



ESG INTELLIGENCE

EY
Building a better
working world

EY PERÚ

Sustainability & Transformation Report

MINING

- 7 Importance of mining to the wider economy
- 8 How the sector remained resilient during the pandemic
- 9 Growing awareness and implementation of green mining practices
- 10 Smart mines and the use of innovative technology in resource extraction

AGRI-BUSINESS

- 12 Centrality of agriculture to exports
- 13 Agricultural production continued to grow during the pandemic
- 14 How Peruvian agriculture is integrating sustainability into its post-pandemic growth agenda
- 15 Use of technology and innovation to boost agricultural productivity

FINANCIAL SERVICES

- 17 Pandemic-related challenges overcome by the financial sector
- 18 Central role of financial services in economic recovery
- 19 How financial market regulation is stimulating ESG-focused practices
- 20 Leveraging digitalisation and technology to drive financial inclusion

CONCLUSION

- 21 Case study: Implementation of Climate Change and Sustainability Services (CCaSS) by EY Perú
- 22 Reinvention of the automotive sector to boost sustainability and efficiency
- 23 Six key takeaways

Insights from EY Perú's thought leaders on ESG matters

“

Financial institutions play a fundamental role because they can channel financial resources for investment projects and sustainability-linked loans that have a positive impact on society and can help us move towards a net-zero carbon economy. In January 2021 the Ministry of the Environment (Ministerio del Ambiente, MINAM) introduced the Green Finance Roadmap to guide the Peruvian financial sector in the implementation of initiatives to incorporate environmental considerations into economic and productive activities, and thereby mobilise investment towards sustainable businesses and products. Both MINAM and Peruvian financial entities via the Association of Banks of Peru signed the Green Protocol. The strategic actions proposed in the Green Protocol are based on three tenets: 1) risk management; 2) “greening” the project finance portfolio and designing green financial instruments; and 3) institutional eco-efficiency. In terms of next steps, it is necessary to secure the commitment of all stakeholders involved – and, above all, financial institutions need to develop a strategic plan and roadmap to establish objectives and goals for the design of these instruments, as well as eligibility criteria for green projects, resources and deadlines.



Antonio Benites, Lead Partner,
Climate Change and Sustainability Services

“

Among the top-10 business risks facing the mining and metals industry in Latin America, the top-three risks for Peru are 1) obtaining licences to operate due to disputes between the government, workers and mining companies, or resistance from indigenous communities over legal and environmental issues; 2) productivity losses and rising costs, with challenges arising from not being able to operate at full capacity, or the increased costs associated with incorporating new technology along the production chain; and 3) capital agenda, with high investment requirements and a slowdown in new investment due to price volatility and the political environment. Nonetheless, there are attractive opportunities to capitalise on that can help navigate these risks, including the recently approved National Action Plan on Business and Human Rights 2021-25, the country's favourable geological conditions, as well as a strong business environment with a supportive private investment legal framework to attract foreign businesses.



Augusto De la Cruz, Partner,
Climate Change and Sustainability Services

“

Climate change has a significant impact on natural resources; food production and availability; and the accessibility, quality, and stability of food systems – due, in part, to the risks and consequences associated with natural disasters, such as droughts and floods, which are increasing in intensity. For this reason, the agri-business sector must adopt sustainable practices and climate-smart agriculture that generates value for all stakeholders and ensures food security, and fair trade practices and compensation. This is in alignment with the 2030 Agenda, and is the first step to eradicating hunger in Peru. Extreme weather, water stress, food safety, technological development, respect for human rights, and safe working conditions that protect the well-being of employees and the value chain are the main challenges facing the sector.



