2024, more than 60% of the world's land area experienced a materially higher number of days of severe heat stress than historical norms.[2] This is not statistical noise. Heat stress constrains the body's ability to cool itself and imposes limits on outdoor labour, logistics and maintenance. Climate conditions now shape shift planning and safety protocols rather than policy debate.

Footnotes

1 Copernicus Climate Change Service, Global Climate Highlights 2024
2 Copernicus Climate Change Service, Heat Stress Indicators 2024
3 UNEP regional climate analysis, 2024
4 ILO, Working on a Warmer Planet: 2024 Update
5 European Commission, Carbon Border Adjustment Mechanism Overview, 2024
6 World Bank, Climate and Development Report 2024
7 Swiss Re Institute, Sigma Report: Natural Catastrophes 2024
8 IEA, Electricity Grids and Secure Energy Transitions, 2024

Regional divergence sharpens the picture. Parts of the MENA region are warming at close to twice the global average.[3] Extended periods of extreme heat are no longer anomalies. They are recurring features of the calendar. Reduced labour productivity, higher electricity demand and pressure on water systems arrive together rather than sequentially. The economic impact is already visible. The ILO estimates heat stress will reduce global working hours by 2.2% by 2030, equivalent to roughly 80 million full-time jobs.[4] For labour-intensive sectors, this translates into narrower working windows, higher compliance cost and rising insurance exposure.

Trade policy has absorbed this reality faster than public debate. The EU's Carbon Border Adjustment Mechanism enters full application in 2026, applying a carbon price to imports of cement, steel, aluminium, fertilisers and electricity.[5] Climate conditions now influence border economics. Adaptation, long overshadowed by emissions targets, is where economic logic asserts itself. The World Bank has warned that without faster adaptation, climate impacts could push more than 130 million people into extreme poverty by 2030.[6]

Insurance markets provide the least sentimental assessment. In 2024, global insured losses from natural catastrophes exceeded US$100 billion for the fourth consecutive year, while total economic losses approached US$350 billion.[7] Assets designed for historical conditions are becoming harder to insure on affordable terms. This places physical systems at the centre of climate competence. The IEA estimates annual global investment in electricity networks must exceed US$600 billion by 2030 to maintain system stability.[8]

Climate management that holds up under scrutiny is operational by necessity. Businesses that perform well track downtime, water intensity, system reliability and insurance cost at asset level. Markets, insurers and regulators have already priced these realities into decisions. Treating climate as a narrative problem is now a planning error.

International Labour Organization

The ILO estimates heat stress will reduce global working hours by 2.2% by 2030, equivalent to roughly 80 million full-time jobs.

Talking Point 2

CAPITAL DISCIPLINE IN THE AGE OF ESG

Once climate and social conditions began affecting margins, ESG stopped being optional. By 2024, environmental and social factors had moved firmly into capital allocation, credit assessment and insurance pricing.[1] This development was not driven by consensus or advocacy. It followed loss experience, regulatory exposure and rising uncertainty around asset performance. Sustainable investment flows illustrate this maturation. Global sustainable fund assets stood at roughly US$3 trillion at the end of 2024, stabilizing after two years of net outflows.[2] This plateau matters. It suggests the market has moved past expansion and entered a phase of scrutiny.

When ESG Met the Balance Sheet

Capital allocated under an ESG label is now judged on durability, governance quality and downside protection rather than thematic alignment alone. Credit markets have been particularly influential. Major rating agencies expanded their methodologies in 2024 to integrate environmental and social conditions more explicitly into credit analysis.[3] This has affected both pricing and structure. Issuers with unmanaged exposure face higher borrowing costs, tighter covenants and shorter tenors. Long-dated financing has become more selective as uncertainty increases further into the future.

MOODY'S

S&P Global

Banks have reinforced this discipline through internal risk frameworks. Nearly 90% of eurozone banks now incorporate climate considerations into stress testing, influencing capital buffers, sector exposure limits and loan pricing.[4] These exercises are not theoretical. They determine where balance sheets can expand and where they cannot. Access to finance increasingly reflects operational preparedness rather than stated ambition.

Development finance has responded in parallel, albeit with different constraints. Development Bank's newly-introduced ESG Framework integrates sustainability into governance, operations and lending decisions, aligned with Oman Vision 2040 and the 2050 net zero target. ESG is treated as a component of credit quality and portfolio resilience rather than a separate overlay. Environmental and social filters now shape project selection and structuring from the outset. This approach reflects a broader reality in development lending. ESG influences outcomes only when it affects pricing, risk appetite and capital deployment. Where sustainability criteria remain detached from these levers, impact tends to be limited. Embedding ESG into credit processes improves transparency around trade-offs and reduces the likelihood of delayed impairment.

Footnotes

1 Moody's Investors Service, Environmental and Social Risks in Credit Analysis, 2024
2 Morningstar, Global Sustainable Fund Flows Q4 2024
3 S&P Global Ratings and Moody's methodology updates, 2024
4 European Central Bank, Climate Risk Stress Testing of Euro Area Banks, 2024
5 IFC, Sustainability-Linked Finance Market Update, 2024
6 OECD, Global Outlook on Climate Finance and Investment, 2025

DEVELOPMENT BANK'S NEWLY-INTRODUCED ESG FRAMEWORK INTEGRATES SUSTAINABILITY INTO GOVERNANCE, OPERATIONS AND LENDING DECISIONS, ALIGNED WITH OMAN VISION 2040 AND THE 2050 NET ZERO TARGET.

Project finance structures provide a further signal. More than US$200 billion of global project finance in 2024 incorporated sustainability-linked or performance-based criteria.[5] These instruments impose financial consequences when agreed targets are missed, directly linking operating performance to cost of capital. This has reduced tolerance for optimistic assumptions and strengthened demand for verifiable data.

