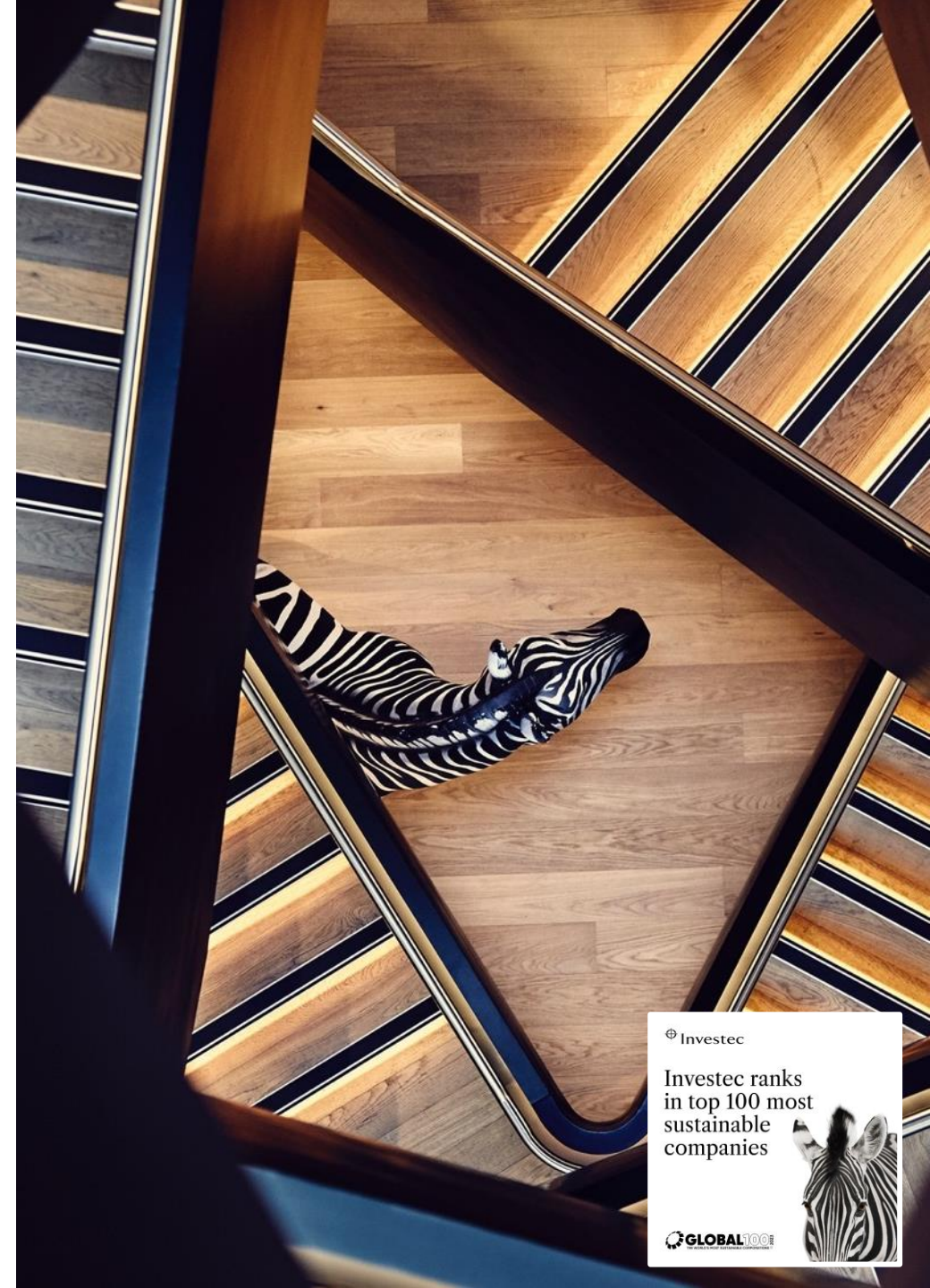



Sustainability & ESG consulting: a fast-evolving landscape

FEBRUARY 2023



 Investec

Investec ranks
in top 100 most
sustainable
companies



 GLOBAL100
THE WORLD'S MOST SUSTAINABLE COMPANIES

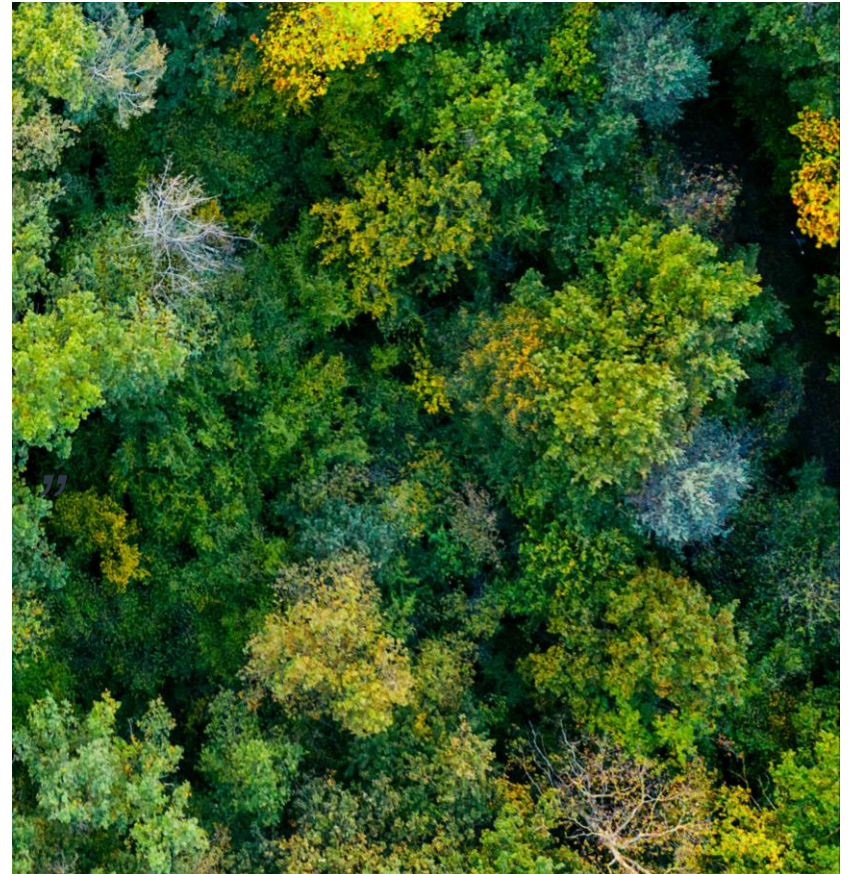
The growing demand for advice

Ambitious, stakeholder driven corporate objectives on sustainability and ESG, combined with limited internal capability or capacity means that the demand for specialist advice is growing

“

The demand for Sustainability & ESG consultancy and solutions is growing rapidly as these topics are prioritised by both corporates and investors with a focus on driving sustainable performance, delivering against reportable goals and metrics. Even against a more challenging economic backdrop, we continue to see significant market opportunity and increasing consolidation as firms look to meet this client demand and fast-track their development. In what remains a fragmented market with limited players of true scale, new entrants with a market leading niche, or international platforms with a differentiated and broad service proposition, leveraging data and analytics, are attracting particularly strong interest – from both private equity and strategic trade

William Godfrey
Executive Director
M&A Advisory, London



The Sustainability & ESG market at a glance

Our insight on the key trends driving the Sustainability & ESG sector and what it means for consultancies and solutions providers across the market

1 Rapid market growth

- The global Sustainability & ESG consulting market is expected to grow at 17% CAGR over the next five years
- Demand is increasing from organisations, big and small, around the globe including governments, corporates and investment firms

