ESG and Value Creation:

What Opportunities for Investment Banking & Private Equity?

October 13, 2020

S&P Global Market Intelligence





Agenda

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



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Unlocking ESG -Navigating the Sustainability Ecosystem Series



ESG Stratify[™]



The ESG Scoop

Our Deep Dive Into The Holdings Of Sustainable Equity Funds For 2Q20

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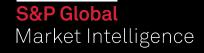


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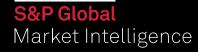
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ESG, Impact, & Citizenship Report and Policies https://kkresg.com/







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Why Climate Risk is Valuation Relevant



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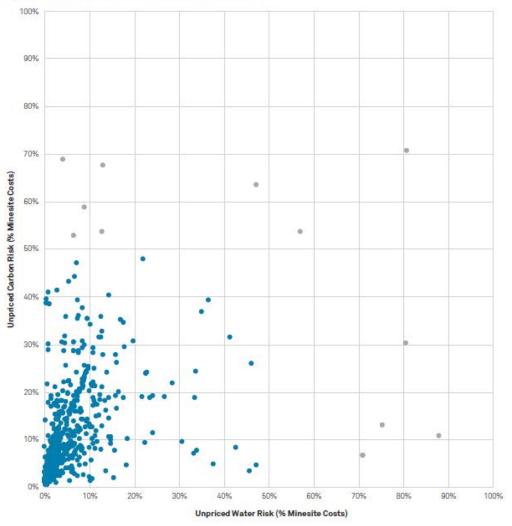
Key Drivers for Integrating Climate Risk

- 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.

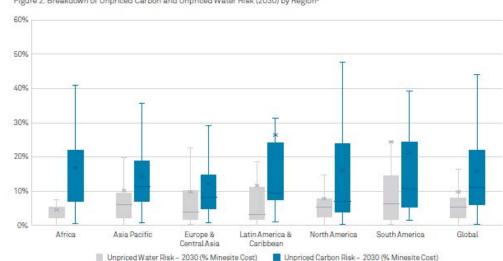
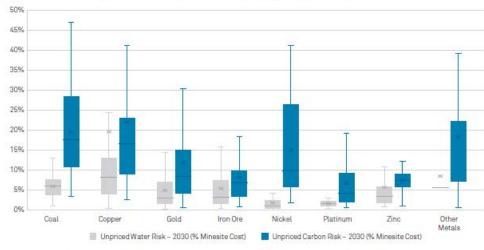


Figure 2: Breakdown of Unpriced Carbon and Unpriced Water Risk (2030) by Region⁹



Source: Trucost, data as of December 31, 2019

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

Key Takeaways

- Forward-looking climate analytics can help assess exposure to climaterelated 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

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Closing remarks



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