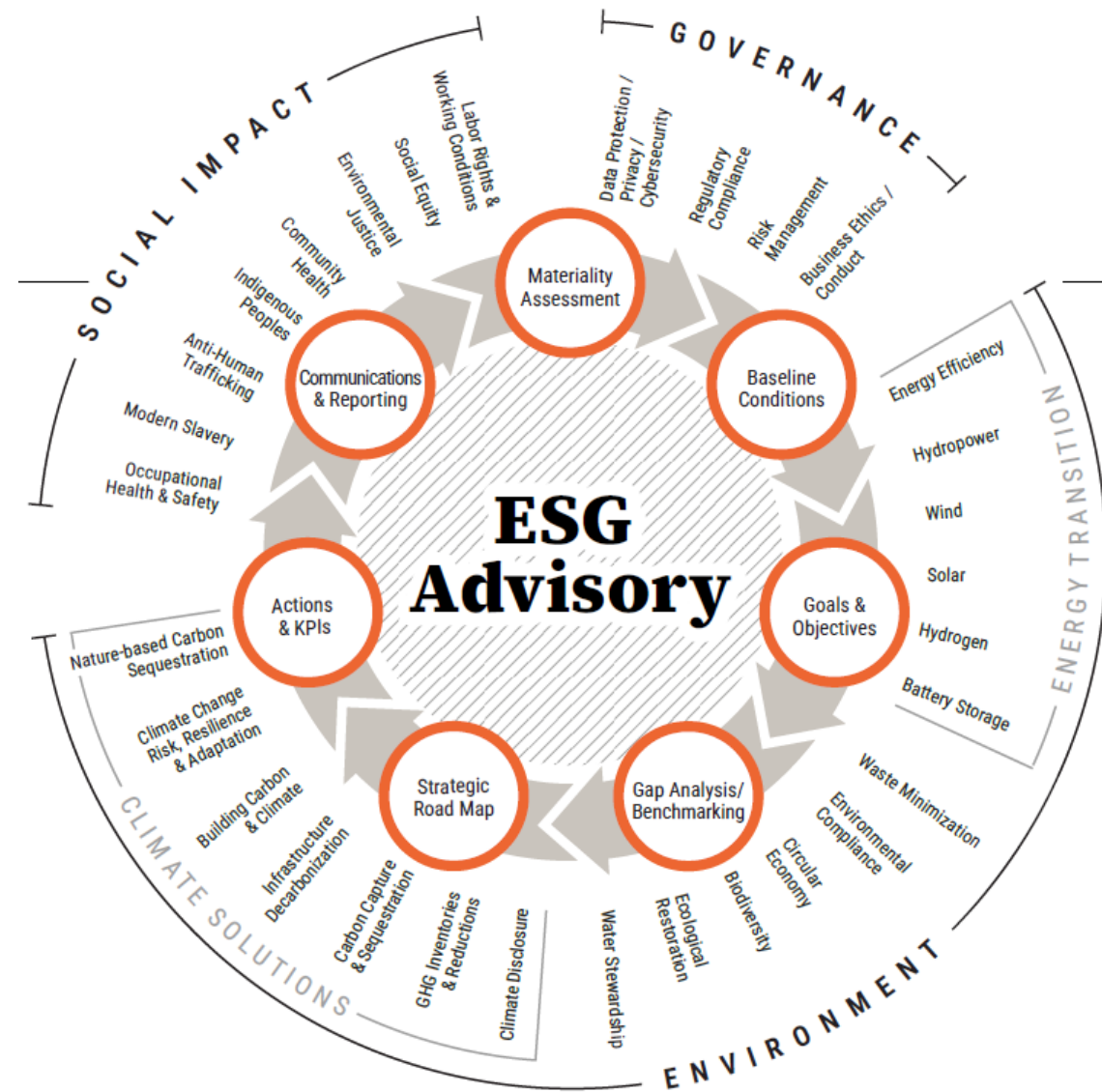




# ESG & The Role Transition Plans Play in Mining Value Creation