2 Internal and external pressures

- Pressure from investors, consumers, regulators and other stakeholders is driving the prioritisation of Sustainability & ESG strategies
- Structural factors are creating a necessity to implement sustainable operations to ensure resilience and longevity

3 Value creation opportunity

- The opportunity to drive additional value, rather than just protect it, through a Sustainability & ESG strategy is encouraging emphasis
- Businesses are looking to consultancies for support in embedding Sustainability & ESG strategies into their long term growth plans

4 Targeted capital allocation

- Sustainable finance and the ESG agenda are now key decision making criteria for asset managers in allocating funds and investments
- “Impact” or “Purpose” investing is increasing year on year, with over 25% of European AuM forecast to be allocated to ESG funds by 2025

5 Consolidation in a fragmented market

- The rapid evolution and breadth of possible solutions has led to a very fragmented market with many new entrants
- Consolidation is becoming increasingly important to consultancy businesses looking to expand service line / geographic capability



Source: Verdantix Sustainability report, Deloitte 2022 CxO Sustainability Report, PwC EU Private Markets: ESG Reboot report

A global consulting sector team

Expertise and experience across UK, Europe, North America, Australia, India, and South Africa

Investec is a leading mid-market Investment Bank, offering a full suite of services to support businesses and their owners

Our dedicated global Investment Banking team has deep experience of the consulting and professional services market, a core pillar of which is the rapidly growing and highly attractive **Sustainability & ESG** market.