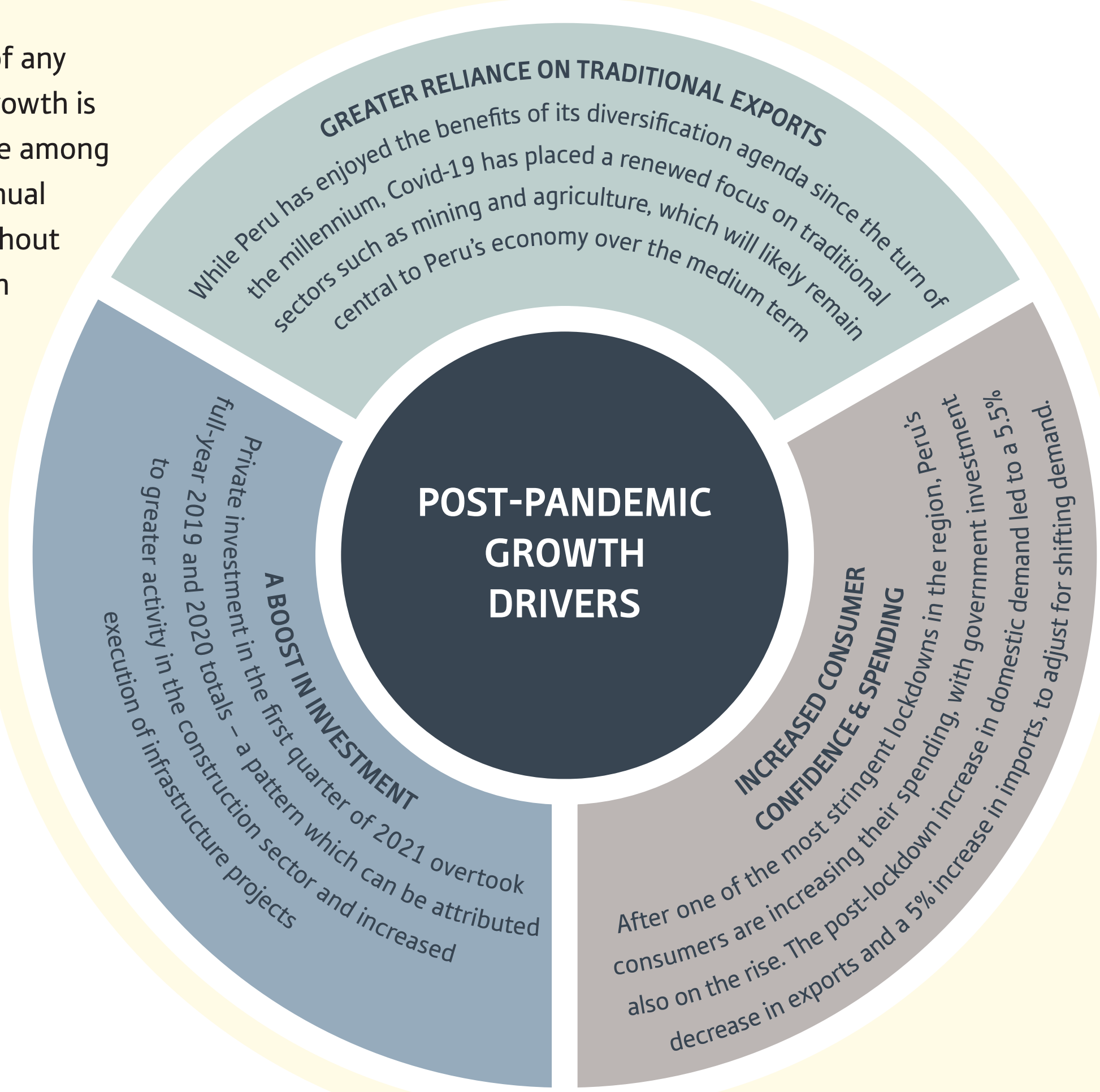
Nadia Malpartida, Manager,
Climate Change and Sustainability Services

About this ESG intelligence report

The Covid-19 pandemic has underscored the need for companies in Peru to invest in sustainability, as well as digital processes and tools, to boost their competitiveness and respond to market demands more effectively, while creating a greener, more equitable economy more broadly. This report – produced by business intelligence firm Oxford Business Group, in collaboration with EY Perú – explores these themes through the prism of three key sectors in the Peruvian economy: agriculture, mining and financial services.

The Peruvian economy has already rebounded to pre-pandemic GDP levels

Peru experienced one of the sharpest GDP contractions of any country in the region in 2020. However, the outlook for growth is improving for 2021 and beyond, with the country set to be among the strongest performers in the near term in terms of annual GDP growth. Having achieved more than two decades without a recession before the pandemic, Peru is consistently seen as one of the best performing economies in the region, both fiscally and monetarily. The strong demand for its 100-year bonds issued from late 2020 exemplifies investor confidence in Peru's long-term growth.



Average GDP growth in 2000-19 reached **4.6%**

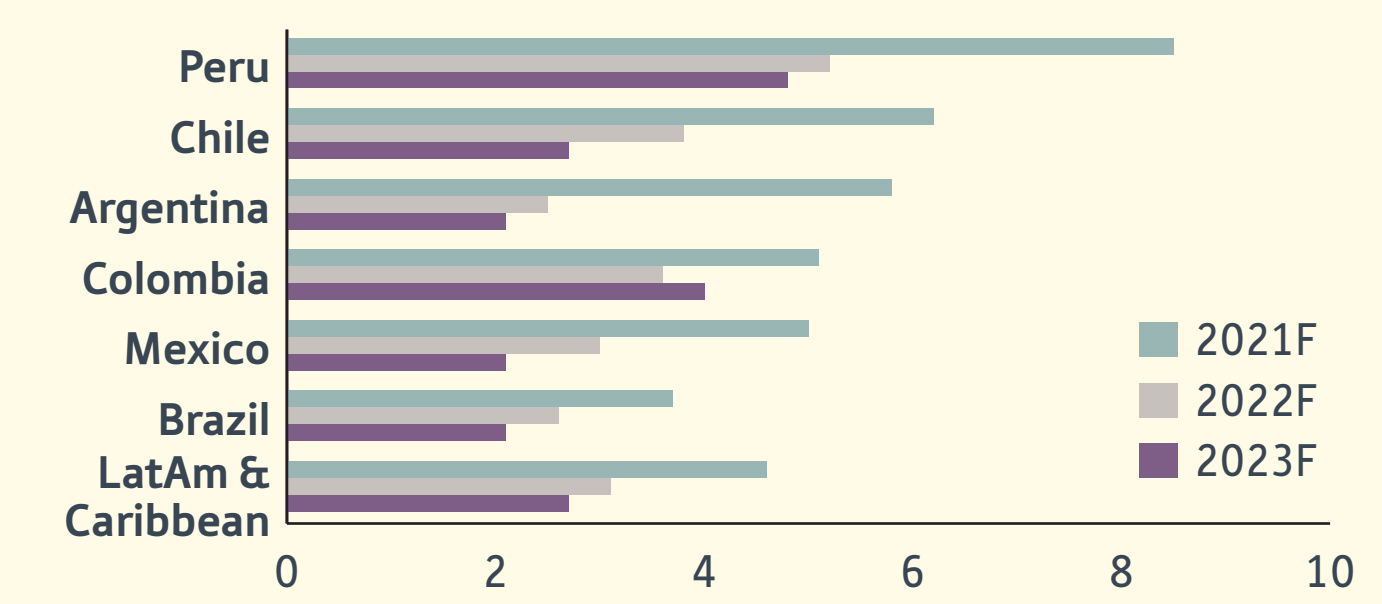
A sharp economic rebound led to **34.4% growth** in the second quarter of 2021

