



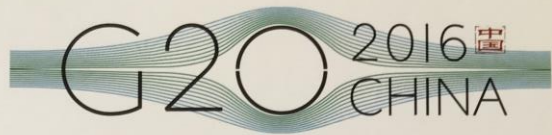
S&P Dow Jones Indices  
Environmental Analysis

# NATURAL CAPITAL FINANCING SOLUTIONS

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# G20 绿色金融综合报告

G20 GREEN FINANCE SYNTHESIS REPORT

G20 绿色金融研究小组  
G20 Green Finance Study Group

2016年9月5日  
5 September 2016

The first and most fundamental challenge is how to appropriately and cost-effectively internalize environmental externalities.

Such externalities can be positive for green investments as their benefits accrue to third parties, and negative when polluting investments inflict harm on third parties.

Difficulties in internalizing these externalities result in under-investment in “green” activities and over-investment in “brown” activities.

# CLIMATE CHANGE & NATURAL CAPITAL TRENDS



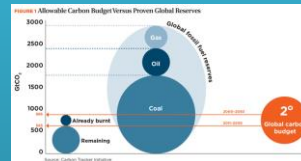
## Investors

### Risk

Stranded assets

Divestment  
Campaigns

Portfolio decarbonisation



### Opportunity

Sustainable finance

Energy transition

Low carbon indices

Green bonds



## Companies

### Risk

Stress-testing

Natural capital risk analysis

Shadow pricing

Commodity flow mapping



### Opportunity

Green bonds

Science based targets

Environmental Benefits Analysis

Circular economy

Net positive

**S&P Global**  
Ratings



# FUNDAMENTAL ANALYSIS – NATURAL CAPITAL STRESS TESTING



**MARKET RISK**  
Increased consumer awareness of environmental issues drives changes in product mix.

**CLIMATE CHANGE RISK**  
Impact of a weak monsoon on agricultural income and hence rural sales volumes.

**OPERATIONAL RISK**  
Higher supply chain costs such as steel can lead to narrowing margins.

**REGULATION RISK**  
Potential fines due to failure to comply with emission standards may impact margins.

**REPUTATIONAL RISK**  
Sale of heavily polluting cars can damage brand equity and pricing power.

**REGULATION RISK**  
Impact of stricter emission regulation on capex requirements.

### INCOME STATEMENT

	2014
REVENUE	X
COST OF GOODS SOLD	X
OPERATING PROFIT	X
OPERATION EXPENSES	X
DEPRECIATION	X
EBIT	X
INTEREST	X
TAX	X
PROFIT AFTER TAX	X

### BALANCE SHEET

ASSETS	2013	LIABILITIES & SHAREHOLDER'S EQUITY	2014
CURRENT ASSETS	X	CURRENT LIABILITIES	X
INVESTMENTS	X	LONG-TERM LIABILITIES	X
PROPERTY PLANT & EQUIPMENT	X	TOTAL LIABILITIES	X
INTANGIBLE ASSETS	X	SHAREHOLDER'S EQUITY	X
OTHER ASSETS	X	TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	X
TOTAL	X		X

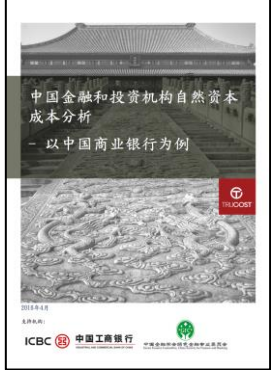
### CASH FLOW STATEMENT

	2014
OPERATING ACTIVITIES	X
INVESTING ACTIVITIES	X
FINANCING ACTIVITIES	X

## Stress testing (ICBC)



**MARKET RISK**  
Impact of unpriced natural capital costs on FCF and shareholder returns (lower dividends or capital appreciation)



Source: Trucost

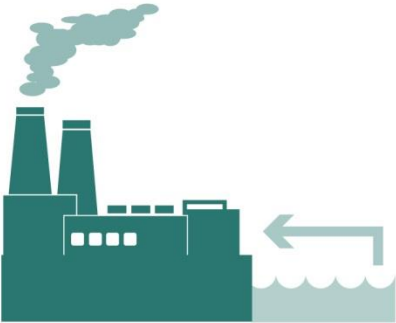
# POSITIVE IMPACT ASSESSMENT



## TRUCOST'S APPROACH TO MEASURE AND VALUE ENVIRONMENTAL BENEFITS ASSOCIATED WITH REDUCED EMISSIONS AND RESOURCE USE

1

WHAT IS BUSINESS' EMISSIONS OR RESOURCE USE?