William Godfrey



Scott Williams



John Rakowski



Marleen Vermeer



James Ye



Amogh Ranade



Jarrett Goldenhuys

Our global consulting and professional services credentials

EIM
MNES
 Sell-side adviser
 October 2022

ROUSE
 Sale to
MML
 Sell-side adviser
 July 2022

HURON
 Sold to
OliverWyman
 Sell-side adviser
 November 2021

CMA STRATEGY CONSULTING
 Sold to
EY Parthenon
 Sell-side adviser
 October 2021

greencollar
 Acquired
NEURAL
 Buy-side adviser
 May 2021

CORE COMPETE
 Sold to
accenture
 Sell-side adviser
 April 2021

Lender to
Anthesis
Palatine
 Lender
 Ongoing

greencollar
 Sale to
KKR
 Sell-side adviser
 July 2020

Investec is in the top 100 most sustainable companies¹

Investec has strong credentials in the sustainability and ESG space, both working with businesses at the forefront of ESG and within our business itself

| | | | | | |
|--|---|---|---|--|---|
| <p>1</p> <p>Best in class sustainability ratings</p> | <p>2</p> <p>UN Sustainable Development Goals</p> | <p>3</p> <p>Supporting our society & environment</p> | <p>4</p> <p>ESG Research Product</p> | <p>5</p> <p>Guide clients' ESG strategy and goals</p> | <p>6</p> <p>Leading Voices in Energy Transition</p> |
| <p>S&P Corporate Sustainability Assessment: Investec in top 7% globally and top 2% of diversified financials sector</p>  <p>Top 2% of the financial services sector by MSCI ESG (rated AAA)</p> <p>Issued \$600m sustainability-linked syndicated loan</p> | <p>Fani Titi, Investec CEO, joined the CEO Alliance, a group of global leaders tasked with helping to finance the UN Sustainable Development Goals</p>  | <p>Investec champions a holistic attitude to wider society and the environment, preferring to live in it, not off it</p> <p>£14.2m Invested in people & growing talent and leadership in past year</p> <p>£9.8m Contributed to society through community programmes in past year</p> <p>c.50:50 Female to male employee ratio, demonstrating commitment to a diverse workforce</p> | <p>Alicia Forry heads Investec ESG Research Product, which won Best Specialist ESG Research at the 2022 ESG Investing Awards</p>  | <p>We also use a research tool to assess specific ESG/climate-related risks for our clients, leveraging the SASB framework to determine a sustainability' score and can map companies to the UN SDGs</p>  | <p>Investec advises world-leading companies in the energy transition space</p>  <p>Transport electrification</p>  <p>Green technology</p>  <p>Sustainable products</p>  <p>Clean energy technology</p>  <p>Green energy infrastructure</p>  <p>Renewables infrastructure</p> |