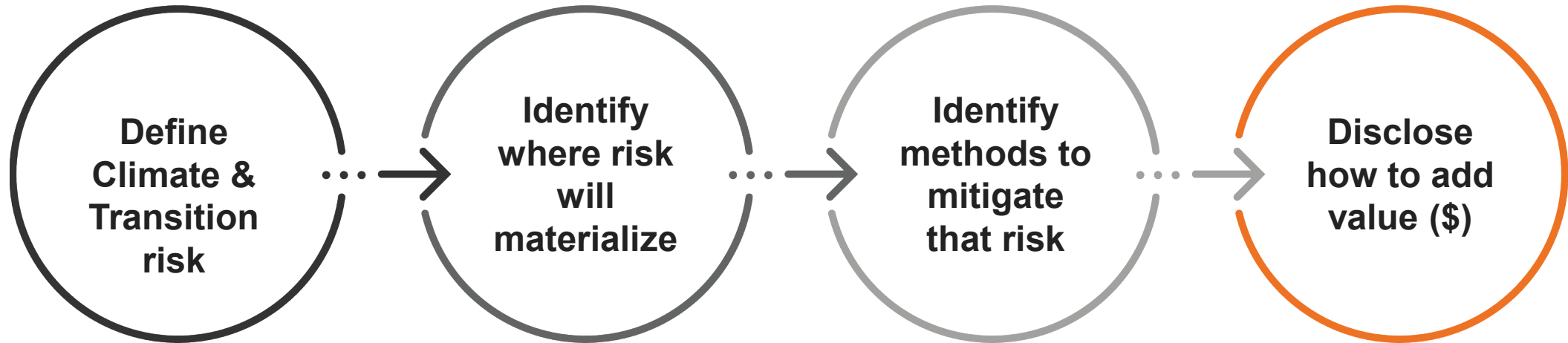
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# Why are we here?



