ESG and Value Creation:

What Opportunities for Investment Banking & Private Equity?

October 13, 2020

S&P Global
Market Intelligence

ACG

Agenda

Opening remarks
Polling questions 1
Q&A
Polling question 2
Closing remarks

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Elizabeth Seeger
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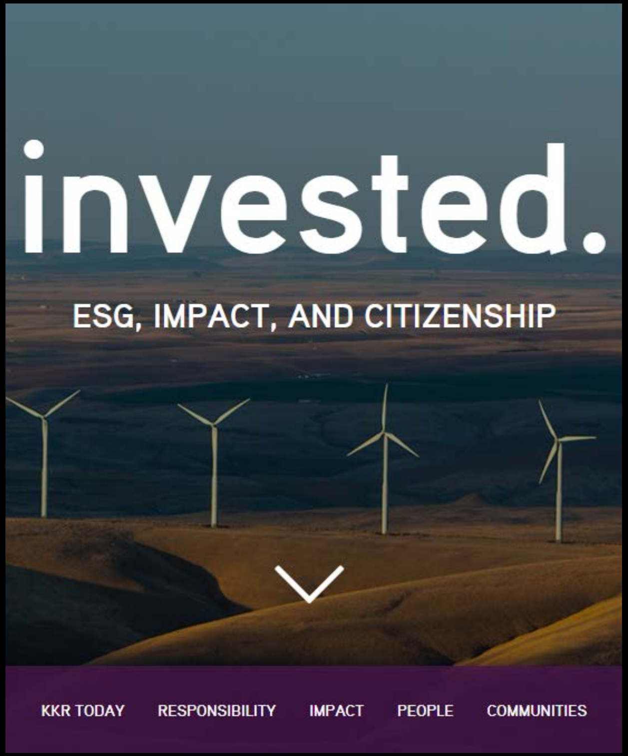
Opening remarks



ESG, Impact, & Citizenship Report and Policies
https://kkresg.com/

Elizabeth Seeger
Director, Sustainable Investing

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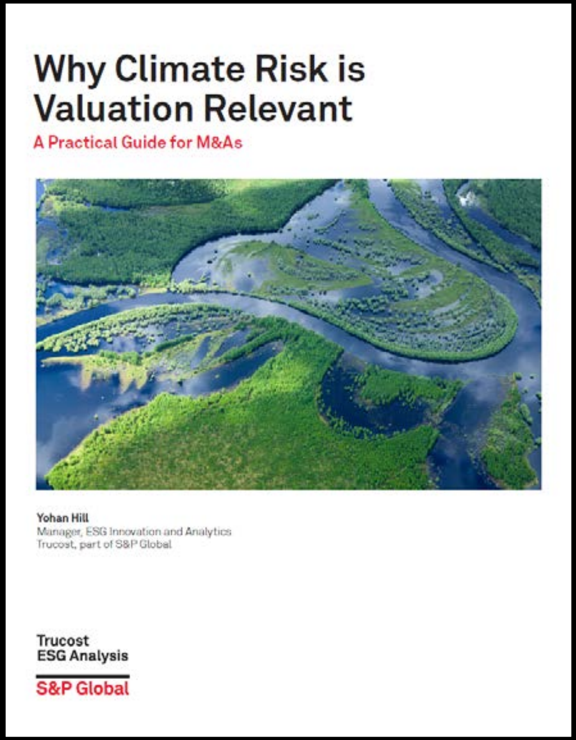
Opening remarks