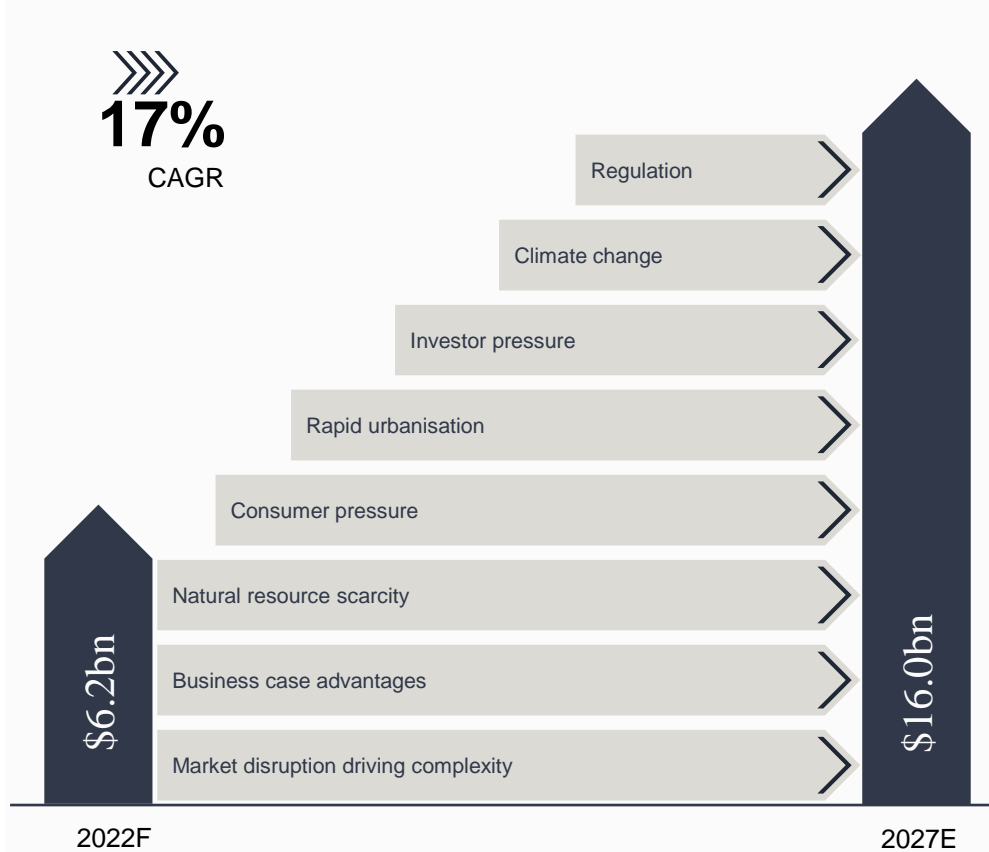
A rapidly evolving market



Multiple factors driving market growth

The Sustainability & ESG consulting market is expected to grow at 17% CAGR over the next five years, with growth rates varying across service lines, geography and client sector

Global Sustainability & ESG consultancy market and drivers



Source: Verdantix Sustainability report

Market trends differ slightly by service, geography and sector

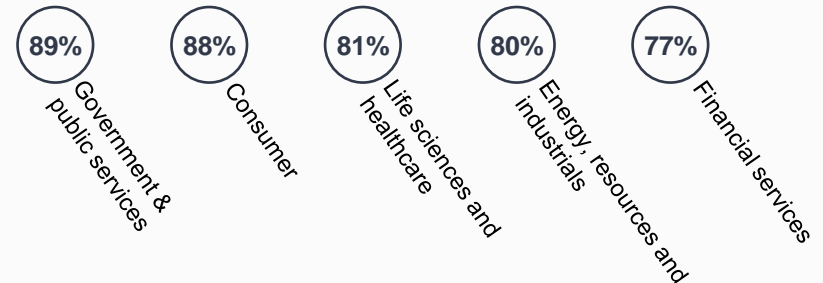
14% CAGR
in Sustainability & ESG focussed operational transformation

21% CAGR
in the Sustainability & ESG corporate reporting and disclosure services market