Geography complicates matters. Climate-related risk premia remain unevenly distributed with developing economies often facing higher financing costs despite lower historical contributions to global emissions.[6] This imbalance has increased interest in guarantees, blended finance and sovereign-backed risk mitigation tools. Capital discipline does not imply withdrawal. It requires structure capable of absorbing uncertainty.

From Optional to Inevitable

Governance remains decisive. Weak oversight is the most common reason sustainability-linked investments fail to deliver expected outcomes. Boards lacking technical understanding of climate and social exposure struggle to challenge assumptions or interpret disclosures. Markets have shown limited patience for this pattern. And capital discipline does not dilute sustainability objectives. It sharpens them. ESG that reduces volatility and preserves asset life continues to attract funding. ESG that relies on narrative rather than evidence struggles once conditions tighten.

Talking Point 3

As capital discipline tightens, physical capacity becomes decisive. Infrastructure determines whether ambition translates into delivery or remains aspirational. Targets and policy signals matter but they cannot compensate for networks that are undersized, poorly connected or vulnerable to stress.

UNFORGIVING INFRASTRUCTURE

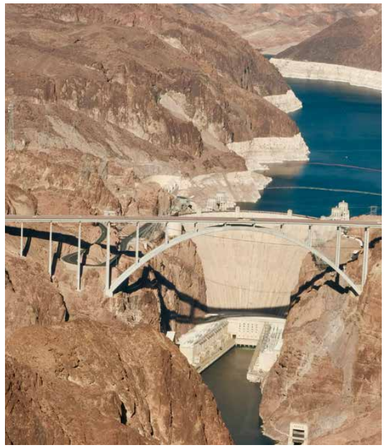
The Grid Bottleneck

Electricity demand growth reached its fastest pace in more than a decade during 2024, driven by cooling needs, electrification of transport and industry and the expansion of data infrastructure.[1] Without corresponding investment in transmission and reinforcement this growth increases system strain rather than usable output. Capacity additions alone do not resolve bottlenecks if power cannot move reliably to where it is needed. Grid congestion illustrates the problem clearly. More than 3,000 GW of renewable projects globally are awaiting connection approval, almost five times the solar and wind capacity added in 2023.[2] These delays impose real economic cost. Projects incur holding expenses, developers face revenue uncertainty and power systems forgo lower-cost generation. Ambition accumulates while delivery stalls.

Transport networks face parallel pressure. Global freight volumes continue to expand, yet ports, rail corridors and road networks are increasingly exposed to heat, flooding and operational disruption. Climate-related events now account for a growing share of delays along major trade routes, particularly where infrastructure is ageing or maintenance has been deferred.[3] When throughput slows, cost propagates quickly through supply chains.

Stress in Transit

Thermal stress has become a recurring operational issue. Extreme temperatures have led to rail buckling, road surface degradation and aircraft payload restrictions across multiple regions.[4] These effects are no longer exceptional. They raise maintenance expenditure, reduce asset availability and constrain scheduling during peak demand periods.



Water availability adds another layer of constraint. Industrial expansion, urban growth and higher temperatures increase demand while reducing reliability of supply. Around 25% of global cities now experience high or extremely high water stress.[5] For manufacturing, processing and energy generation, water scarcity functions as a hard limit rather than an environmental externality.

Investment patterns reflect rising awareness but persistent insufficiency. Global infrastructure investment reached approximately US$3.5 trillion in 2024 yet the annual shortfall relative to estimated need remains above US$1 trillion.[6] Much of this gap relates to reinforcement, adaptation and resilience rather than new build. Expanding capacity without strengthening existing systems increases vulnerability rather than reducing it.

Delivery constraints extend beyond finance. Permitting delays, coordination failures and workforce shortages continue to slow infrastructure programs. Regulatory complexity and skills gaps are now among the leading drivers of cost overruns.[7] These frictions are rarely visible in strategy documents but are decisive in outcomes.

Footnotes

1 IEA, Global Energy Review 2025: Electricity
2 IEA, Electricity Grids & Secure Energy Transitions
3 WMO, State of the Global Climate 2024
4 OECD, Infrastructure for a Climate-Resilient Future
5 WRI, Aqueduct Water Risk Atlas.
6 Allianz Research, Bridging the Global Infrastructure Gap
7 World Bank, Infrastructure Finance, PPPs & Cost Overruns: Drivers & Mitigation

Talking Point 3 - Unforgiving Infrastructure

Reinforce or Regret

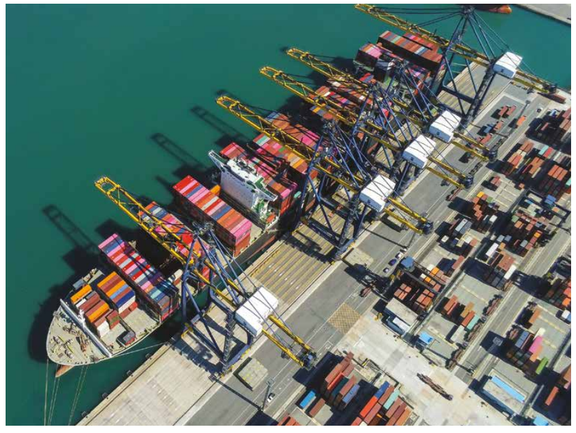
For capital providers, infrastructure performance under stress has become a proxy for transition credibility. Investors increasingly assess whether assets can operate reliably during peak demand, extreme heat or supply disruption rather than relying on projected utilization under average conditions. Financing decisions reflect this scrutiny long before sustainability targets enter the discussion.
In practice, physical systems determine whether climate and development objectives endure. Electrification without grids, industrial growth without water security and expansion without maintenance capacity remain expressions of intent rather than delivery. Infrastructure is unforgiving. It either performs or it fails.

