

The New ESG: Economics, Energy, Security, and a Changing Climate

By Milla Craig, President and CEO, Millani Inc.

2025 has been a year defined by instability and geopolitical tension. As global alliances shift and economic pressures mount, sustainable finance is undergoing its own recalibration—because it has always evolved in response to the world around it.

The origins of sustainable finance lie in the anti-apartheid movement in South Africa, where investors first recognized that capital could influence social outcomes. From there it grew into socially responsible investing, then responsible investing, the integration of ESG, and ultimately what we now call sustainable finance. Over the years, the conversation matured from moral values to market value: the recognition that environmental, social, and governance factors are essential tools for assessing risk and opportunity. Today, as we edge toward 2026, we find ourselves once again at an inflection point.

Much has been made of claims that ESG has become “woke,” but that framing misses the point entirely. ESG isn’t shrinking—it’s expanding. The “E,” once focused narrowly on the environment, now encompasses economics and energy—issues that are front and center for Canada as it navigates affordability pressures, productivity challenges, and a rapidly shifting global energy landscape.

The “S” is expanding just as quickly. Canada’s sovereignty questions—from Quebec to Alberta to the increasingly strategic Arctic—are no longer theoretical. They are economic and social realities. And with Indigenous sovereignty now enshrined in policy and law, reconciliation is shaping the future of resource development and national priorities. Add to that the renewed focus on defence and national security—investors around the world are reconsidering defence exposure in their portfolios—and it becomes clear that the “S” is now inseparable from geopolitics, affordability, workforce stability, and national cohesion.

The “G,” traditionally understood as governance, is stretching into new terrain as well. Cybersecurity, AI oversight, digital infrastructure, data governance—these issues are no longer niche technical concerns, but material strategic risks. Boards are being pushed to understand and govern technologies that evolve faster than policy frameworks can keep up. Investors, for their part, are looking for clarity on risk, accountability, and opportunity as companies adapt.

[Our visual below makes this especially clear] The issues traditionally grouped under E, S, and G do not sit in neat, separate boxes. They overlap and reinforce one another—economics influences energy, energy influences sovereignty, sovereignty influences security, and governance cuts across everything. ESG has become the architecture for understanding complexity.

And threading through all of this is the undeniable force of climate change. The impacts are no longer hypothetical; they are happening now. In 2024, the Insurance Bureau of Canada noted that insured damage from severe weather in Canada surpassed C\$8 billion, the

highest annual figure on record. The BDC also cites that 31% of Canadian small and medium size companies have already been negatively impacted by severe weather and Quebec Net Positive's recent Transition Barometer highlights that 52% of Quebec businesses have been impacted by physical climate risks. From operational disruptions to escalating insurance costs, climate change is no longer one risk among many—it is the backdrop against which every other issue unfolds.

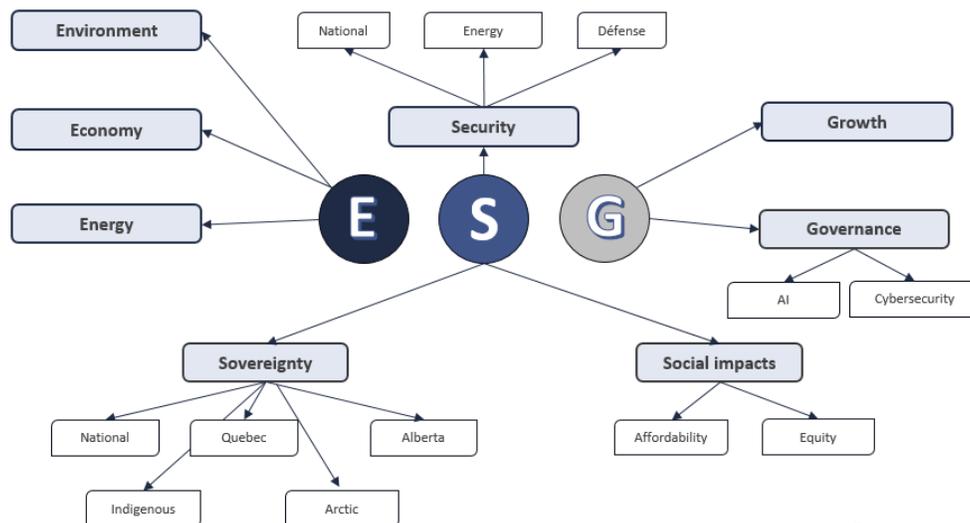
This is the landscape the new federal government must navigate. Like boards and businesses across the country, it is being forced to manage economics, energy, sovereignty, security, technological disruption, and climate risk **all at once**. The old model of treating these issues in silos simply no longer works. They are interconnected, mutually reinforcing, and impossible to solve independently.

Investors have already adjusted to this reality. Boards are in the process of doing the same. Now the federal government must as well. Effective leadership—whether in a boardroom or in cabinet—depends on seeing the whole picture, not isolated parts of it.

In a world defined by disruption, ESG has become the roadmap for resilience.

Visual for reference if you wish:

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