18% CAGR
EMEA

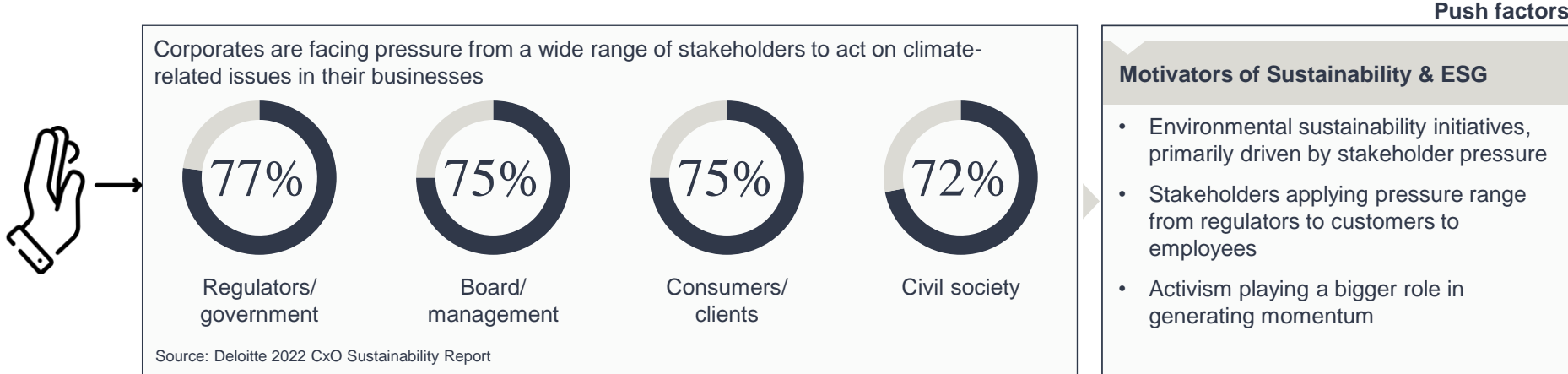
14% CAGR
LATAM

% of organisations, by sector, concerned about climate change

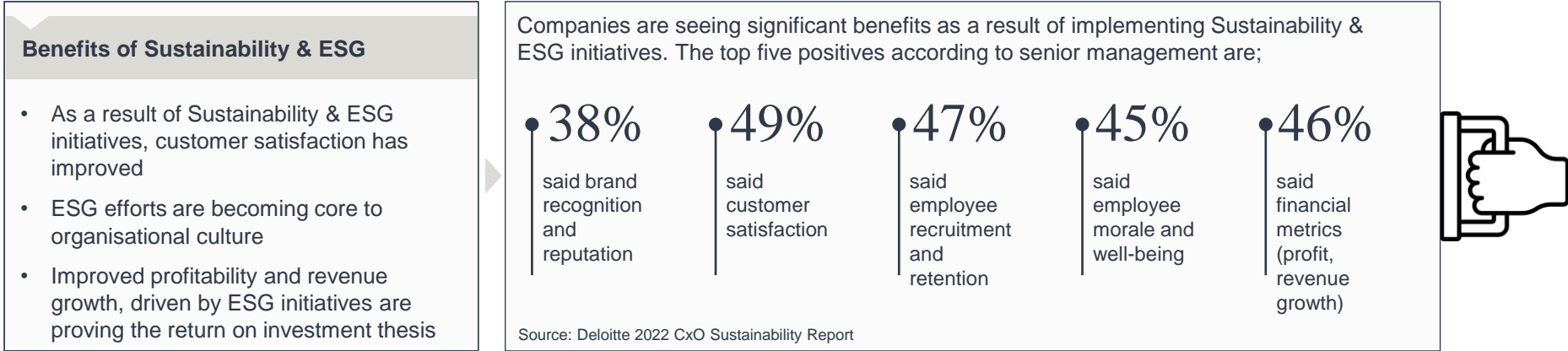


Stakeholder pressures are increasing

Companies are embedding Sustainability & ESG strategy into their cultures and operations, as leaders see both the benefits of change and risks of inaction



Pull factors




An ESG and sustainability focus creates value

Five of the core value drivers for investing in sustainability and ESG strategy to ensure that it generates more than just lip service

Top line growth

Strong ESG credentials give corporates credibility that enables them to win contracts and customers


Customers are willing to pay to “go green”. Products and services with certified green credentials command a premium



Cost reductions

Reducing waste, a common ESG strategy goal, by improving the efficiency of processes will reduce operational costs


Examining cost inputs to improve ESG credentials often leads to savings gains. For example, transitioning to electric delivery vehicles in turn reducing exposure to fuel prices



Regulatory and legal interventions

The risk of regulatory intervention impacting value in many sectors is high. Corporates able to deliver a stronger external-value proposition can achieve greater strategic freedoms


Stronger ESG and sustainability credentials reduces companies’ risk of adverse regulatory action



Productivity uplift

Challenging recruitment dynamics have highlighted the value in purpose led organisations and their ability to better attract and retain staff

Employee satisfaction and productivity are directly linked to returns. Fortune’s “100 Best Companies to Work For” list generated 2.3% to 3.8% higher returns than their peers over a 25 year period



Investment and asset optimisation

Reallocating capital to projects with long term ESG and sustainability benefits is providing opportunity to protect long term value (costs from things like single use plastic regulation)

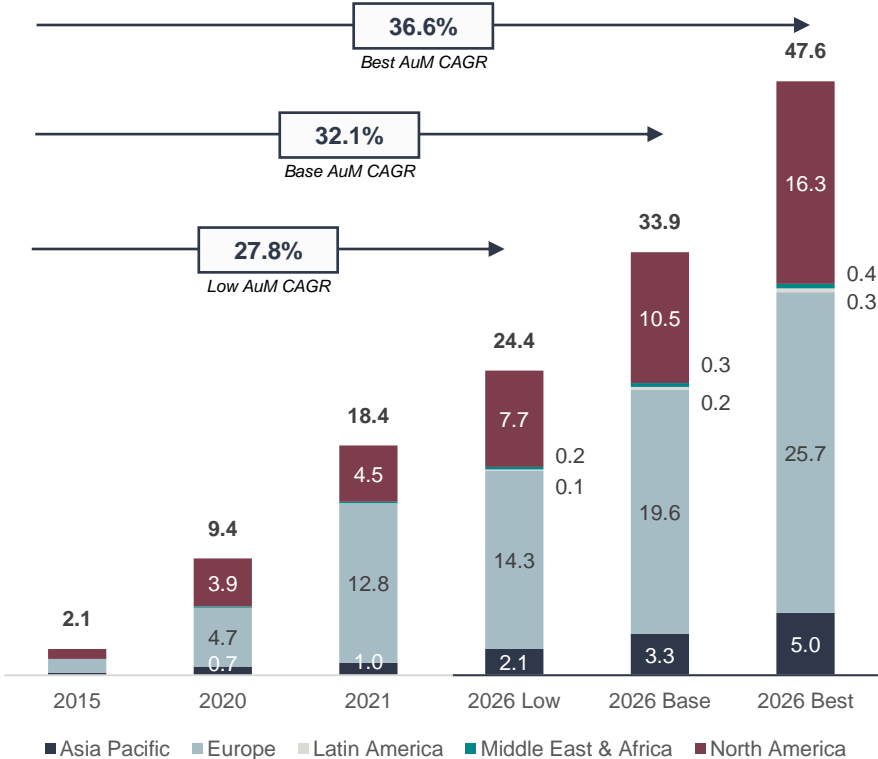
ESG focussed investment projects are also opportunities to generate newer, faster growing investment categories that will generate higher returns