2

WHAT IS THE POSITIVE (OR NEGATIVE) IMPACT OF THE BUSINESS ACTIVITY ON THE ENVIRONMENT AND SOCIETY?



3

HOW DOES THIS IMPROVE OUR WELLBEING?



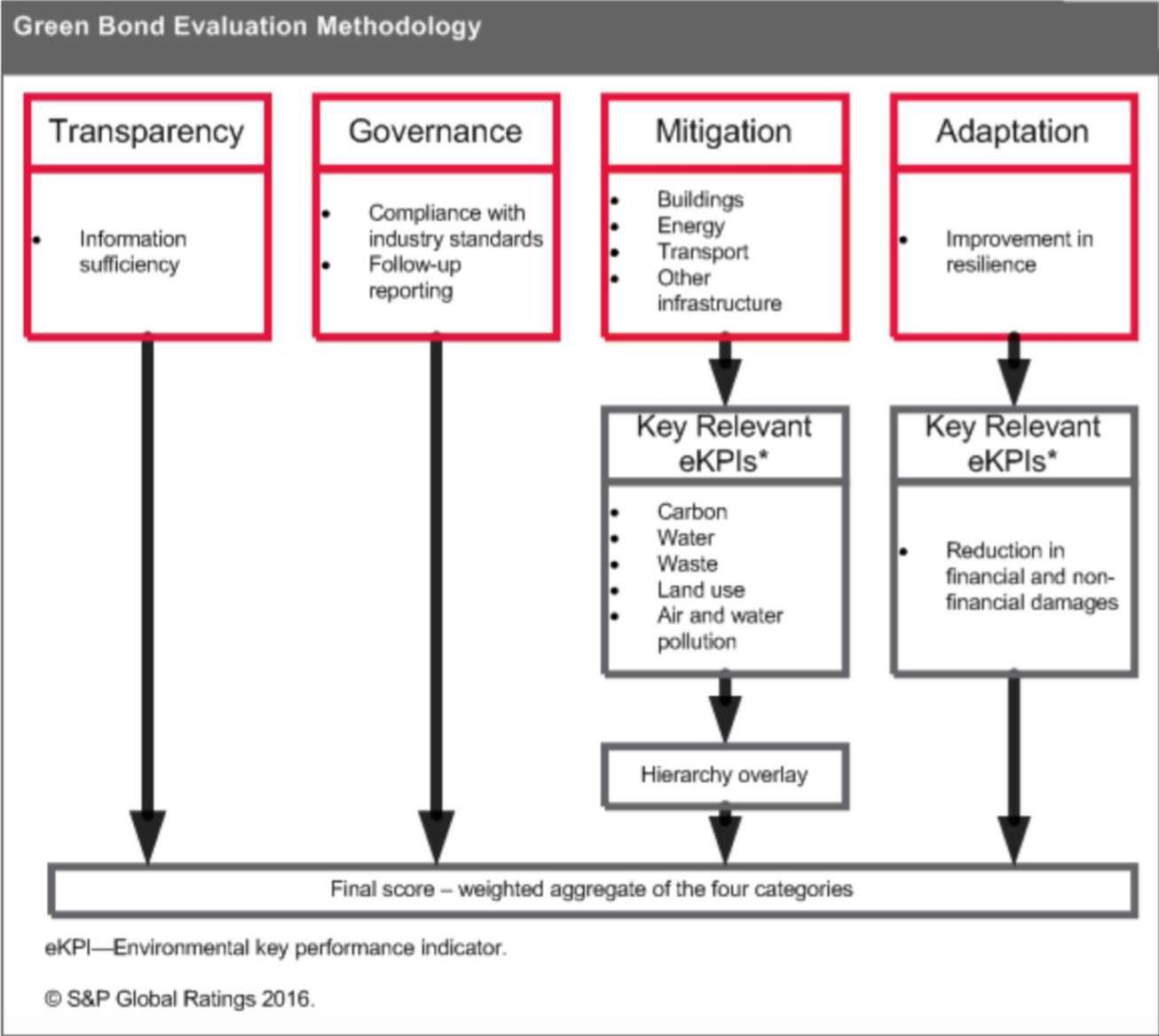
TRUCOST APPROACH

QUANTIFY EMISSIONS OR RESOURCE USE (TONNES OF GHGS, CUBIC METER OF WATER, ETC.)

QUANTIFY ENVIRONMENTAL CHANGE (CHANGE IN GHG CONCENTRATION, INCREASE IN WATER SCARCITY, ETC.)

VALUE COST AND BENEFIT TO SOCIETY (\$)

# POSITIVE IMPACT ASSESSMENT



**S&P Global**  
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