



TMA UK London 13th March

**Applying an ESG lens to business risk in
restructuring and turnaround situations**

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Our full service offering

Restructuring Advisory & Insolvency 	Cross-Border & Contentious Insolvency 	Special Situations M&A 
Pensions Covenant Advisory 	Personal Insolvency 	Corporate Simplification 

BDO UK
18 OFFICES | **460 PARTNERS**
7,400 STAFF

94% OF OUR
CLIENTS
SAY IT'S EASY TO WORK WITH US¹

2022/2023 RESULTS:
REVENUES²
UP **16%** TO **£935m**

1. BDO Tax & Advisory Client Experience Survey - Spring 2023
2. Gross Revenues for BDO LLP

Our primary commercial sectors

Financial Services 	Transport & Logistics 
Public Sector & Not for Profit 	Professional Services 
Healthcare 	Manufacturing 
Retail & Wholesale 	Technology & Media 
Consumer Markets 	Natural Resources & Energy 
Private Equity 	Real Estate & Construction 



ESG and the Restructuring Market
Applying an ESG lens to business risk

IDEAS | PEOPLE | TRUST

BDO

ESG is a lived experience



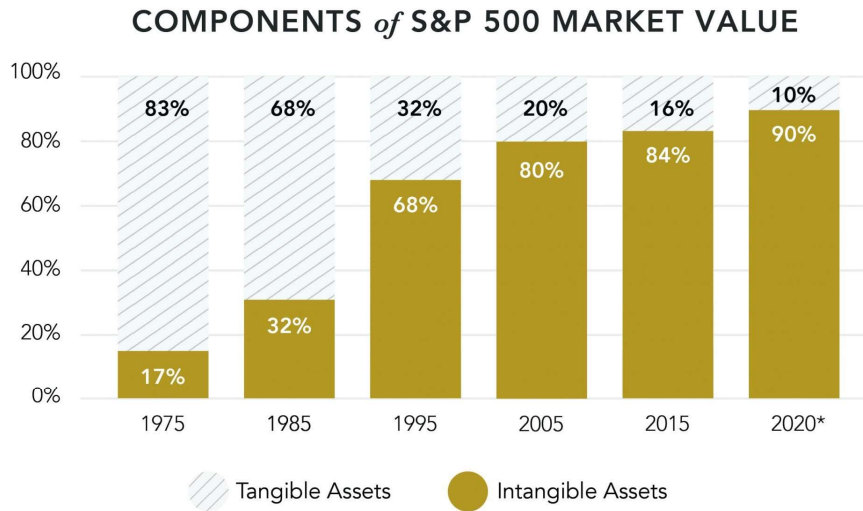
World Economic Forum - global risks report 2024