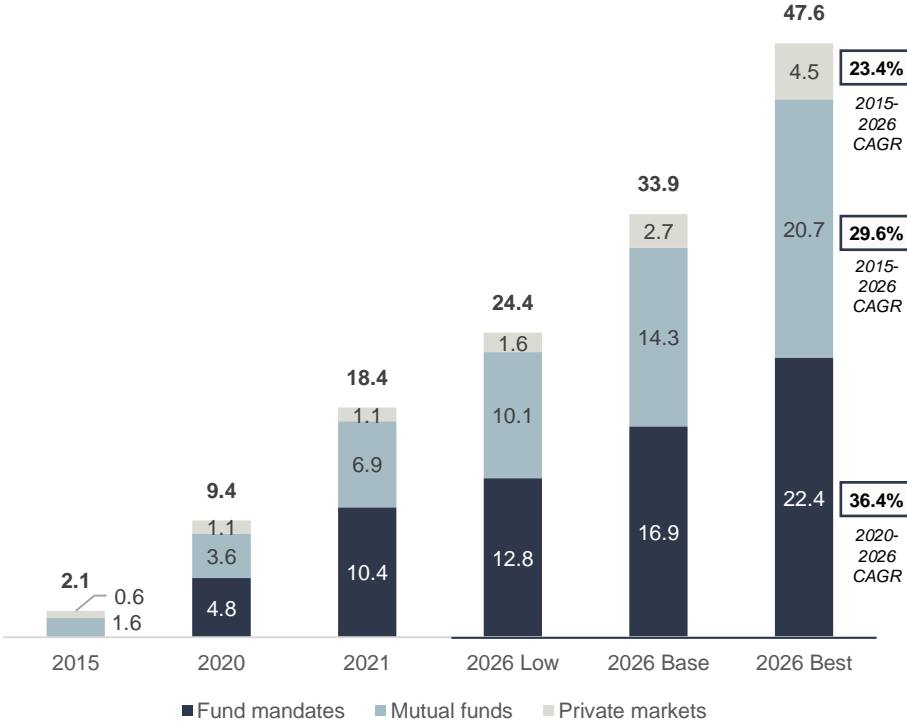
The rise in sustainability and ESG investing

Overall, ESG AuM is expected to grow up to 36.6% CAGR between 2015 and 2026. Whilst Europe is the most mature region (54% of 2026 total), the US is fast catching up (34% of 2026 total)

Global funds allocated to ESG by region (US\$tn)



Global funds allocated to ESG by strategy (US\$tn)



Source: PwC Asset and wealth management revolution 2022 "Exceptional expectations for ESG"