Investors increasingly assess whether assets can operate reliably during peak demand, extreme heat or supply disruption rather than relying on projected utilization under average conditions. Financing decisions reflect this scrutiny long before sustainability targets enter the discussion.

Talking Point 4

SUPPLY CHAINS:

Supply chains have a habit of exposing problems that strategy documents prefer to smooth over. Over the past few years they have been tested by events once described as exceptional. By 2025, disruption is no longer episodic. It is structural. The question is no longer whether supply chains will be interrupted but how often and at what cost.



Slower, Costlier, Uncertain

Global trade has not collapsed, but reliability has continued to deteriorate. Merchandise volumes have grown modestly while geopolitical tension, transport disruption and regulatory intervention have made delivery times harder to predict and costs more volatile.[1] Planning horizons have shortened further. Contingency is no longer a backup plan. It is the default setting. Disruption in the Red Sea remains a clear illustration. Attacks on commercial vessels that began in late 2023 and persisted through 2024 continue to affect routing decisions in 2025. Diversions around the Cape of Good Hope add 10 - 14 days to Asia - Europe sailings and materially increase fuel consumption.[2] Cargo still moves. It simply moves more slowly at higher cost and with less tolerance for delay.

Pricing reflects this reality. Freight rates on key routes have remained elevated and volatile, driven by higher operating costs and reduced effective capacity.[3] These pressures do not stay neatly within shipping budgets. They pass through inventories, working capital and final pricing. Supply chains absorb shock by spreading cost. Beneath these disruptions sits a more persistent vulnerability - concentration. Many global supply chains remain dependent on a narrow set of routes, suppliers and processing hubs. Critical inputs such as semiconductors, fertilizers and battery materials continue to be geographically concentrated, increasing exposure to political tension, environmental stress and regulatory change.[4] Diversification is widely discussed. Execution remains uneven because redundancy costs money until it is needed.

Footnotes

1 World Trade Organization, Global Trade Outlook and Statistics
2 International Chamber of Shipping, Annual Review 2024-2025
3 Drewry Shipping Consultants, World Container Index
4 OECD, Global Value Chains and Supply Security
5 IMF, World Economic Outlook
6 UNFAO, Crop Prospects and Food Situation
7 Various port authority operational and safety reports across Europe and Asia, documenting heat-related throughput constraints and labour disruption
8 EU, Corporate Sustainability Due Diligence Directive
9 S&P Global, Supply Chain Risk and Earnings Volatility

THE TRUTH

Scale, Reduced

Trade policy has added further friction. Export controls, sanctions and industrial policy measures introduced in recent years remain in force and continue to expand. Current IMF analysis suggests sustained trade fragmentation could reduce global GDP by up to 2% over the medium-term.[5] For businesses, this translates into duplicated supply chains, higher compliance cost and reduced economies of scale.

Environmental volatility is now embedded within supply chain planning. Extreme weather events continue to disrupt agricultural production across multiple regions, contributing to sharp swings in food and commodity prices. Climate-related shocks remain a material driver of crop yield variability.[6] Variability complicates planning far more than predictable scarcity. Labour availability adds another layer of fragility. Ports, logistics hubs and transport corridors depend on workforces increasingly exposed to heat and health risk. Staffing shortages and safety restrictions linked to extreme temperatures continue to reduce throughput during peak periods.[7] Supply chains falter when people cannot work safely.

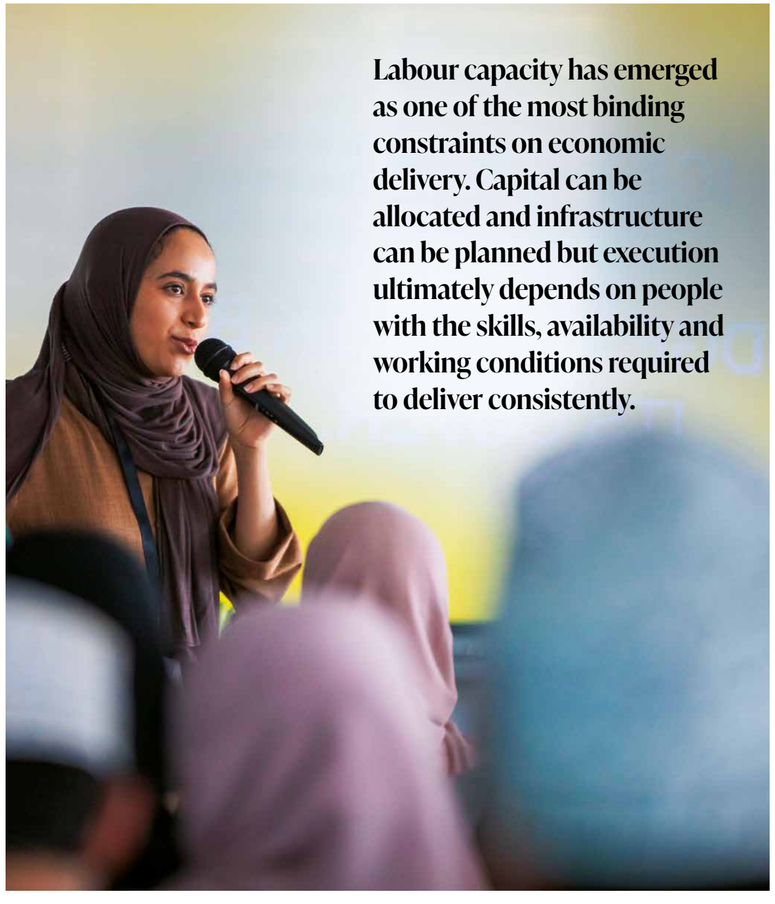
Transparency has become unavoidable. Regulators, buyers and financiers increasingly expect visibility beyond tier-one suppliers. The EU's Corporate Sustainability Due Diligence Directive is now shaping behaviour across value chains.[8] Opacity has moved from inconvenience to liability and markets have responded accordingly. Companies with higher exposure to concentrated suppliers and routes continue to experience greater earnings volatility.[9] Reliability now carries a premium.