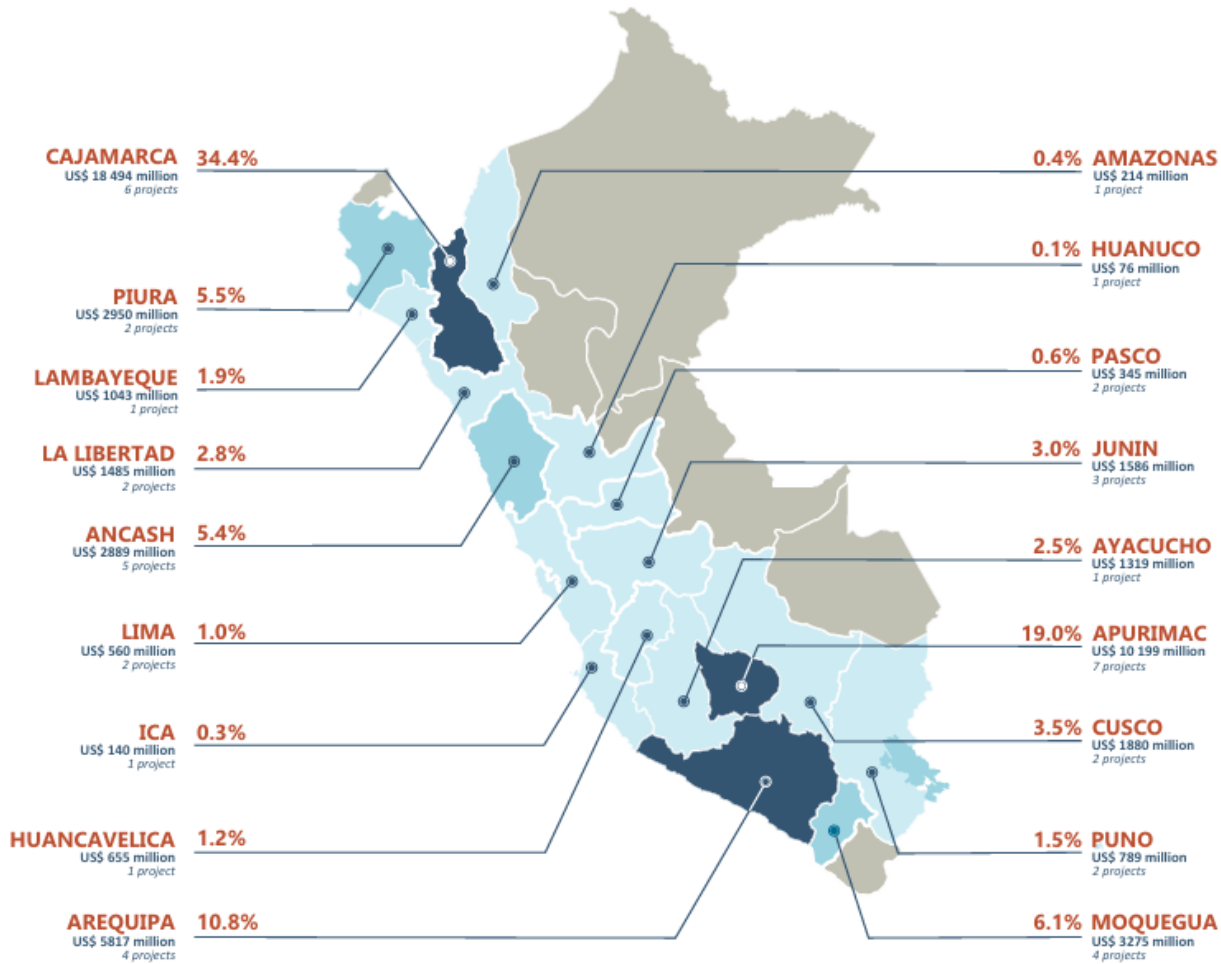


# Definitions

- Climate Risk – Physical and Transition risk
- Transition Risk – Risk related to the transition to a low-carbon economy
- Transition Plan – An action plan by which an organization describes its strategy to transition operations to align with low-carbon economy (or net-zero) objectives.
- Transition Finance – Financial activities and investments aimed at supporting the economic transition to a low carbon or net-zero economy



# Peru – a global mining leader



- 10- 15% of Peru's GDP annually
- #2 Copper, #2 Silver, #2 Zinc producer globally as of 2022
- 5% of labor force employment

1 [Peru economic outlook](#)