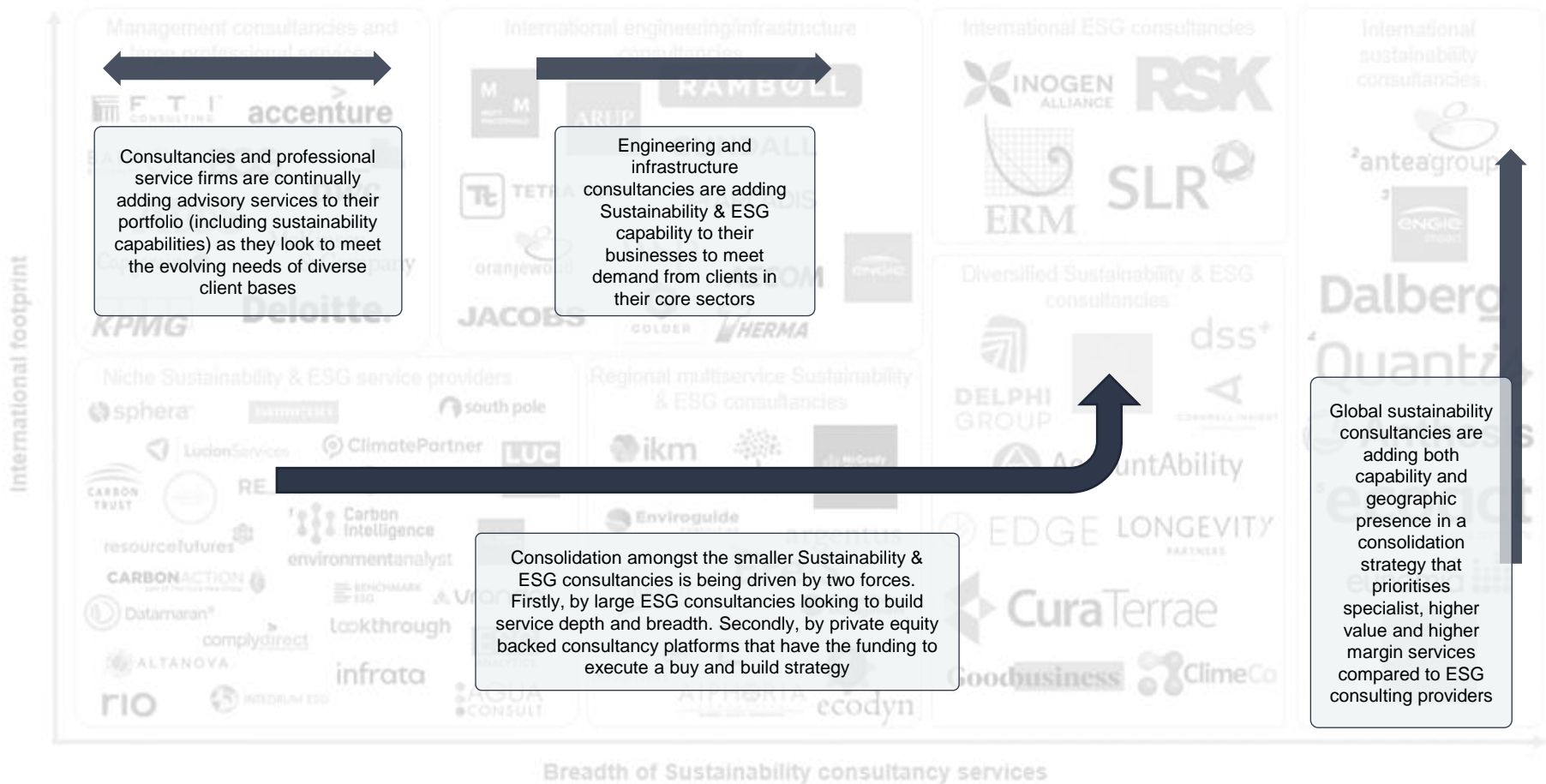
A fragmented market – current state

A fragmented market with many players focusing on specific parts of the market but a land grab is underway



A fragmented market – rapidly evolving landscape

A rapidly evolving market driven by an expansion into new services and geographies organically and through M&A



Significant investment and consolidation activity

A wide range of consultancies and solutions providers that serve the Sustainability & ESG market are driving towards consolidation, scale and high-value diversified service offerings

Sustainability & ESG consultancies

Demand for a focussed Sustainability & ESG consulting services has led to the rise of specialist providers
 Considerable interest from private equity is reflective of the high growth opportunity of platform businesses to build global scale quickly through a buy and build strategy

Recent M&A transactions:



Diversified consultancies and large professional service firms

Consultancies and professional services firms have responded to demand by acquiring Sustainability & ESG specialists
 Through acquisition and repositioning existing services, this group are building deep and broad Sustainability & ESG practices

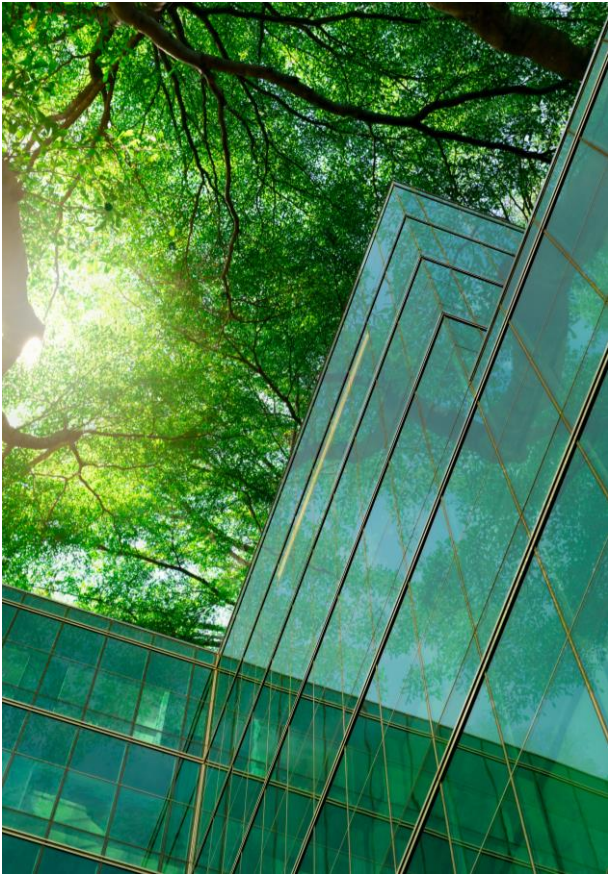
Recent M&A transactions:



Global engineering and infrastructure consultancies

Sustainability & ESG considerations are permeating all aspects of infrastructure and manufacturing lifecycles
 Engineering and infrastructure firms are building breadth and scale in-organically to bolster ESG capability within existing services

