Everest & Company Consulting

Your Trusted Asian Business Partner

Achieving Environmental, Social, and Governance Success

Be the Everest in the Future

Contents

REVIEW OF 2021 & ESG TRENDS

2021 was a great year as forces remodeled society, business, and the communities where we live and work. We saw progress in battling COVID-19, a renewed commitment to our planet, and unspectacular human resilience in balancing work, life priorities, and societal needs. The 26th United Nations Climate Change Conference (COP26) concluded in November 2021 amid considerable urgency about the need to take actions against climate change. We are at a pivotal historical moment where environmental, social, and governance (ESG) concerns have never become more significant. As understanding grows about the risks and value creation opportunities that ESG presents, the demand for ESG success has accelerated. At Everest & Co., we are working to do so with purpose.

92%
S&P companies reporting ESG by the end of 2020

53%
global respondents cited "poor quality or availability of ESG data and analytics"

33%
respondents cited the poor quality of sustainability investment reporting as the huge barrier to adopt sustainable investing

According to Harvard Law School Forum, inflows into ESG funds continued to grow in 2021, surpassing 2020's total inflows of $51.1 billion before the end of Q3 in 2021. Current assessments estimate that there are more than $330 billion in assets under management in ESG funds, with the creation of more ESG funds expected in 2022.

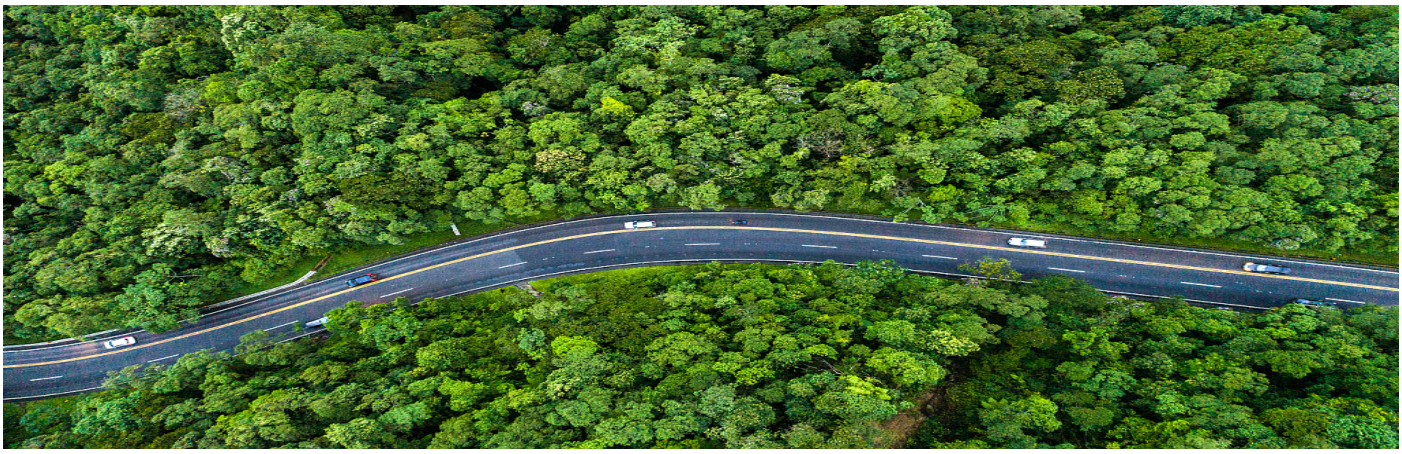
However, some funds have experienced difficulties adapting to comply with ESG standards. Passive funds such as ETFs have struggled to respond to new "green regulations," such as the introduction of the EU's Sustainable Finance Disclosure Regulation. Without mandates to effect short-term changes to their fund's strategies, conforming to rapidly evolving green standards will be a key challenge faced by passive managers. According to the Science Based Targets initiative, an organization that promotes best practice in reducing greenhouse gas emissions (GHG), to date 1,045 companies globally have set targets which are aligned with the goal to limit any rise in global warming to a maximum of 1.5°C. More than half of these companies, according to SBTi, have committed to reach net zero emissions across their value chain no later than 2050.