Why Climate Risk is Valuation Relevant

A Practical Guide for M&As

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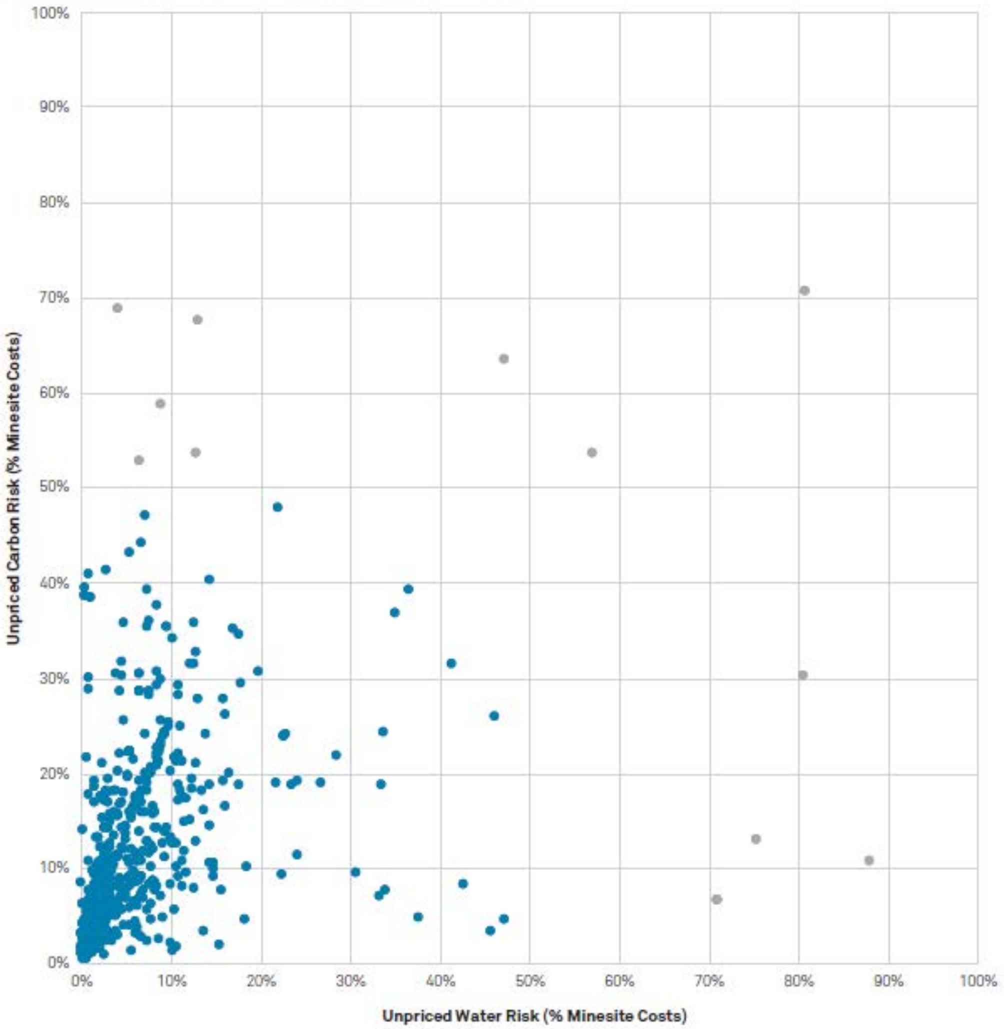
Key Drivers for Integrating Climate Risk

1. Growing Market for ESG
2. A Rise in Regulatory & Market-led Initiatives
3. Heightened Scrutiny / Reputation Risk
4. Linkages Between Climate & Value Creation

Case Study: Mining & Metals

Figure 1: Distribution of Unpriced Carbon vs Unpriced Water Risk (2030)



Source: Trucost, data as of December 31, 2019

- Trucost Metals and Mining Climate Competitiveness dataset features unpriced carbon and unpriced water risk for over **1,300 mining assets globally**.
- **"Unpriced carbon risk"** refers to potential increases in carbon pricing required to limit global temperature increase to less than 2°C.
- **"Unpriced water risk"** refers to potential increases in water prices linked to changes in local water availability.
- Figure 1 shows that the variability among mining assets can be significant.

Case Study: Mining & Metals

- Average **unpriced water risk** globally could be as much as approximately **10% of minesite costs by 2030** (Figure 2).
- **Unpriced carbon risk** could be as much as approximately **16% of minesite costs** by 2030 on average globally.
- For a **copper mine**, the estimated exposure rises to **20% of minesite costs for unpriced water risk** and **22%** for **unpriced carbon risk** by 2030 (Figure 3).
- By contrast, the average **gold mine**, has an **unpriced water risk and carbon risk** by 2030 of **5% and 12% of minesite costs**, respectively.