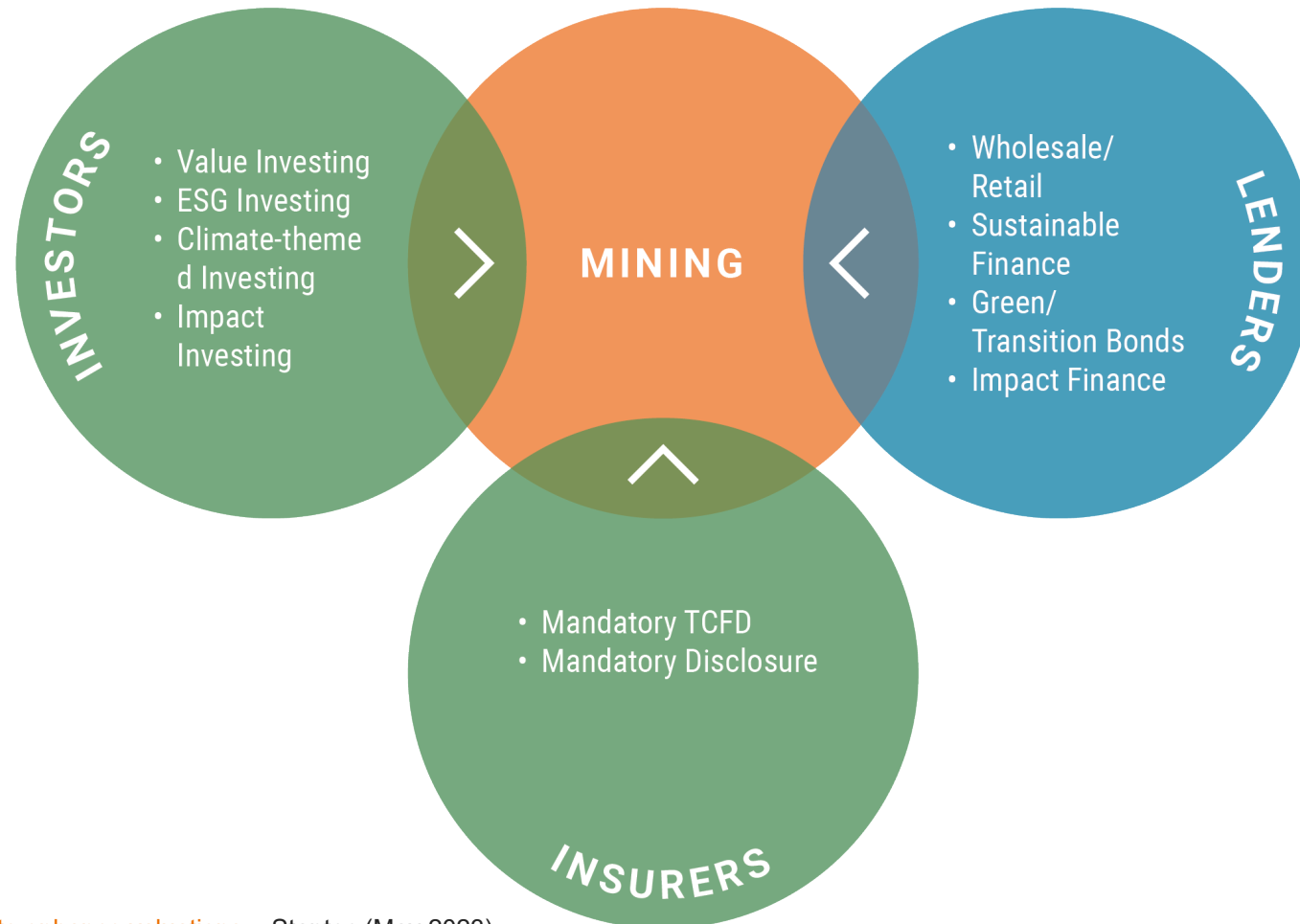


# ESG Risks Near Term





# Preserving current & unlocking future economic value through transition planning



\*2 – [De-risking ESG/Climate factors to enhance valuations](#) – Stantec (May 2023)



# Practices in Finance & Investment Sectors

## Results:

- **Alignment with central bank expectations**
- **Establishing organizations like the Network for Greening the Financial System (NGFS)**
- **Collaboratively publishing taxonomies on how to execute transition plan funding**
- **Publication of transition plans**

## Strategies for transition

- Portfolio adjustments – divestment, reallocation, engaging with high-risk investee companies
- Phased decarbonization – higher temperature (2.6o C) for short-term, reduce to  $\leq 1.5o$  C by 2045/50
- Investors/lenders – improve ESG /Climate KPIs to meet mandates

## Lenders – enable sustainable and transition finance at scale

- Embed Equator Principles in transactions over \$ 10 million
- Transition Plans of clients aligned with 1.5oC
  - Climate and Transition Risk assessments and impacts
- Carbon intensity of portfolios now have KPIs to be met by 2030

Aviva, UK: phased plan for greening insurance and investments

2021	Stop underwriting companies with coal >5% in revenues unless they commit to SBT
2022	Divest from coal >5% unless they commit to SBT and invest £10 bn in low carbon strategies
2025	25% cut in carbon intensity of investments, 100% renewable in operations & EVs, £6 bn in green assets, £2.5 bn in low carbon and £1 bn in carbon transaction loans
2030	60% cut in carbon intensity of investments, net zero operations, net zero supply chain, £100 M to nature-based solutions
2040	Net zero company with net zero carbon investments