Boring but Effective

Responses that work remain unglamorous. Regional diversification, buffer inventory, contractual realism and digital tracking shorten recovery time when disruption hits. These measures rarely attract attention. They reduce loss. The uncomfortable truth is manageable. Global supply chains will remain exposed to geopolitical tension, environmental stress and regulatory scrutiny throughout 2026 and beyond. What matters is how quickly disruption is identified, how clearly it is communicated and how effectively alternatives are activated.

Talking Point 5

SKILLS NOT HEADCOUNT



Labour capacity has emerged as one of the most binding constraints on economic delivery. Capital can be allocated and infrastructure can be planned but execution ultimately depends on people with the skills, availability and working conditions required to deliver consistently.

Today, this constraint became harder to overlook. Global employment growth has slowed during the year while shortages persisted across construction, logistics, manufacturing and healthcare.[1] Demographic trends compound the pressure. Ageing populations in advanced economies reduce participation, while younger workforces in emerging markets require rapid skills development to meet increasingly technical demand. Headcount and capability are diverging.

Footnotes

1 ILO, Global Employment Trends 2024
2 World Economic Forum, Future of Jobs Report 2024
3 ILO, Heat Stress and Occupational Safety Update, 2024
4 OECD, International Migration Outlook, 2025
5 UNESCO, Global Education Monitoring Report, 2024
6 OECD, Employment Outlook 2024
7 WHO, Climate Change and Occupational Health, 2024

Delivery Needs People

Skills gaps are now quantifiable. More than half of employers globally identify shortages as a material barrier to transformation and expansion.[2] Demand is concentrated in technical, digital and engineering roles, alongside practical competencies related to energy systems, maintenance and safety. These capabilities are accumulated over time and cannot be substituted quickly. Climate conditions intensify the challenge. Occupational heat stress has increased sharply, particularly in outdoor and manual roles.[3] Shorter working windows, higher compliance cost and elevated injury risk have become operational considerations rather than exceptional events.

Workforce planning increasingly incorporates environmental limits alongside productivity targets. Migration dynamics add further complexity. Competition for skilled workers has intensified as countries adjust visa regimes and talent strategies to attract technical and professional roles.[4] This has implications for wage levels, retention and training investment. Employers unable to offer development pathways face higher turnover and recruitment cost.

Training systems continue to lag labour market need. Enrolment in technical and vocational education remains misaligned with demand in sectors such as energy, advanced manufacturing and digital infrastructure.[5] Vacancies coexist with unemployment because readiness, rather than availability, is the constraint. Technology offers support but not substitution. Automation and digital tools can raise productivity, yet adoption often increases demand for mid-level technical roles rather than reducing overall labour need.[6] Output gains depend on training, supervision and organizational design. Tools amplify capability where it exists.

The Climate Factor

Health and wellbeing now sit inside the productivity equation. Rising rates of work-related stress and heat exposure have reduced participation and output in several regions.[7] Absenteeism and early retirement impose costs that surface later as delay and overrun rather than appearing directly in project budgets.

Workforce strategies focused solely on recruitment tend to disappoint. Retention, reskilling and safe working conditions increasingly determine delivery reliability. Investment in people compounds gradually but is difficult to replace once lost.
In an economy facing multiple transitions at once, labour is no longer a supporting variable. It is the limiting one. Companies that recognize this constraint early retain flexibility. Those that assume capacity will materialize tend to discover it does not.

Health and wellbeing now sit inside the productivity equation. Rising rates of work-related stress and heat exposure have reduced participation and output in several regions.

Talking Point 6

As constraints tighten across capital, infrastructure and labour, governance determines whether businesses respond coherently or drift. Strategy and financing can be in place while outcomes disappoint because oversight lacks capability or authority. In recent years, governance failure has emerged less as a discrete issue and more as a risk multiplier.