Global risks ranked by severity over the short term and long term

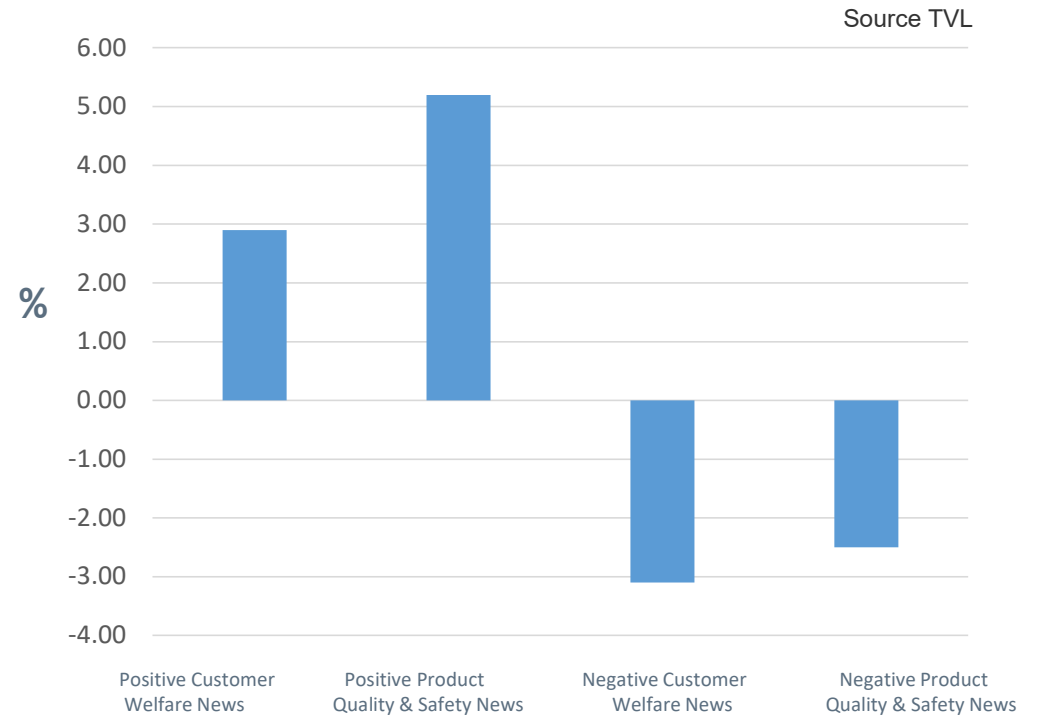


Impact of ESG on market values

Components of market value | Impact of ESG news stories on share price



SOURCE: OCEAN TOMO, LLC INTANGIBLE ASSET MARKET VALUE STUDY, 2020
*INTERIM STUDY UPDATE AS OF 7/1/2020



Industrials Sector

Scenarios for Economic Impact

01 Floods/ Hurricanes & Typhoons

- ▶ In September 2022, Typhoon Hinnamnor halted South Korea's biggest steelmaker, Posco, operating profits dropping by 71% year-on-year in the third quarter.

02 Sea Level Rise

- ▶ Approx. 1200 ports are in the tropical band vulnerable to climate change.
- ▶ 40cm sea level rise could make port of Houston (\$906bn in nationwide economic value) inoperable by 2050.

03 Water Stress

- ▶ October 2022, Mississippi River droughts severely impacted industries transporting goods (i.e. construction materials), estimated impact reached \$20bn.
- ▶ In 2023, water levels are lower (-11.5 feet) than those in 2022 (-10.81 feet), classified as "exceptional drought".

NAICS MANUFACTURING SUBSECTORS ¹	COMPANY COUNT	FACILITY COUNT	PERCENT OF ASSETS WITH AT LEAST HIGH EXPOSURE					
			FLOODS	HEAT STRESS	HURRICANES & TYPHOONS	SEA LEVEL RISE	WATER STRESS	WILDFIRES
Computer and Electronic Product	290	60,183	17-22%	40-45%	11-16%	0-5%	45-50%	23-28%
Petroleum and Coal Products	41	21,433	16-21%	48-53%	10-15%	1-6%	45-50%	21-26%
Electrical Equipment, Appliance, and Component	55	17,789	18-23%	49-54%	12-17%	0-5%	44-49%	19-24%
Nonmetallic Mineral Product	69	31,858	19-24%	50-55%	7-12%	0-5%	43-48%	21-26%
Food	137	40,765	18-23%	55-60%	7-12%	0-5%	44-49%	17-22%
Chemical	346	92,643	18-23%	54-59%	12-17%	1-6%	45-50%	18-23%
Primary Metal	76	19,778	21-26%	45-50%	13-18%	1-6%	39-44%	18-23%
Plastics and Rubber Products	41	14,726	18-23%	54-59%	8-13%	0-5%	42-47%	17-22%
Transportation Equipment	185	75,385	18-23%	44-49%	9-14%	1-6%	42-47%	17-22%
Beverage and Tobacco Product	70	29,385	17-22%	37-42%	6-11%	0-5%	31-36%	15-20%
Machinery	147	13,906	17-22%	36-41%	10-15%	0-5%	44-49%	17-22%