$330bn+
assets in management under ESG funds

$51.1bn
2020 total inflows in ESG

>50%
companies have committed to reach net zero emissions across value chain no later than 2050

1.5℃
maximum: the goal to limit any rise in global warming to a maximum



ESG & IPO

Many top corporate investors warmed up to ESG resolutions, even if they did not back them most of the time. Out of 49 climate-related keys this year, BlackRock Inc (BLK.N) supported 41%, up from 10% of a similar set of resolutions in 2020, according to advocacy group Ceres. Vanguard funds increased their support to 37% from 14%.

Both major index fund companies declined to comment on the Ceres report. But they have previously said companies must have appropriate risk oversight of environmental and social issues and that they try to be transparent about their views. In the United States, companies can sometimes avoid putting shareholder resolutions to a vote by asking the SEC for permission. Thomas Skulski, managing director at proxy solicitor Morrow Sodali, said the SEC strengthened the hand of ESG investors in November by narrowing the circumstances under which companies can skip votes.

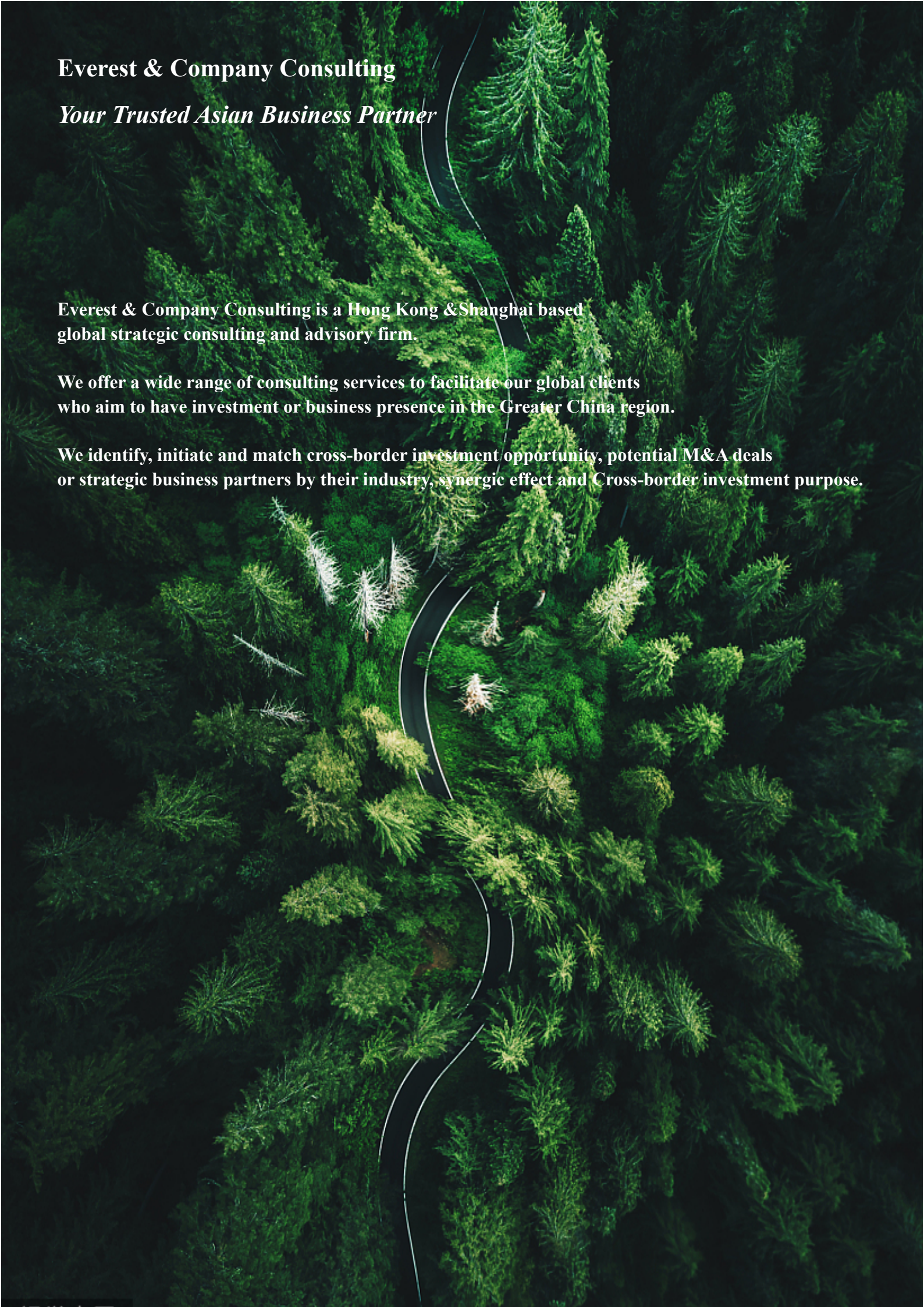
Expectations regarding ESG impact on tech IPO valuations in the U.S. in 2022		
Characteristic	Technology Executives	Technology Investors
Will significantly increase the value of businesses demonstrating ESG	24%	33%
Will somewhat increase the value of businesses demonstrating ESG	29%	39%
Will neither increase nor decrease the valuation of companies demonstrating ESG	28%	25%
Will somewhat decrease the value of businesses demonstrating ESG	7%	3%
Will significantly decrease the value of businesses demonstrating ESG	3%	0%