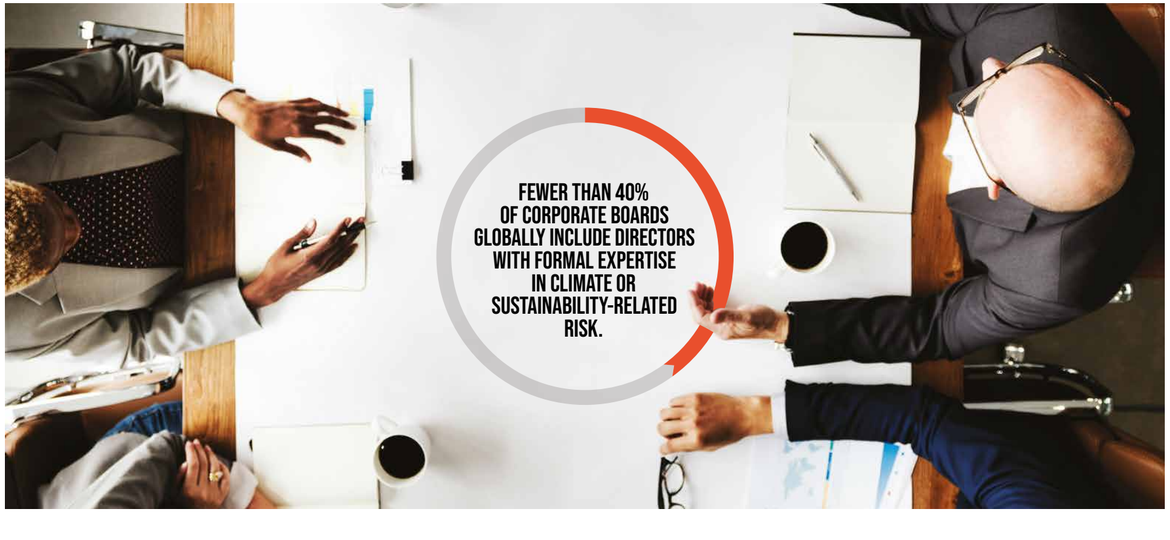
ADULT SUPERVISION REQUIRED

Footnotes

1 US&P Global, Board Governance and Sustainability Risk, 2024

2 PwC, Executive Remuneration and ESG Survey, 2024

3 International Organization of Securities Commissions, Sustainability Disclosure and Governance Guidance, 2024



Control or Confusion

At its core, governance determines whether decisions hold under pressure. Climate exposure, supply chain fragility and workforce constraints require judgement that extends beyond quarterly reporting cycles and executive tenures. Where boards prioritize short-term performance or reputational management, longer-term risks tend to accumulate unchecked.
Board capability has therefore come under increasing scrutiny. Despite rising expectations from regulators and investors, fewer than 40% of corporate boards globally include directors with formal expertise in climate or sustainability-related risk.[1]
This gap matters. Boards without technical understanding struggle to challenge assumptions, assess trade-offs or interpret complex disclosures. Oversight becomes procedural rather than substantive.

Incentive design compounds the issue. More than half of large listed companies now link executive remuneration to ESG-related metrics.[2] The effectiveness of these links varies widely. Where targets are vague, weakly measured or disconnected from operating performance, behaviour changes little. Where incentives are tied to measurable outcomes that affect cost, reliability or risk exposure, alignment improves. Governance works when incentives reflect operational reality rather than aspiration.

Accountability Arrives

Regulatory frameworks have begun to respond to these shortcomings. Supervisory bodies increasingly distinguish between disclosure and governance. Reporting alone does not demonstrate control. Regulators now expect sustainability-related risks to be embedded within enterprise risk management, with clear board accountability and evidence of decision-making oversight.[3] Voluntary adoption is giving way to enforceable expectation.

This distinction is material. Organizations that treat sustainability reporting as a compliance exercise often perform well on paper while remaining exposed in practice. By contrast, those that integrate environmental and social factors into capital allocation, asset management and risk committees tend to identify problems earlier and adjust more effectively. Disclosure describes exposure. Governance determines response.

Talking Point 7

TECHNOLOGY PROPERLY USED

Technology is frequently presented as the mechanism that will reconcile competing demands on productivity, sustainability and growth. In practice, digital tools tend to amplify existing strengths and weaknesses rather than resolve them. Where governance, skills and infrastructure are robust, technology extends capability. Where they are not, it accelerates exposure. Indeed, productivity gains from digitalization are real but conditional. Companies that deployed advanced monitoring across energy use, logistics and maintenance reported improvements of 10 - 20% in targeted processes.[1] These gains were not evenly distributed. They accrued fastest in operations with disciplined processes and skilled workforces. Technology rewarded preparation rather than compensating for its absence.

Footnotes

1 McKinsey & Company, Global Operations Survey, 2024
2 OECD, Artificial Intelligence Adoption in Industry, 2024
3 International Energy Agency, Electricity Demand from Data Centres and AI, 2024
4 World Economic Forum, Global Cybersecurity Outlook, 2024
5 World Bank, Digital Transformation and Development, 2024
6 CDP, Global Disclosure Report, 2024
7 OECD, Productivity and Technology Diffusion Outlook, 2025

The Grid Decides

System strain is the counterweight. Digital optimization often increases utilization of underlying infrastructure, exposing limits more quickly. Electrification strategies supported by smart controls still rely on grids with sufficient capacity and resilience. Without reinforcement, higher efficiency can concentrate load and increase outage risk. Productivity improvements that ignore system limits tend to migrate pressure rather than remove it. AI has intensified this dynamic. Adoption has accelerated rapidly across manufacturing, logistics and finance, particularly in predictive analytics, quality control and demand forecasting.[2] Decision speed and accuracy improved. Energy demand rose alongside them. Electricity consumption from data centres and AI workloads is now expected to more than double by 2026, placing additional strain on power systems already operating near capacity.[3]

This second-order effect matters. Data infrastructure is location-specific, power-intensive and difficult to relocate quickly. Where low-carbon electricity and grid capacity are constrained, AI deployment increases operating cost and carbon exposure simultaneously. The technology does not determine the outcome. The surrounding system does.

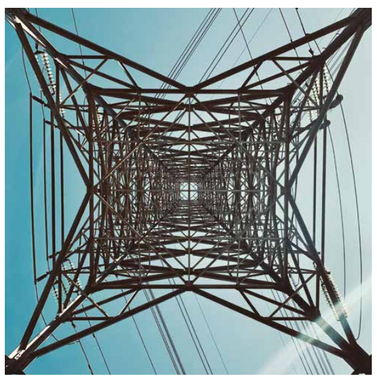
Systems Without Stewards

Cyber exposure adds another operational dimension. As systems become more connected, the attack surface expands. Cyber incidents now rank among the leading short-term risks to global stability, with energy, transport and industrial control systems increasingly targeted.[4] These are not abstract threats. Disruption can halt operations, compromise safety and trigger regulatory response. Cyber resilience therefore functions as operational risk management rather than technical hygiene. Organizations with fragmented systems, unclear accountability or underinvestment in security tend to discover vulnerabilities under stress. Recovery costs extend beyond remediation to downtime, reputational damage and insurance impact. Connectivity without control increases fragility.