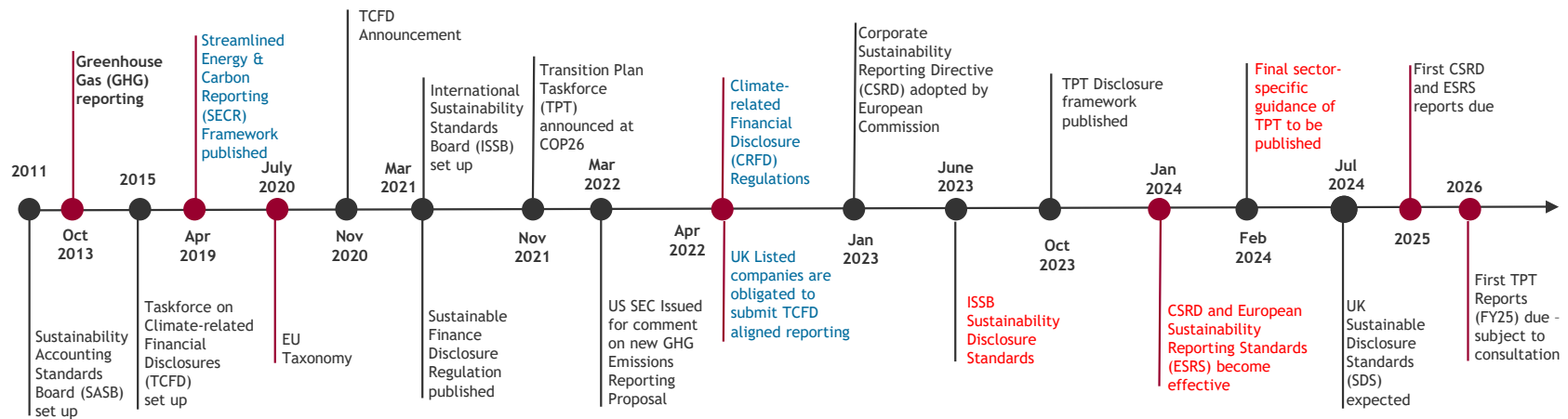
Source: Moody's ESG Solutions

04 Wildfires

- ▶ The 2021 Californian wildfires caused approximately \$637mn in damage and \$42.7bn in economic disruption over 80 sectors.
- ▶ In 2023 Canadian wildfires burned 184,961 square kilometres (6 times the average), affecting mining, quarrying, oil and gas extraction sectors.

The inevitable policy response

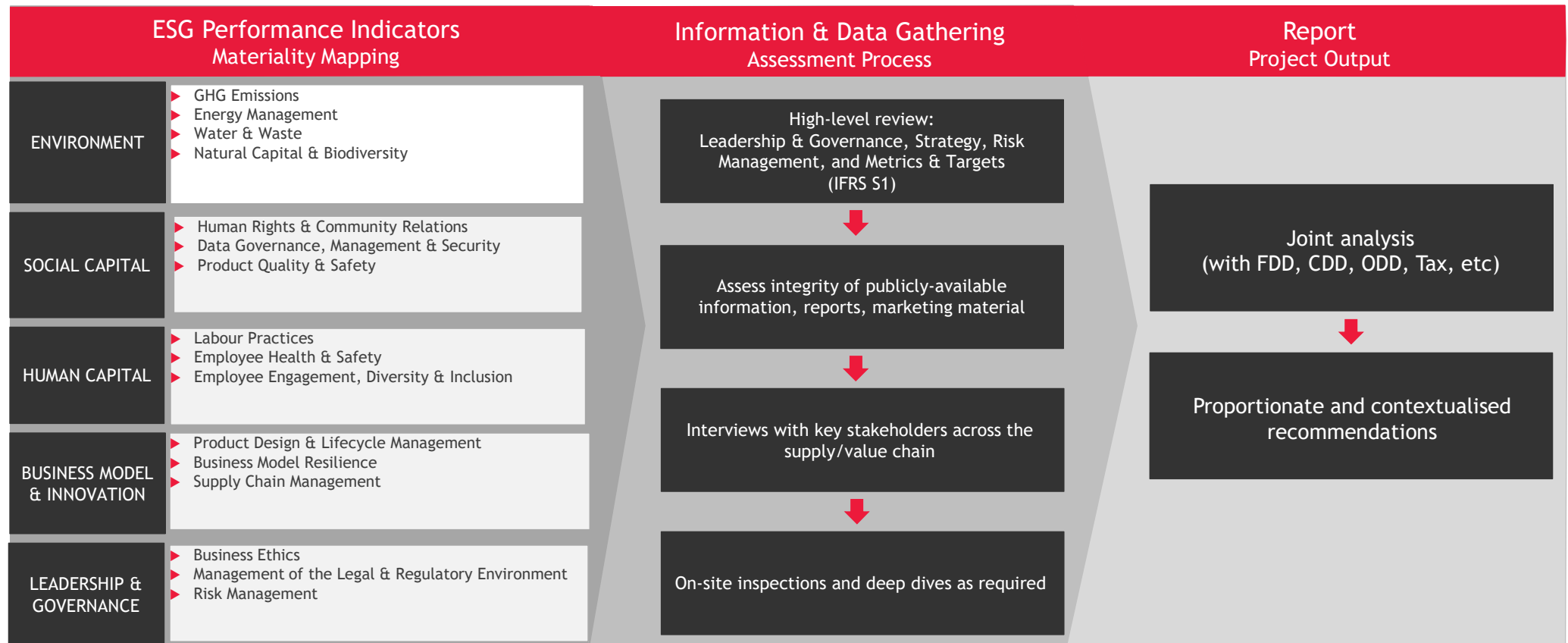
Understanding the evolving regulatory landscape