Figure 2: Breakdown of Unpriced Carbon and Unpriced Water Risk (2030) by Region[a]

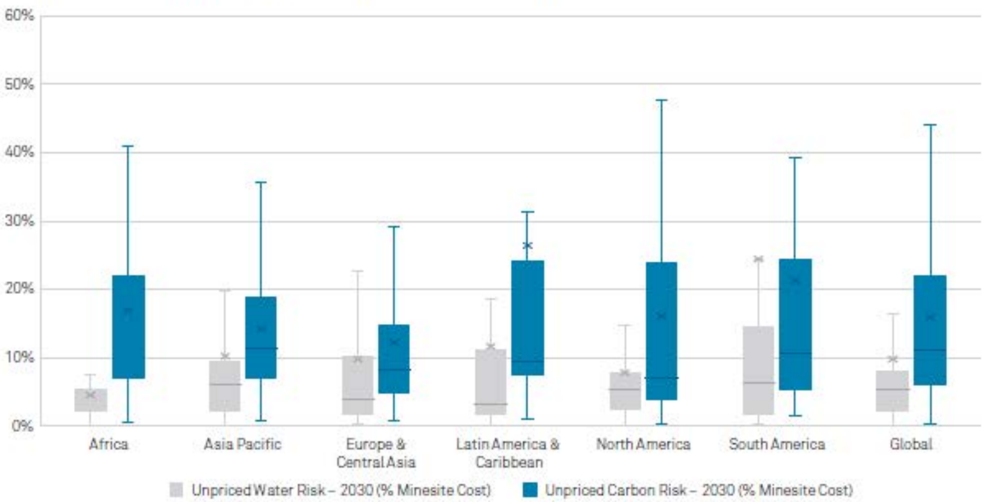
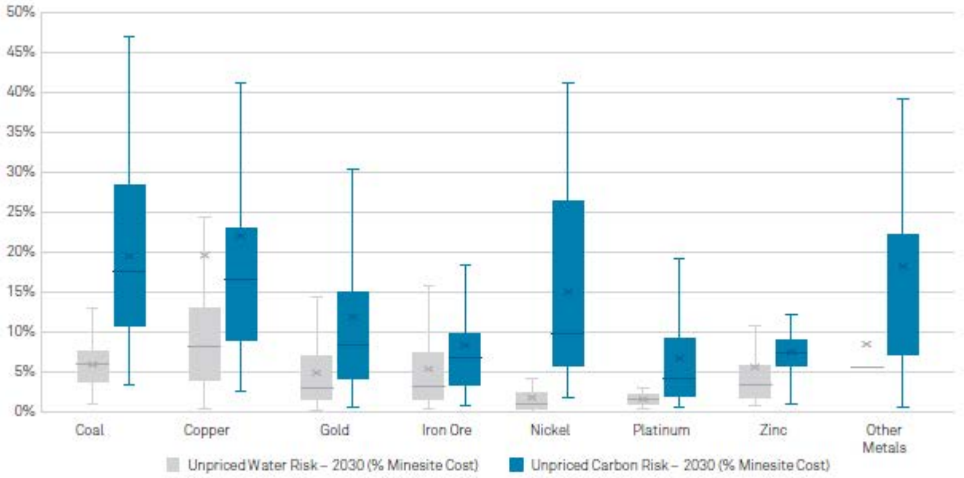


Figure 3: Breakdown of Unpriced Carbon and Unpriced Water Risk (2030) by Primary Commodity[a]



Source: Trucost, data as of December 31, 2019

Key Takeaways

- **Forward-looking climate analytics can help assess exposure to climate-related transition and physical risks**, under different climate scenarios.

- **Financially quantified climate-related risks can be incorporated into company valuations**, via discounted cash flows, price-to-cash ratios or other valuation methods to assess / stress-test the impact.

- **Asset-level data can often be key to unlocking valuation-relevant ESG insights** in high climate impact sectors (e.g. metals and mining; energy; food, beverage and agriculture; heavy industry; real estate; transport; or utilities).

Q&A

Closing remarks

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