Delivery gaps are most visible where organizational capacity is limited. Digital transformation projects fail more frequently in environments lacking skilled operators, clear ownership and maintenance capability.[5] Hardware and software may be deployed on schedule. Outcomes lag when processes and accountability do not follow. Measurement has improved alongside deployment. Automated systems allow more precise tracking of emissions, energy use and resource intensity. Businesses using integrated digital reporting report fewer errors and greater consistency.[6] Precision improves transparency only when data flows reflect operational reality rather than fragmented processes.

Slow Gains Win

Experience suggests restraint. Productivity gains from advanced technology materialize gradually and depend on complementary investment in skills, infrastructure and governance.[7] Technology accelerates what organizations are already capable of doing. It does not change direction on its own. Treating technology as an enabler rather than a saviour clarifies priorities. Investment decisions improve when digital tools are assessed alongside system capacity, workforce readiness and security exposure. Anything else risks expensive optimism.



Talking Point 8

ON THE GROUND

Local impact is where plans meet reality. People do not experience projects as policies or investment ideas. They experience them as places to work, sites under construction and services they rely on. Whether national ambitions succeed or fail often depends on how these projects work on the ground.

Employment remains the most visible channel of impact, but headline job numbers rarely tell the full story. The economic effect of investment depends on duration, skill content and wage quality rather than volume alone. Jobs linked to infrastructure and industrial activity generate stronger and more durable income stability than temporary or low-skill employment.[1] Short-term hiring provides relief. Sustained employment builds capacity.

Footnotes

1 World Bank, Jobs and Development Update, 2024
2 OECD, Local Economic Impact of Investment, 2024
3 UN-Habitat, World Cities Report, 2024
4 WHO, Air Quality and Health Update, 2024
5 International Association for Public Participation, Global Practice Review, 2024
6 Global Reporting Initiative, Community Impact Reporting Trends, 2024
7 IFC, Evaluation Insights: Community Engagement and Performance, 2024

Plans Meet People

Economic multipliers extend beyond payroll. Regions with higher levels of local procurement and supplier participation experience stronger circulation of value from both public and private investment.[2] Spending that anchors locally supports small companies, service providers and training ecosystems. Spending that bypasses local supply chains leaks out quickly, limiting broader benefit. Social licence has therefore become an operational variable rather than a reputational concern. Projects that integrate local hiring, supplier development and skills transfer tend to face fewer delays and lower disruption cost. Where communities perceive exclusion or imbalance, resistance often emerges through planning objections, work stoppages or legal challenge. These frictions carry direct financial consequence.

UN-HABITAT

World Health Organization

Service provision shapes perception as much as employment. Transport access, utilities, housing pressure and digital connectivity determine whether growth is experienced as opportunity or strain. Rapid expansion without parallel investment in services increases congestion, inequality and political tension.[3] Growth that outpaces provision erodes trust and raises operating cost over time and environmental effects are felt immediately and locally. Air quality, noise, water availability and land use affect daily life around project sites. Air pollution remains one of the leading environmental health risks globally, concentrated in urban and industrial zones.[4] Communities rarely oppose development in principle. They oppose degradation without compensation.

Engagement Works

Engagement practices influence both outcome and cost. Projects that involve communities early and continuously experience fewer delays and lower dispute-related expense than those relying on late-stage consultation.[5] Engagement functions as risk management rather than courtesy but measurement remains uneven. Fewer than half of organizations reporting on community impact provide location-specific data.[6] Aggregated reporting obscures local variation and weakens accountability. Impact becomes credible when it is disaggregated and contextual. Local disruption increasingly appears on balance sheets rather than in communications strategies. Delays, security costs, compensation claims and operational interruptions affect cash flow and asset valuation. According to development finance evaluations, projects with strong local engagement demonstrate better operational continuity and lower volatility over time.[7] Understanding local impact therefore requires discipline. Employment quality, supplier integration, service capacity and environmental conditions all shape performance. Local impact is not an adjunct to ESG. It is the point at which ESG becomes material.

Talking Point 9

Risk rarely announces itself politely. It accumulates, reprices and eventually asserts itself through markets that are indifferent to narrative. In 2024, insurers, lenders and rating agencies continued to narrow the gap between perceived and priced risk particularly where climate exposure and operational fragility intersected. Insurance markets provided the clearest signal.

Global insured losses from natural catastrophes exceeded US$100 billion for the fourth consecutive year while total economic losses were substantially higher.[1] The widening gap reflects assets that are underinsured or no longer insurable at tolerable cost. Withdrawal of coverage is not a political statement. It is an assessment that assumptions no longer hold.

Footnotes

1 Swiss Re Institute, Sigma Report: Natural Catastrophes 2024
2 Marsh, Global Insurance Market Index, 2024
3 Munich Re, Climate Risk and Reinsurance Outlook, 2024
4 S&P Global Ratings, Climate Risk and Credit Analysis Update, 2024
5 IMF, Fiscal Monitor: Climate-Related Risks, 2024
6 Market disclosures and insurer reassessments across multiple jurisdictions, 2024
7 The Geneva Association, Climate Resilience and Insurance, 2024

Loss Is Repriced

Premium pricing followed experience rather than forecast. Commercial property insurance rates increased by an average of 6 - 8% during 2024 with sharper rises in regions exposed to flooding, heat and storms.[2] Deductibles widened, exclusions expanded and terms shortened. In some markets, coverage ceased altogether. Insurance withdrawal has become a market signal that risk has exceeded tolerance. Reinsurance capacity tightened further. Large reinsurers reduced exposure to high-risk zones and imposed stricter conditions on climate-sensitive assets.[3] These decisions propagate quickly through the system. Primary insurers pass costs downstream. Developers face higher operating expenses. Some projects become unviable at current pricing. Risk pricing influences investment decisions well before construction begins.