# Financial Value creation

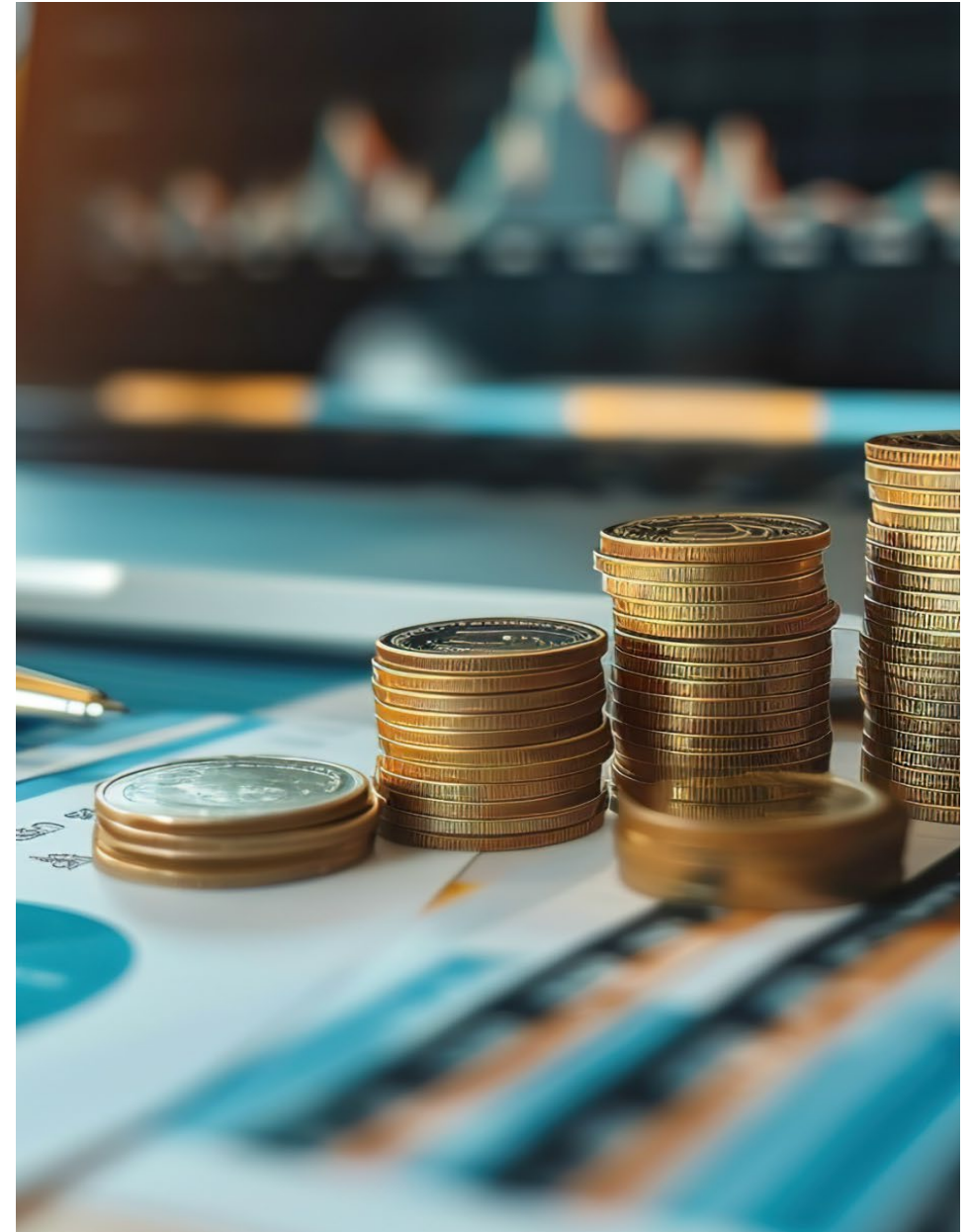
## Access the Transition Finance Market in Peru:

**\$5 Billion/year, estimated (2021 -2022)**

Peruvian Central Bank joins the Network for Greening the Financial System and established the Green Finance Roadmap (2021):

- Defines methods to fund Peru's low-carbon transition
- Establishes criteria and thresholds for companies and projects to access
- To access, must be aligned with 1.5 oC pathways
- Identifies climate change, biodiversity, circular economy
- Issues SGG bonds focused on GSS+ (social and sustainability)

[3 Peru Sustainable Finance Market](#)





# Climate regulations, disclosures & enforcement

## Recent standards:

- Peru's Ministry of Environment developed requirements for Green Finance Taxonomy
  - Focused on enhancing environmental regulations to reflect needs social side
- Peru Securities Commission aligned with TCFD requirements.