Low public debt of **36% of GDP**

2020 trade surplus of **\$7.7bn**

Single-digit inflation for **23 consecutive years**

Regional GDP growth forecast, 2021-23F (%)



Transformation of business activities and ESG-focused practices will heavily influence the Peruvian economy in the near term

Peru's Evolving Economy

Sustainability



A growing trend before the pandemic, which has only accelerated since the start of 2020, is environmental, social and governance (ESG) standards and practices. The topic has garnered increased international relevance for ethically minded investors, and has also grown in importance across a variety of sectors of the Peruvian economy over recent years, albeit at different paces by industry.

Peru has seven of the nine characteristics identified by the UN as being highly vulnerable to climate change. This, in combination with a more urgent and widespread global narrative about environmental concerns, has heightened environmental consciousness within the business community, and the need to incorporate sustainable practices into day-to-day operations.



Transformation



The Covid-19 pandemic has initiated and accelerated a number of structural trends in Peru's economy, most notably digitalisation. This trend has wide-ranging and overlapping implications for individuals, businesses and the government, meaning that increased digital activity in one of these three areas can bolster activity in the others.

Although this can happen organically – through consumer trends and private sector investment – comprehensive and targeted public policies are needed to entrench and further develop digitalisation in the broader economy and society in a more universal and inclusive way. While digitalisation has gained substantial traction in Peru since the start of 2020, the broader challenge is to ensure it reaches all geographic areas and is equitable in its reach.

MINING



SECTOR RESILIENCE

Mining forms a key part of Peru's economy, but faces many challenges due to sensitivities caused by its activities



Foundation

The mining industry in Peru has historically been central to the country's economic development. Since the 2000s, in particular, Peru's economic growth has been primarily driven by the production and price of metals. However, prior to Covid-19, protests and strikes limited copper production growth, which affected the timelines of several copper projects.

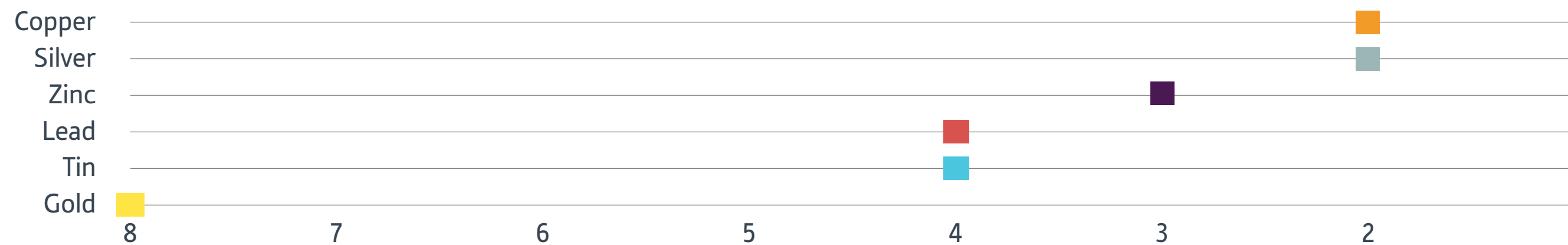
Location

Peru continues to be the world's second-largest producer of silver and copper, and Latin America's leading producer of gold, zinc, tin, lead and molybdenum, despite the sharp fall in copper production at the start of the Covid-19 pandemic.

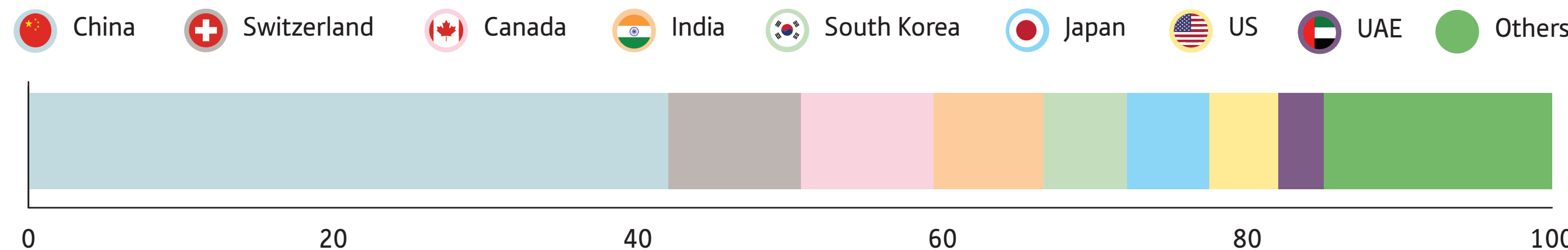
Evolution

Metal production is bouncing back in 2021, largely supported by output from the existing portfolio of operating mines, including Cerro Verde, Las Bambas, Toromochu, Antapaccay and Constanca, as the sector recovers to pre-pandemic production levels. In addition, the industry is showing potential for further development in 2021, with a significant year-on-year increase in tax income from mining activities in the first quarter of the year.

