

The Increasing Impact of ESG Considerations on M&A

Environmental, Social, and Governance (“ESG”) considerations are becoming increasingly important to M&A activity as purchasers seek investments that are not only financially attractive, but also score well on ESG criteria, i.e.:



Environmental - energy use, climate change and impact, waste, pollution, natural resource conservation, animal welfare



Social - employee health and safety, human rights, community initiatives, “social conscience”



Governance - corporate practices, shareholder transparency, gender diversity and equity

FACTORS DRIVING INCREASED CONSIDERATION OF ESG IN M&A

- 1 Climate change and resource scarcity
- 2 Increased focus on safe working conditions and living wages
- 3 Importance of employee diversity and inclusion
- 4 Differentiator for private equity firms to attract and retain capital

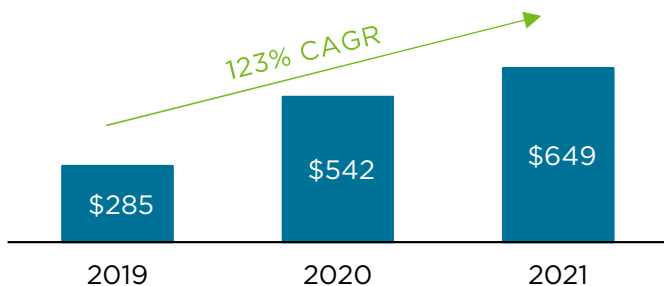
65% of dealmakers say ESG is important when considering an investment

72% of private equity firms screen target companies for ESG risks and opportunities

Sources: Mergermarket and PwC Global Private Equity Responsible Investment Survey 2021

Capital committed to ESG-focused funds in 2021 has more than doubled since 2019 and is expected to continue to grow as consumers and investors place increasing emphasis on ESG considerations and buyers are compelled to deploy capital accordingly.

VALUE OF ASSETS INVESTED INTO ESG FUNDS (\$B)



ESG FUNDS - KEY STATISTICS

\$649B

Value of assets invested into ESG-focused funds in 2021 worldwide

10%

ESG-focused funds as a % of worldwide fund assets


Source: Thomson Reuters - Refinitiv Lipper

CAPITAL WEST PERSPECTIVES

M&A tailwinds are particularly favourable for businesses that are already aligned with ESG parameters or that are actively pursuing such alignment.

When considering a potential transaction, it is critical to communicate to buyers the ESG characteristics of a business and its ongoing plans related to ESG issues, while proactively addressing potential concerns. This will help maximize value.

Capital West has advised on numerous transactions over the last several years where ESG factors were a key consideration of business acquirers. We have substantial experience with positioning the ESG characteristics of businesses to help drive a successful transaction at maximum value. Some examples of our transaction experience are below.



FOREST SEEDLINGS

Sale to
PRT Growing
Services

Advised the Seller

SilvaGro's forest seedling production supports reforestation activity, an important component of environmental sustainability.




AIR AMBULANCE

Sale to
Exchange Income
Corporation

Advised the Seller

Carson Air's air ambulance services help connect rural communities, including many First Nations communities, to critical healthcare services in larger urban centres.



CREDIT UNION

Acquisition of
CoPower

Advised the Buyer

Vancity's financing solutions focus on organizations that drive social, economic, and environmental change. CoPower finances clean energy and energy efficient projects in Canada.



SENIOR CARE

Sale to
ASSA ABLOY

Advised the Seller

Vigil Health provides technology to senior care homes to improve residents' standard of care.



PRIVATE SCHOOLS

Sale of Brazil
business to
Grupo SEB

Advised the Seller

Maple Bear Schools provides quality education to students in 50 countries worldwide, including those with underdeveloped public school systems.



PHARMACIES

Sale to
TorQuest Partners

Advised the Seller

Rubicon's pharmacies provide essential healthcare products and services to rural communities across Western Canada.