**TCFD-Aligned Disclosures by Industry for Fiscal Year 2022**  
Percent of Companies in North America<sup>1</sup>

Recommendation	Recommended Disclosure	Banking (227)	Insurance (75)	Energy (213)	Materials and Buildings (284)	Transportation (117)	Agriculture, Food, and Forest (138)	Technology and Media (82)	Consumer Goods (152)
Governance	a) Board Oversight	28%	49%	65%	61%	48%	30%	23%	36%
	b) Management's Role	19%	31%	41%	31%	28%	17%	14%	16%
Strategy	a) Risk and Opportunities	56%	53%	64%	54%	38%	33%	20%	30%
	b) Impact on Organization	15%	31%	36%	30%	24%	16%	11%	13%
	c) Resilience of Strategy	2%	4%	8%	4%	3%	3%	2%	0%
Risk Management	a) Risk ID and Assessment Proc.	11%	25%	24%	19%	14%	10%	4%	9%
	b) Risk Management Processes	23%	35%	27%	23%	21%	11%	8%	11%
	c) Integration into Risk Mgmt.	18%	19%	17%	13%	15%	7%	4%	5%
Metrics and Targets	a) Climate-Related Metrics	17%	29%	52%	49%	39%	25%	24%	32%
	b) Scope 1,2,3 GHG Emissions	16%	27%	47%	43%	37%	22%	23%	27%
	c) Climate-Related Targets	15%	31%	62%	53%	43%	28%	26%	35%

1. The numbers in parentheses represent the size of the review population. Legend: Low to high percentage of reporting

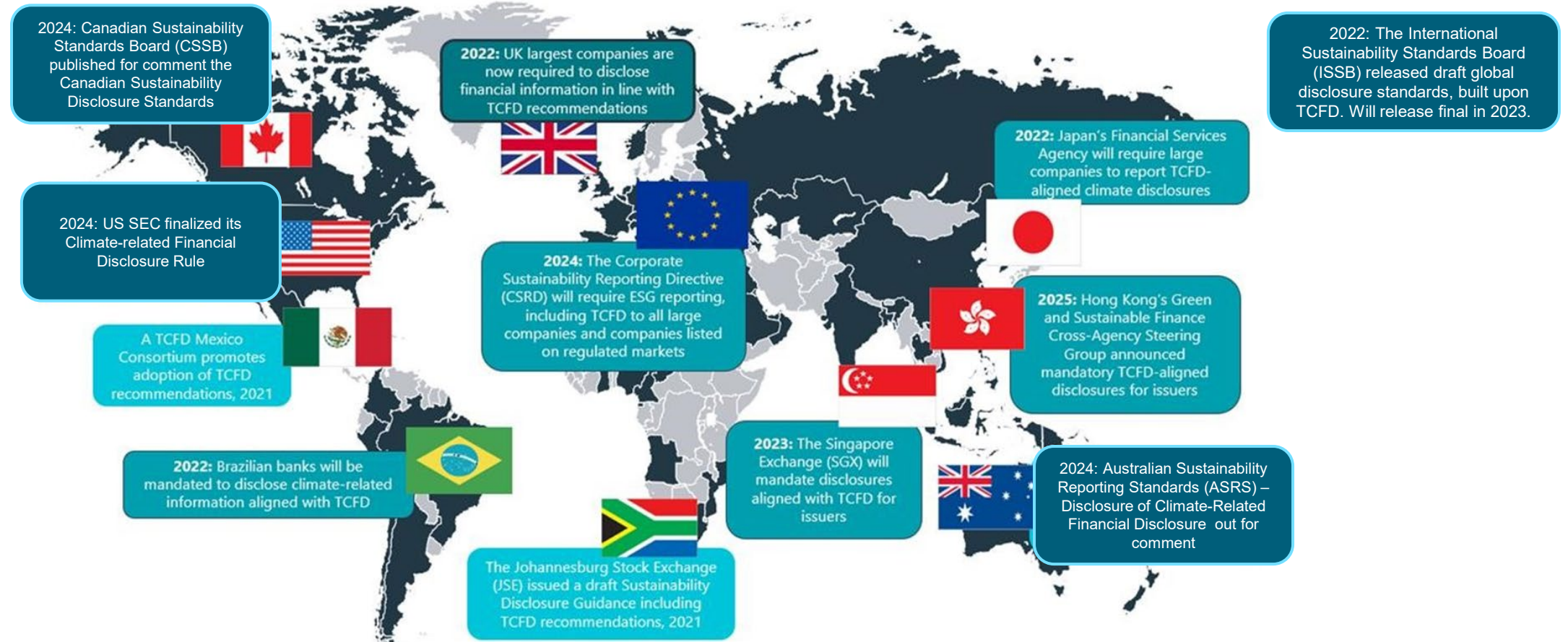
Reference - TCFD 2023 Status Report, Page 19, September 2023

\*4 – [Rationalizing the SEC's Enhanced Climate and ESG Disclosures](#) – Stantec (June 2023)



# Global Transition Plan-based Regulations

Following recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)







# Customer-driven Expectations

What role do customers play?