Costs Cascade

Credit markets have aligned accordingly. Lenders increasingly treat insurance availability as a condition of finance rather than a post-completion detail. In 2024, rating agencies expanded the weight given to physical climate exposure and risk transfer mechanisms within credit analysis.[4] Assets unable to secure affordable coverage now face questions over long-term viability, refinancing risk and asset life. The implications extend to public finance. Climate-related shocks now represent one of the largest contingent liabilities for governments, particularly where insurance penetration remains low.[5] Disaster recovery spending crowds out investment, erodes fiscal buffers and increases borrowing need. The cost of risk that is not transferred does not disappear. It migrates to balance sheets.

Markets respond quickly when exposure materializes. During 2024, assets affected by flooding or wildfire experienced sharp valuation adjustments following insurer reassessment and buyer repricing.[6] These moves did not require consensus. They required sufficient information to reassess probability and loss. There are responses that reduce loss over time. Insurers increasingly offer premium incentives for resilience measures such as flood defences, heat-resistant materials and improved maintenance regimes. Properties incorporating certified adaptation features have demonstrated lower loss ratios over repeated events.[7] Prevention remains less expensive than repair.

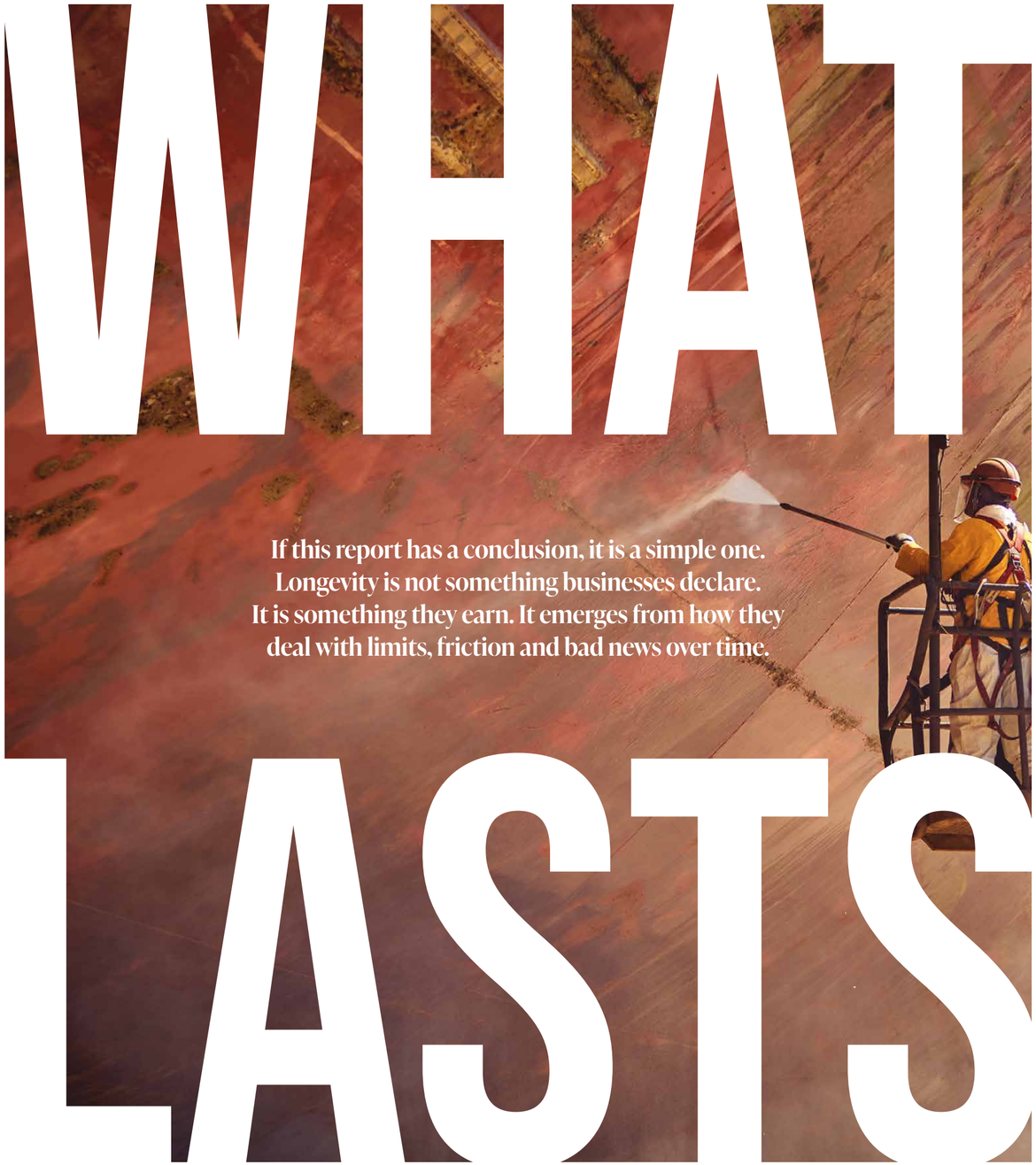
Signals, Not Sentiment

Denial carries a measurable cost. Projects that downplay exposure often face sudden repricing, loss of coverage or financing delay when conditions deteriorate. By contrast, businesses that quantify risk, invest in mitigation and secure transfer mechanisms preserve optionality. Risk acknowledged can be managed. Risk ignored compounds quietly until options narrow. In an environment of accelerating climate exposure and market sensitivity, risk management has become strategic rather than technical. Insurance markets are not arbiters of virtue. They are calculators of probability and loss. When they retreat, they are signalling the numbers have changed.

Risk acknowledged can be managed. Risk ignored compounds quietly until options narrow.

Talking Point 10

WHAT LASTS



If this report has a conclusion, it is a simple one. Longevity is not something businesses declare. It is something they earn. It emerges from how they deal with limits, friction and bad news over time.