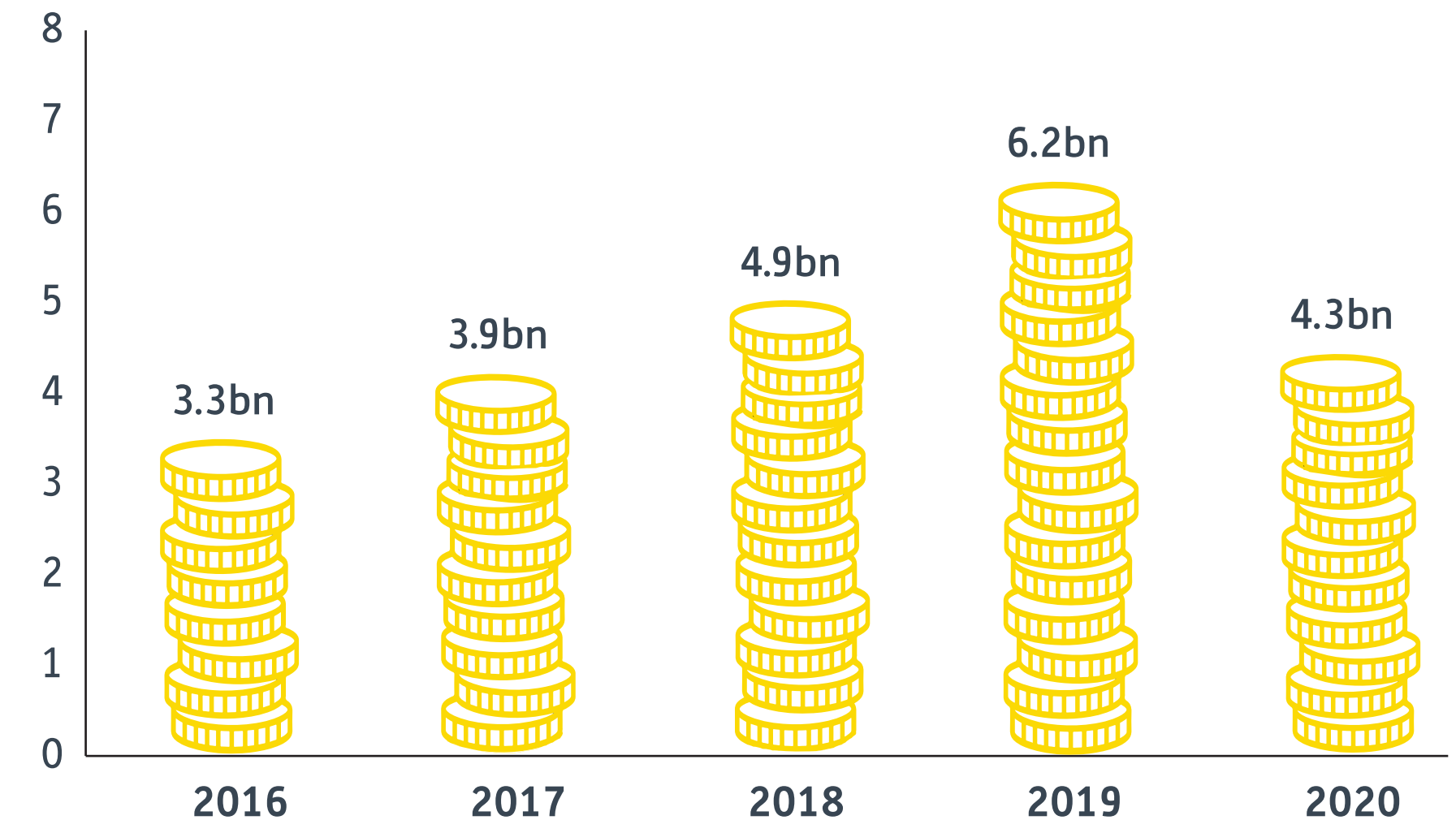
Peru's global rankings in mining production, 2020



Main metal exports destinations, 2020 (% of total by value)



Total annual investment in the mining sector, 2016-20 (\$ bn)



Thanks to an increase in prices, mining production remained resilient and central to the economy during the pandemic

REBOUND

There are seven mining projects in the pipeline across the country, including the expansion of the Toromocho site. Apart from infrastructure inefficiencies, mostly in the road and rail networks, the regulatory and administrative environment at times lacks sufficient diligence, and socio-economic and environmental issues related to mining sites could benefit from a more comprehensive and inclusive approach for all stakeholders.

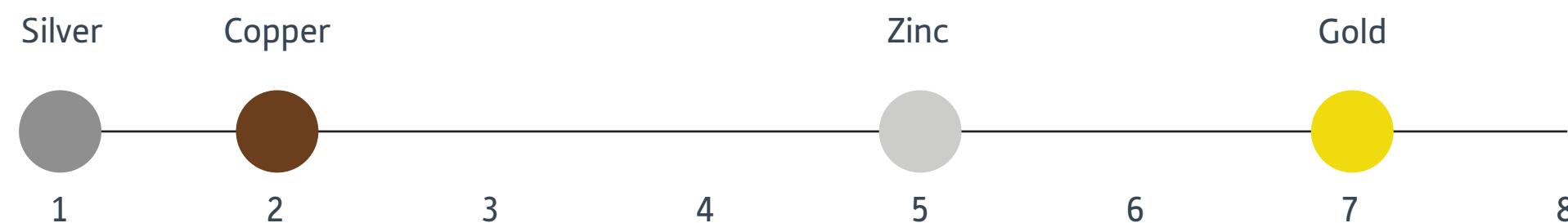
RECOVERY

Since the early months of the pandemic the price of many precious metals and commodities has improved substantially. Peru's geological capacity is one of the highest in the world, and its relatively low production costs make it an attractive investment market for both local and international companies across the production and supply chain.