Copper	Nickel
Power	Batteries
Electric Vehicles	Electric Vehicles
Building Materials	Building materials
Renewables	Power
Electronics	Renewables

Mining is part of every supply chain; therefore, contribute to each customer's own transition plans and ESG KPIs

This is a unique part of the larger ESG nexus, that the consumer creates a preferred market





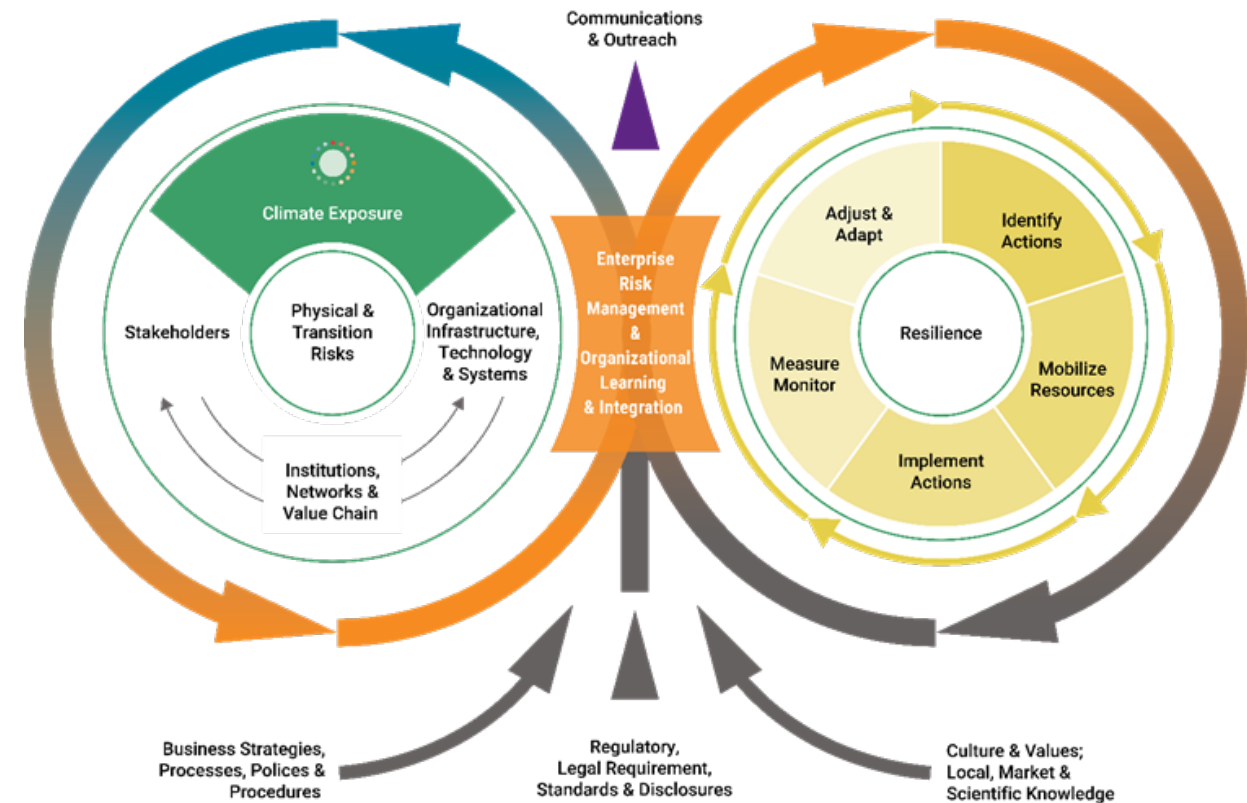
# Transition Plan value enhancement

## Is a boiler plate Transition Plan enough?

- Plenty of transition plans are out there today
- Know what your investors and lenders are looking for, align
- Move away from theoretical and incorporate technical assessments