Recent M&A transactions:



Understanding what drives a strategic premium

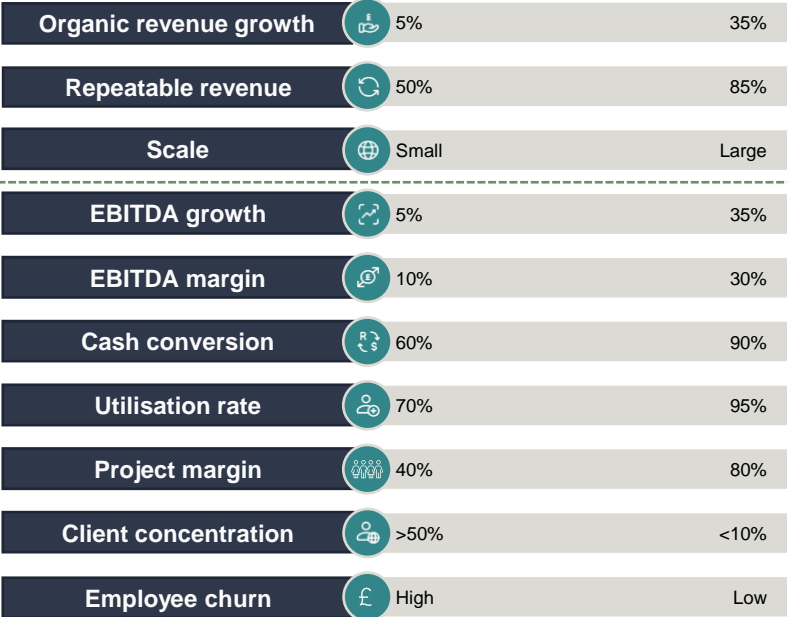
Consulting businesses attract premium valuations when they delivery top quartile KPIs and are able to capitalise on the key value drivers in the sector

Key sector value drivers

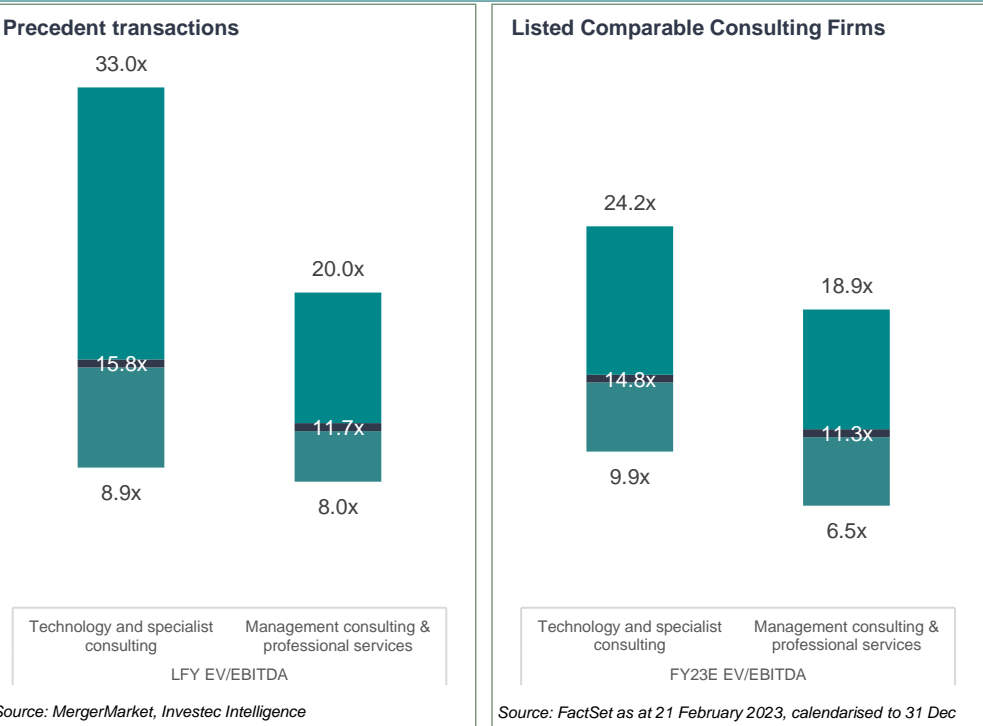
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|-----------------------------------|---------------------|----------------------------------|-------------------------------|----------------------------|
| Specialist, impactful proposition | Market leading KPIs | Large and high growth end market | Opportunity for consolidation | ☆☆☆ Sustainability premium |
|-----------------------------------|---------------------|----------------------------------|-------------------------------|----------------------------|

Consulting businesses with top quartile KPIs attract a premium

Top priority value drivers



EBITDA multiples in the teens and above being seen for best in class assets with leading KPIs



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