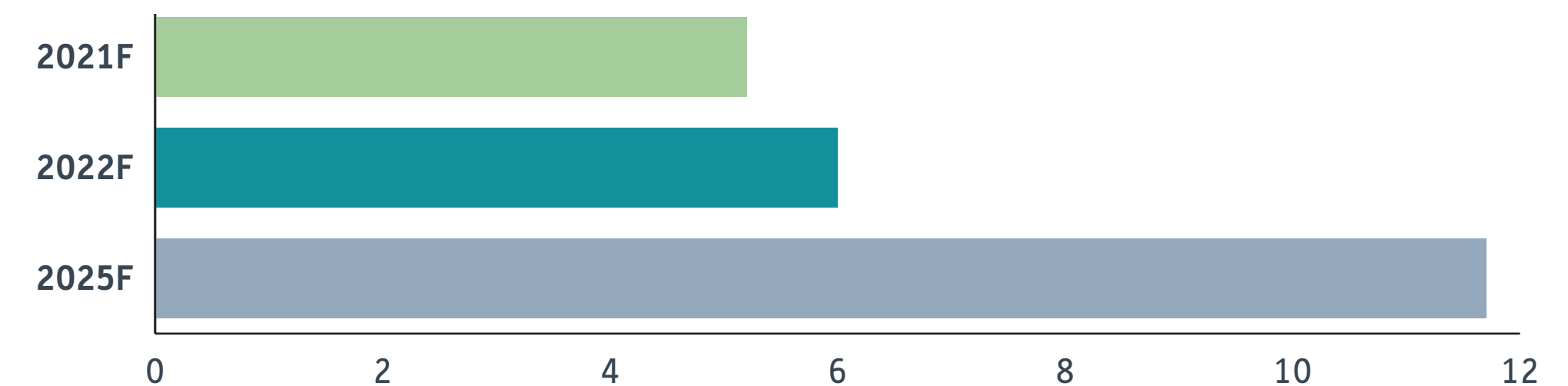
REINVENTION

The mining industry must overcome a number of structural deficiencies to improve its productivity, while also incorporating more ESG practices. However, the pandemic's disruptive and wide-reaching effects have created space for the social and environmental issues historically associated with the mining sector to be addressed. Through a mixture of more inclusive business practices, inter-institutional collaboration and wider use of digital technology, the sector can successfully reinvent itself post-pandemic.

Peru's global rankings in metal reserves, 2020



Mining investment forecast, 2021-25F (\$ bn)



SECTOR RESILIENCE

Mining sector stakeholders stand to benefit the most from ESG practices

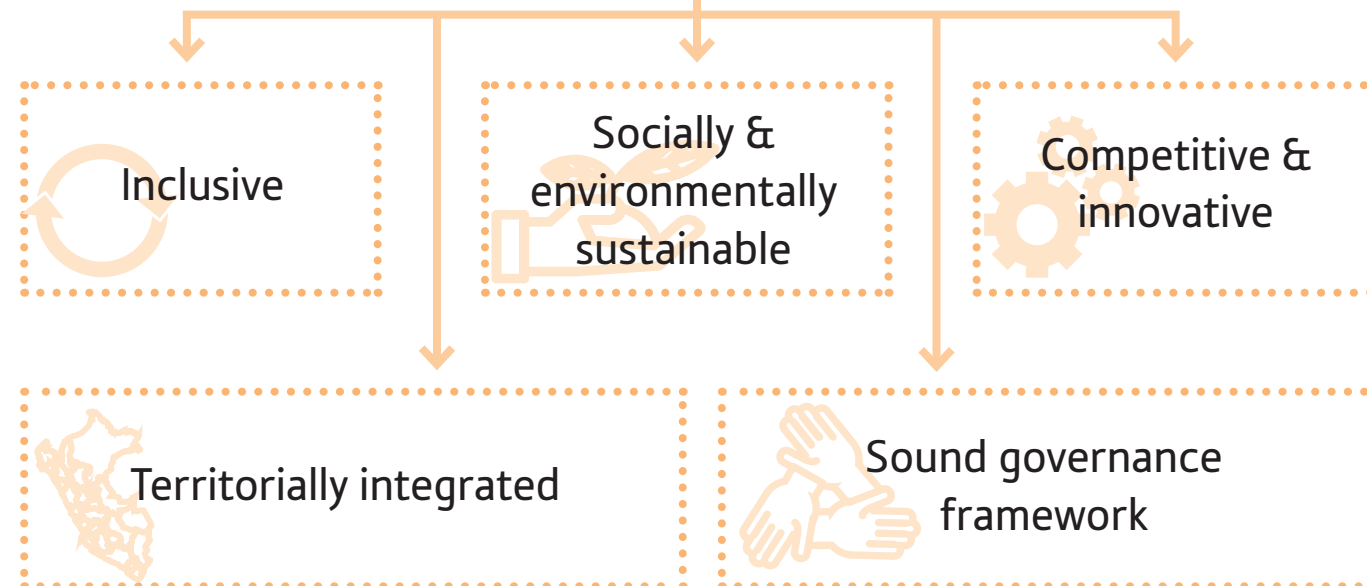
Goals

Mining stakeholders agree that the impact of ESG adoption on the sector should be net positive in economic terms, as well as environmental, social and governance. However, a number of challenges need to be addressed, ranging from social conflicts between enterprises and local communities, to illegal mining.