Footnotes

1 BlackRock, Global Investment Outlook, 2024
2 Bank for International Settlements, Annual Economic Report, 2024
3 McKinsey & Company, Long-Term Value Creation Insights, 2024
4 OECD, Economic Outlook and Structural Reform, 2025
5 World Meteorological Organization, State of the Global Climate Update, 2025
6 S&P Global, Long-Term Risk and Valuation Assessment, 2024
7 Edelman Trust Barometer, 2025

Climate pressure, capital discipline, infrastructure limits, labour availability, governance quality, technology choices, local conditions and risk pricing no longer take turns. They arrive together. And markets have adjusted accordingly. Long-term investors now spend less time admiring growth forecasts and more time inspecting whether cash flows hold up when conditions stop being friendly. Durability, balance sheet strength and operational continuity matter more than optimistic projections.[1] Assets that keep working under stress attract capital on better terms. Assets that require everything to go right do not. System-level analysis tells the same story. Structural pressures such as climate exposure, demographic change and infrastructure strain now present a greater threat to financial stability than the usual economic cycle.[2] These pressures do not fade with time. They accumulate. Companies that treat them as temporary interruptions tend to discover that risk compounds quietly while attention is elsewhere.

Company performance data reinforces the point. Businesses that invest consistently in governance capability, risk management and workforce development outperform peers over long periods.[3] The advantage builds slowly, then shows up decisively when conditions tighten. Longevity is not created by bold announcements. It is created by repetition, discipline and follow-through.

Hope is Expensive

Public institutions are tested less by ambition than by their ability to sustain direction under pressure.[4] Frequent reversals weaken credibility, raise financing costs and discourage participation. Stability, while less exciting, remains attractive.

The environment adds further pressure. Extreme weather patterns observed in recent years are expected to persist even under moderate mitigation scenarios.[5] Planning for a return to earlier conditions is clearly an expensive form of hope. Preparation has become more useful than ambition. Markets have already priced this reality. Assets that cannot demonstrate adaptability face valuation discounts as investors factor physical and transition risk into long-term assumptions.[6] Cost of capital increasingly reflects whether a business looks durable rather than attractive.

Holding When It Matters

Trust plays a supporting role. Businesses regarded as reliable and transparent tend to retain stakeholder support during disruption which reduces volatility when responses are needed.[7] Trust does not cancel risk. It influences how painful the response becomes. Longevity does not mean rigidity. Businesses that endure adjust course without losing direction. They invest in systems, people and governance that allow recalibration without collapse. Flexibility backed by discipline tends to age better than confidence alone. Seen through an ESG lens, longevity offers clarity. It cuts through language and focuses attention on what lasts. Does the business remain financeable. Does it retain capability. Does it operate safely under pressure. These questions are not fashionable. They are, however, the ones markets keep asking.

Final Thought

START YOUR ESG JOURNEY TODAY

Most small businesses don't fail because they ignore ESG. They fail because something ordinary goes wrong and they don't have the margin to absorb it. A supplier delivers late. An employee leaves at the wrong time. Energy costs jump. Insurance gets more expensive. A regulator asks a question no one has answered before. None of this arrives labelled ESG. It just shows up as friction, cost and distraction.

That is why ESG, at the small-business level, has very little to do with pledges or frameworks. It is about reducing fragility. It is about noticing where risk hides in plain sight and dealing with it before it becomes expensive. Large businesses can afford abstraction. Small ones cannot. Time, cash and attention are limited. Any ESG effort that does not make the business easier to run, cheaper to insure or harder to break is probably a waste of energy. The 10 point list on the following page is not a strategy. It is a starting point. Ten practical actions that can be done today with the people and information already available. No consultants. No reporting burden. No theatre.

Final Thought

1

Write down what actually keeps you up at night
Not emissions targets. Cash flow interruptions, staff turnover, supplier failure, insurance cost, regulatory exposure. ESG starts with identifying what can break the business, not what looks good in a report.

2

Measure one thing properly instead of 10 badly
Pick a single operational metric that matters - energy spend per unit, water use, staff absence, late payments. Track it monthly. Improvement beats ambition every time.

3

Pay suppliers on time
This is social governance in its most practical form. Late payment transfers risk downstream and damages trust. Fixing it improves resilience immediately

4

Reduce energy waste before buying anything green
Turn off what is not needed. Fix leaks. Maintain equipment. Efficiency lowers cost and exposure now. Procurement choices can come later.

5

Document how decisions are actually made
Who signs off spending. Who handles complaints. Who manages risk when something goes wrong. Governance begins with clarity, not committees.

6

Make safety boring and consistent
Whether it is a workshop, warehouse or office, basic safety done every day matters more than annual training sessions. Fewer incidents mean fewer costs and fewer interruptions.

7

Ask employees one honest question
What makes your job harder than it should be? Fixing those answers improves productivity, retention and morale faster than any policy document.

8

Know where your critical inputs come from
You do not need full supply-chain mapping. Identify the two suppliers you cannot replace quickly. Understand their risks. Build alternatives slowly.

9

Keep simple records
Energy bills, insurance claims, staff turnover, maintenance logs. ESG data is often already there, just scattered. Centralizing it costs little and pays back quickly.

10

Decide what you will not pretend to do
Be clear about limits. You do not need net zero pledges or glossy commitments. Credibility comes from doing a few things consistently and saying no to the rest.

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1

2

3

4

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THANK YOU
TO OUR PANELISTS & ALL
THOSE WHO ATTENDED

1. Jamal Al Asmi, session moderator
2. Wendy Werner, Country Manager, Oman, World Bank
3. Hanife Ymer, ESG Adviser, Development Bank
4. Dr Aisha Al Sarihi, Economic Adviser, Ministry of Economy
5. ESG audience

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