## Bridge the gap

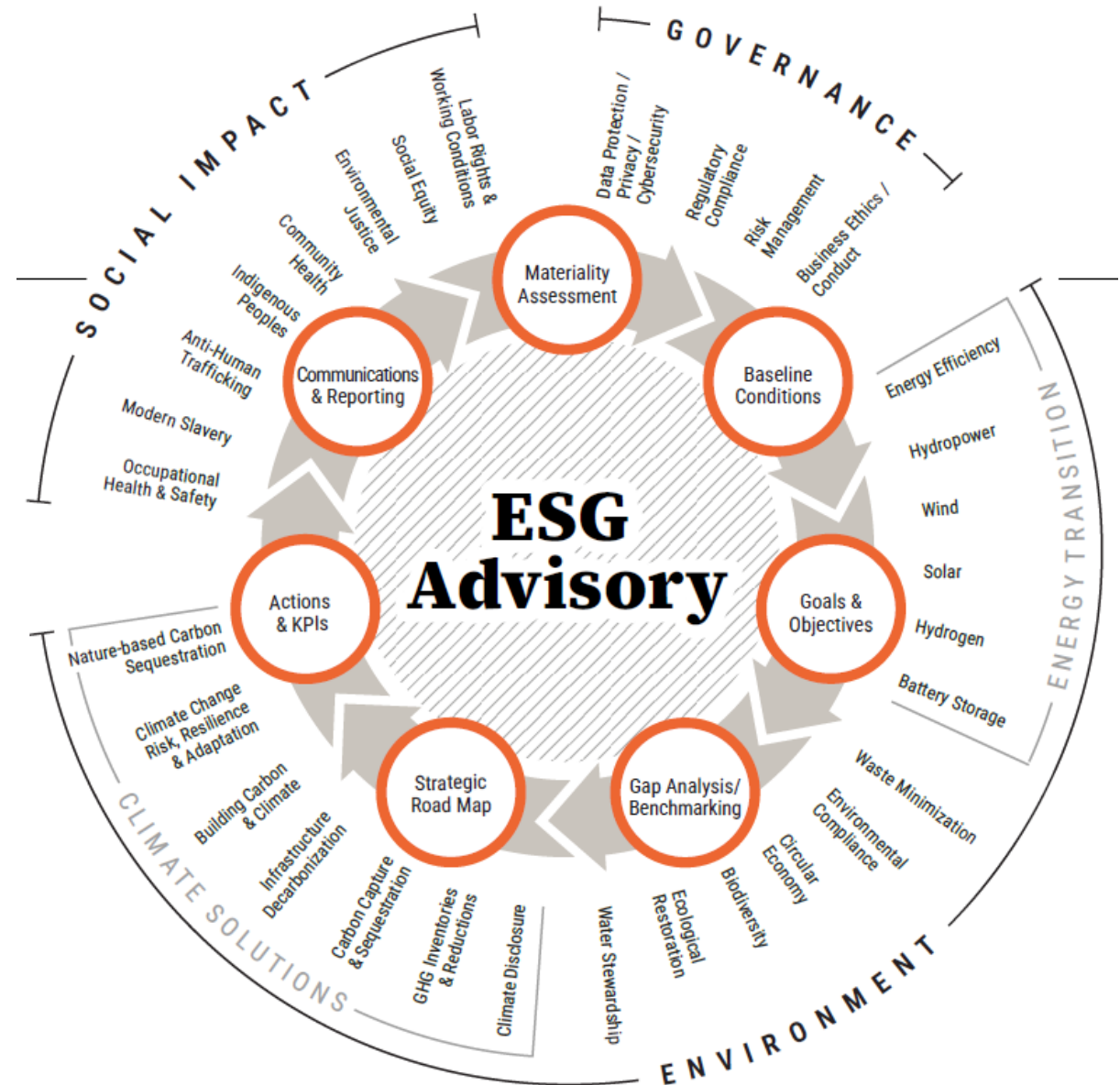
- Financial institutions are made of accountants & financiers, not engineers
- Engineering plans must accompany goals, targets, and KPIs





# ESG Program Value

- Transition plans are the key to mitigating risk coupled with sufficient engineering plans and time horizons
- Build a wholistic ESG strategy for Peru-based assets to address country-specific social and regulatory concerns
- Prepare for Peru regulatory requirements from multiple branches of government







# Questions and Discussion

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