The road to an initial public offering (IPO) is a time-consuming, labor-intensive process that challenges even the most prepared private firms. And it's not getting easier. Along with the traditional methods that markets use to judge IPO candidates, companies planning to go public today must be prepared for increased interest in their environmental, social and governance (ESG) strategies and metrics. ESG has quickly grown in importance to a variety of stakeholders, including the financial community, investors, customers and the public. Financial figures alone no longer tell a company's story; markets are interested in a more holistic view — most importantly, whether the company operates responsibly and sustainably, and for the long-term benefit of all stakeholders. The movement is called "stakeholder capitalism" — the idea that meeting the needs of all stakeholders, rather than just shareholders, aids companies in creating lasting value.

Global ESG Regulations

Global ESG regulation is set to make a leap with new requirements for private businesses to report on and prevent adverse impacts on climate, the environment and human rights. Corporations are also monitoring changes in what is sometimes referred to as an alphabet soup of ESG institutions. The Sustainability Accounting Standards Board (SASB), an independent standards-setting organization, recently merged with the International Integrated Reporting Council (IIRC), forming a new organization known as the Value Reporting Foundation (VRF). In November 2021 at the COP26, the International Financial Reporting Standards Foundation (IFRS) announced the launch of the International Sustainability Standards Board (ISSB). The ISSB intends to define a comprehensive set of ESG considerations to help improve transparency in sustainable investing and provide investors and other capital market participants with clear information about a company's environmental risks and opportunities.

	CSDDD: EU companies (incl.EU subsidiaries of foreign companies)	CSDDD: non-EU companies	CSRD	SEC proposal
Which companies are in scope?	EU companies with > 500 employees and > EUR 150m worldwide net turnover; OR >250 employees and > EUR 40m worldwide net turnover with 50% or more of their revenue from high risk sectors	Companies in third countries with > EUR 150m net turnover in the EU; OR > EUR 40m net turnover in the EU and > 50% of their worldwide net revenue from high risk sectors	Large undertakings with two of EUR 40m+ turnover, EUR 20m+ balance sheet and 250+ employees. All companies listed on EU regulated markets, including SMEs	Public companies, including foreign private issuers
Applicable to value chains?	✓	✓	✓	✓
Environmental disclosure obligations?	✓ (complementary to CSRD)	✓ (complementary to CSRD)	✓	✓
Human Rights disclosure obligations?	✓ (complementary to CSRD)	✓ (complementary to CSRD)	✓	✗
Obligation to prevent adverse impacts?	✓	✓	✗	✗
Plan for Paris Agreement alignment?	✓ (if turnover > 150m)	✓ (if turnover > 150m)	✓	✓ (Although this is not specified, the rules would require disclosure of transition plans, targets or goals and Scope 1, Scope 2 and, if material, Scope 3 GHG emissions)
Attestation/Verification or Certification Requirements?	✓	✓	✓	✓
Civil liability?	✓	✓	✗	✓
Directors' duties?	✓	✗	✗	✓



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We offer a wide range of consulting services to facilitate our global clients who aim to have investment or business presence in the Greater China region.

We identify, initiate and match cross-border investment opportunity, potential M&A deals or strategic business partners by their industry, synergic effect and Cross-border investment purpose.