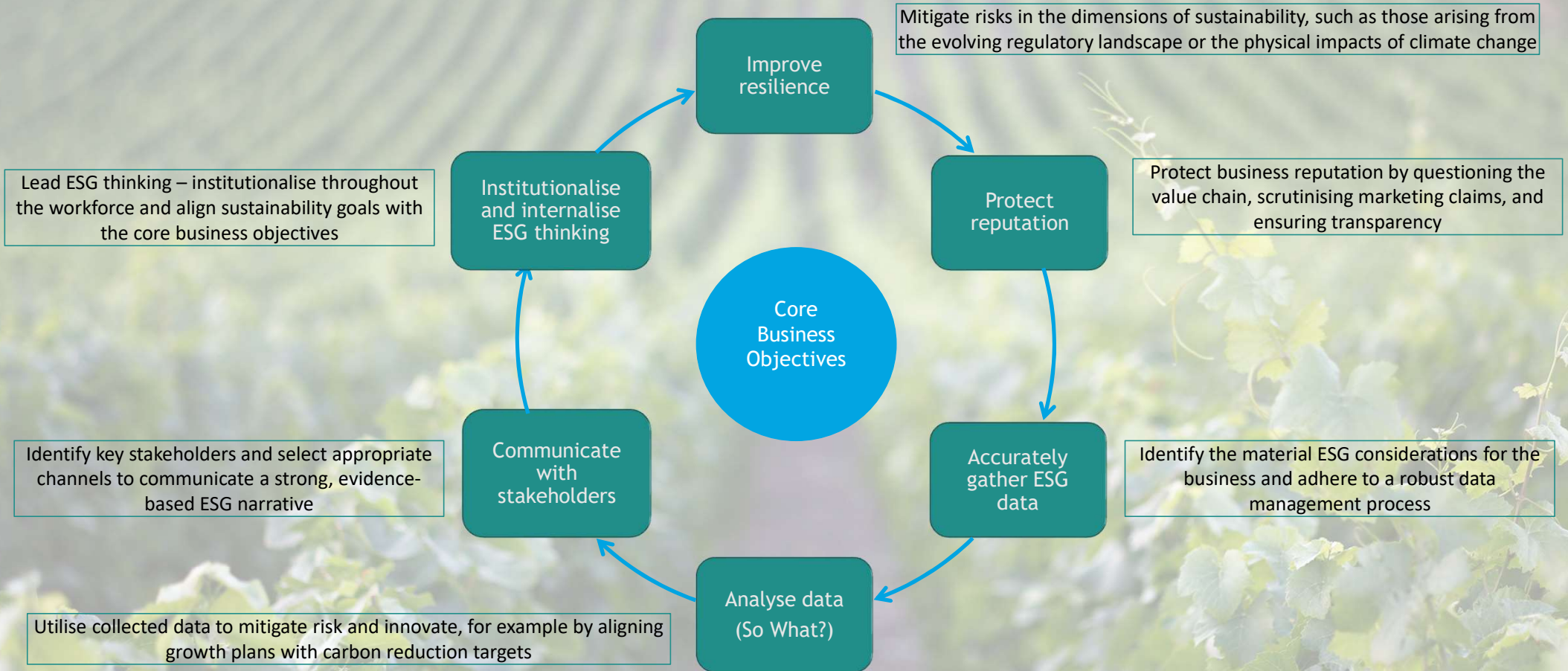
KEY:

- Reporting standards / frameworks
- Reporting requirements
- Evolving Regulation

Applying an ESG assessment tool to an organisation's performance & resilience



Six elements of a robust ESG strategy



ESG - Some Real Life Examples

Danny Dartnail

ESG examples

Some recent case studies

Project Scarlet - Plastic Bottle Manufacturer

Project Violet - Bottle Manufacturer (but not plastic!)

Education Sector - Putting the S & G in ESG

Finally - some thoughts for us as turnaround professionals

Project Scarlet



Project Violet



The Company

- Automated ceramic bottle maker
- Based in Stoke on Trent
- 200 Staff, £10m t/o and EBITDA £1m
- Long history
- Customer concentration

The issues

- Ukraine War = energy price volatility
 - No hedging in place
 - Significant increases in cost base
-

Project Violet



The Scope

- Review of historical information
- Review of balance sheet
- Review of projections
- Identify and comment regarding "sensitivities and vulnerabilities"

The Findings

- Confirmed background
 - Reasonable projections
 - Continued volatility
 - Risk of concentration
-

Project Violet



Post Review

- Main customer lost
- £1m parachute payment
- Reshape of business not possible
- Administration and sale of remaining business to Denby

ESG

- Reason cited by drinks manufacturer was:
"a switch to glass bottles due to a change in our environmental proposition"
 - No engagement prior to decision being made
 - Rationale was that
 - Ceramics can't be recycled
 - Energy usage
-

S & G issues

Independent Schools

- Approximately 2,600 - 80% with charitable status
 - Governors rather than directors
 - Volunteers
 - Retain personal financial risk
 - Self interest threat
 - Reluctance to engage professionals
 - Reluctance to make big decisions
-

S & G issues

Independent Schools - Social

- Clashes between social considerations and the law

“it is vital to ensure that the welfare of the children is kept at the heart of the decision-making process”

Hadlow and West Kent colleges



- Land based Further Education colleges
- IA86 Sch B1
 - Rescue the company
 - Achieve a better result than a liquidation
 - Realising property for one or more secured/pref creditors

Special Administration Regime

- To avoid or minimise disruption to the studies of the existing students ... and ensure that it becomes unnecessary for the body to remain in education administration
-

Key considerations

- The issues are complex
 - Behaviours can be based on incomplete information
 - Will play an increasing role
 - Assess the risks (inside and outside the box)
 - Engagement with key stakeholders is vital
 - Stay on top of regulatory/legal changes
-

What are we doing at BDO

BR ESG team

- Understanding the ESG landscape
- Embedding an ESG mindset
- Working collaboratively with BDO ESG Advisory team

BDO ESG Advisory


Dedicated team delivering an integrated approach to ESG-thinking across BDO's Advisory stream with the purpose of creating value, protecting value and managing risk.

 Strategic Consulting


 Readiness and Assurance

 Independent Business Reviews and Due Diligence

 Carbon Advisory


 People Advisory


 Outsourced Reporting

 Data and Digital Solutions

 Responsible Tax

 Governance

 Sustainable Finance

 Sustainable Supply Chains

Q&A



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UPCOMING EVENTS

- 14th March - TMA NOW Online webinar
Power Hour
- 26th March - TMA UK Scotland
The Curry Chatter
- 4th April - nextGen Leeds
Wine Tasting & Nibbles
- 16th April - TMA UK nextGen Birmingham
An evening of virtual reality
- 16th April - TMA UK London
More details coming soon
- 13th June - TMA UK Annual Golf Day
Wellingborough Golf Course

HOWDEN



All bookings can be made via www.tma-uk.org/events