Solutions

To achieve these aims, in 2018 the Ministry of Energy and Mines launched Mining Vision 2030, a multi-actor dialogue strategy aimed at promoting sustainable development for extractive industries

The shared framework stipulated that the sector should comply with the following characteristics



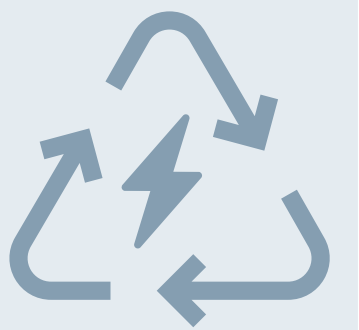
Case Study

In February 2019 the Peruvian government launched Operation Mercury, a major multi-sector operation designed to combat illegal gold mining in La Pampa, a region in the southern Peruvian Amazon. As a result of the programme, deforestation in the region decreased by 92%, from 900 ha in 2018 to 67 ha in 2019.

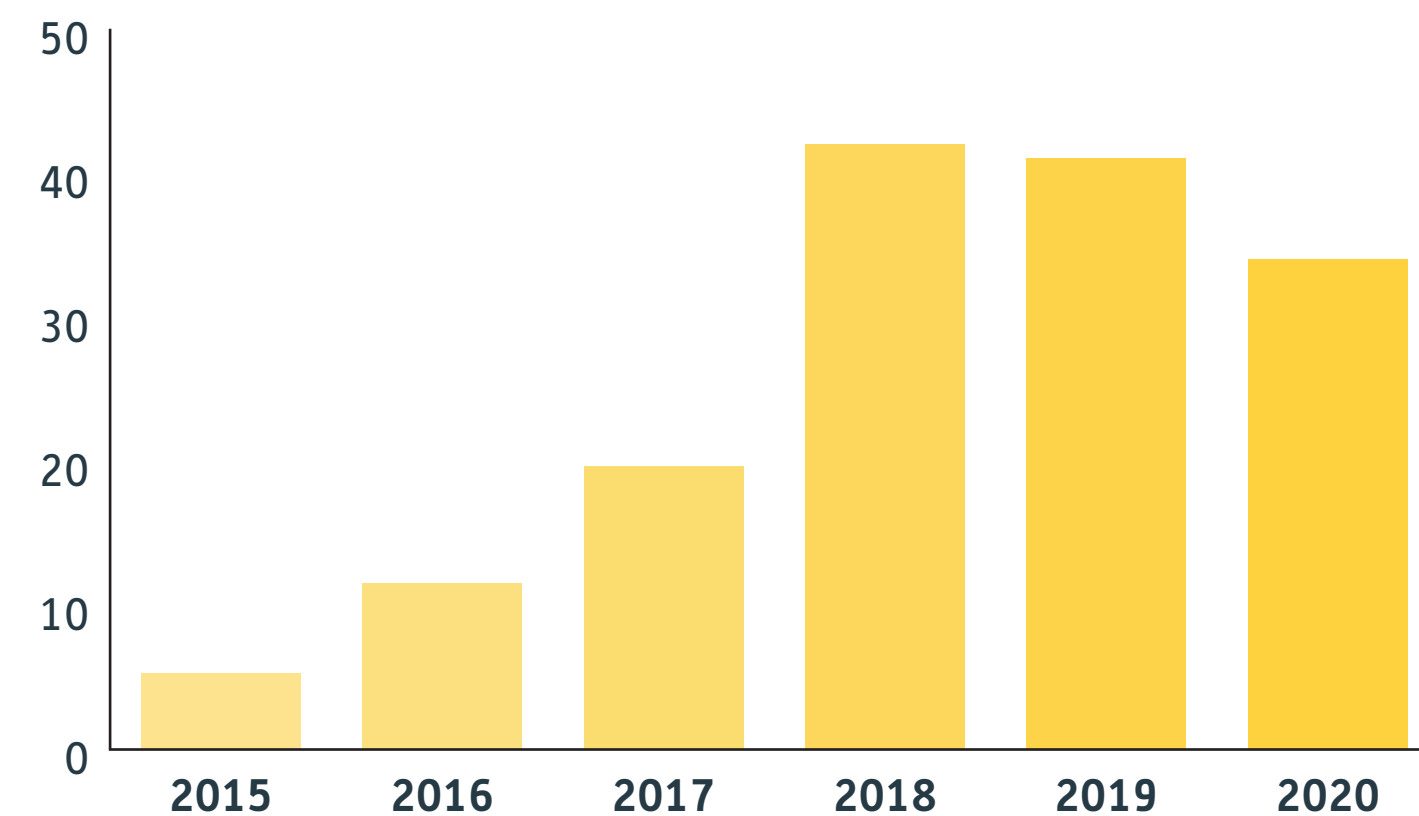


Business-led ESG commitments

Following pressure from civil society, private companies are taking the lead in setting a series of standards in line with the Paris agreement, including a goal of zero carbon emissions by 2050. As an example of this, Anglo American recently signed an agreement to power operations at its Quellaveco copper site using only renewable energy by 2022.

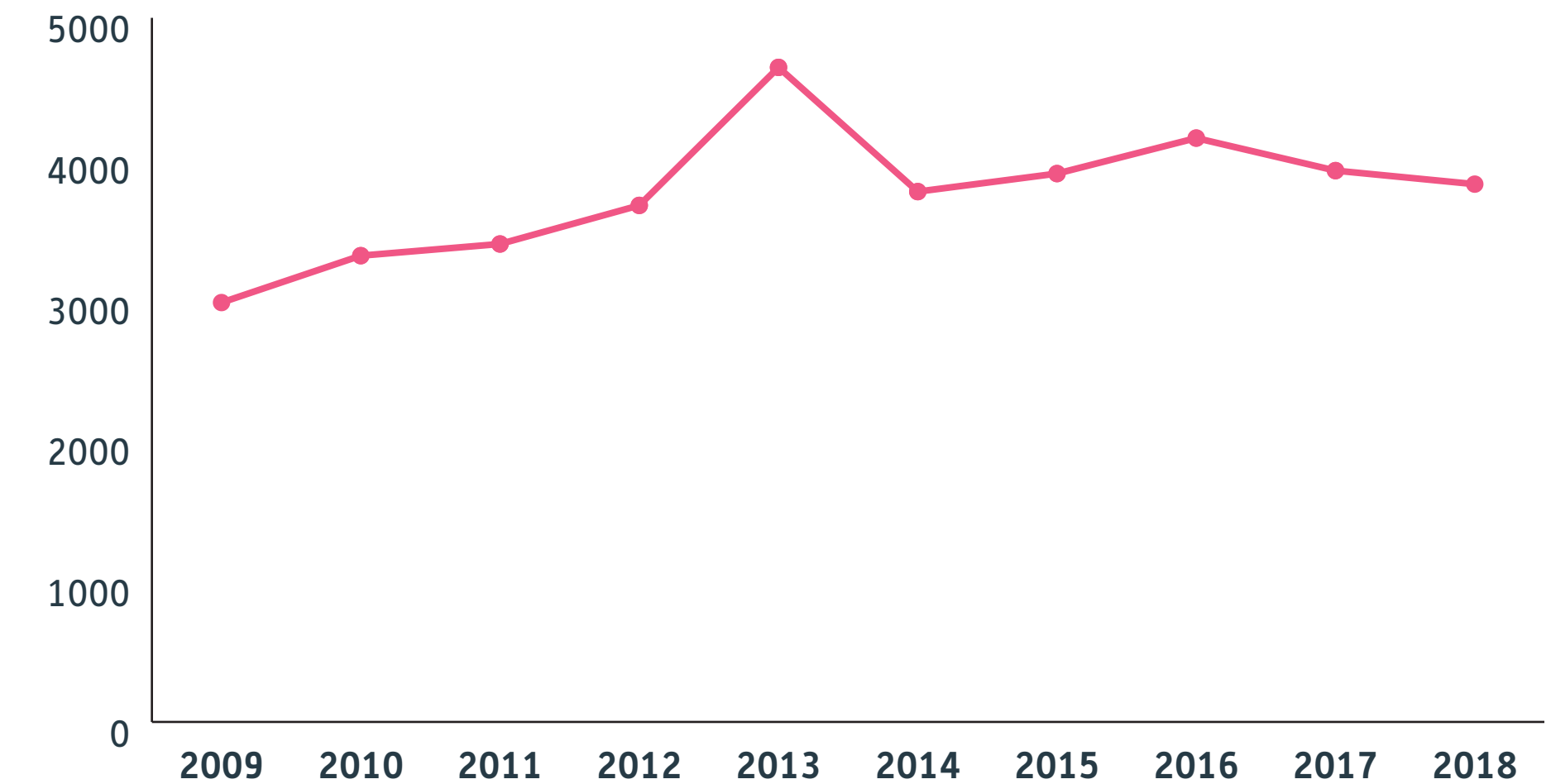


Activa Mineros' annual expenditure on environmental remediation liabilities, 2015-20 (\$ m)*



*based on a study of 50% of mining companies listed on the Lima Stock Exchange

Sustainable development projects by mining companies, 2009-18



4-7% of global greenhouse gas emissions produced from mining-related activities

64% of socio-environmental conflicts in Peru are caused by mining

BUSINESS TRANSFORMATION

While mining is behind the curve on digital transformation, strategies are being implemented to address the imbalance

Productivity Priorities

The preventive health and safety measures enacted at mining sites during the pandemic pushed companies to use new technologies to operate with little to no human contact, thereby accelerating digital transformation in the sector, which was relatively limited until recently. In a post-pandemic environment, the overarching aim for the sector is to harness technologies to boost productivity. Given the importance of the mining sector to Peru's foreign exchange earnings and the broader economy, the benefits of digital investments and the resulting increase in productivity could be felt outside the sector.

Minera Las Bambas announced a \$90m digital transformation investment plan for the next four years

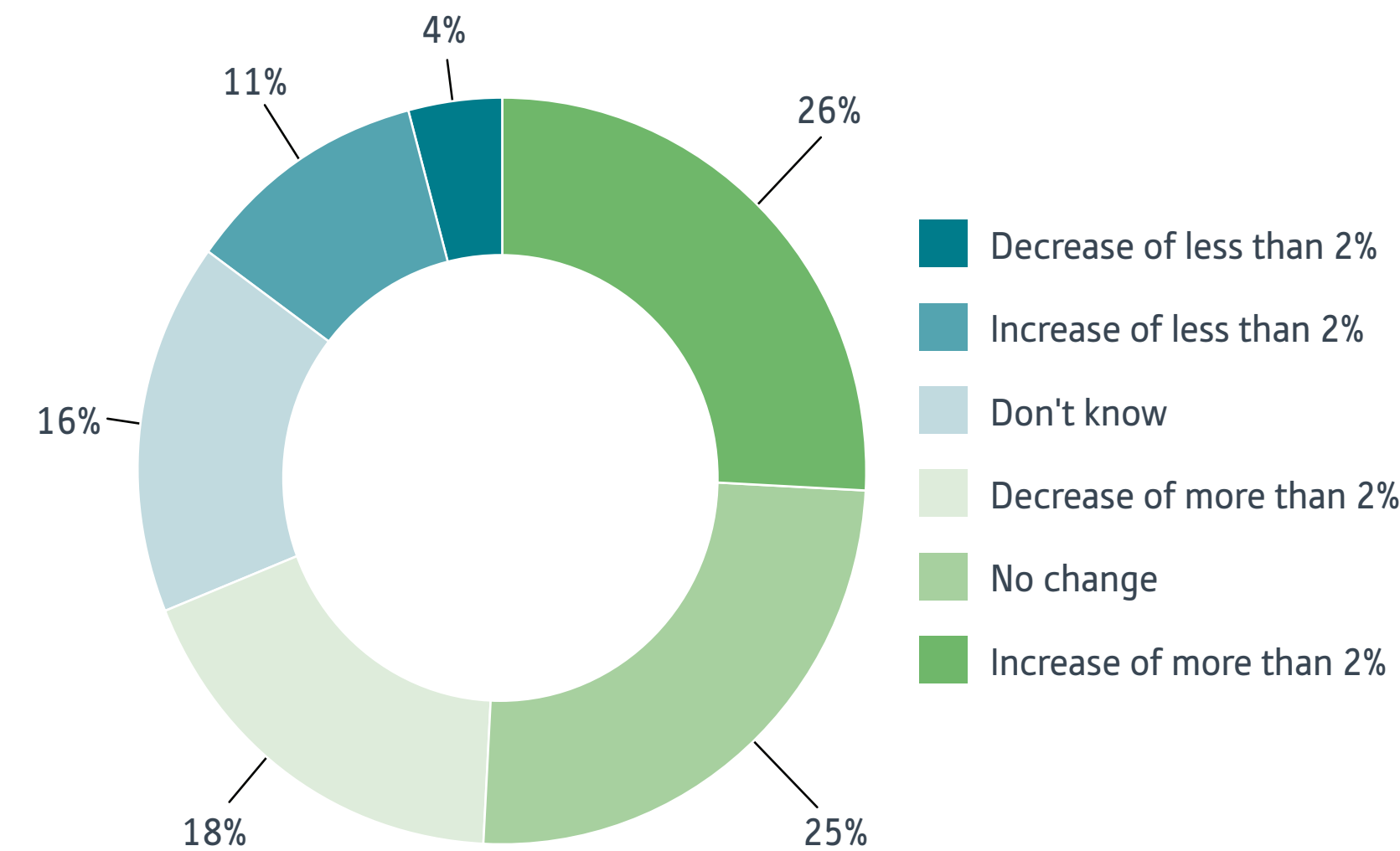
Individual, project-level, digital-centric investments could create a snowball effect to pave the way for other companies to invest in and be encouraged to integrate new technologies as a core component of their operations

Southern Copper Corporation has invested in digital infrastructure that has helped to make its Toquepala project the first fit-for-5G mining site in the country

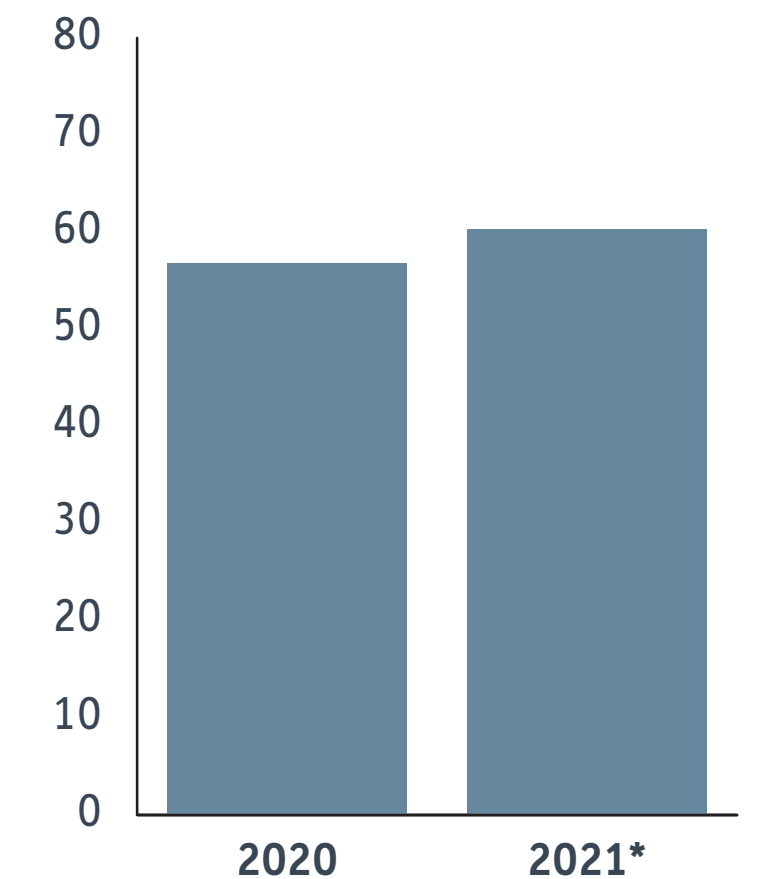
Case Study: Researchers at the University of Engineering and Technology in Lima have been developing an integrated technology process for sustainable non-mercury alluvial gold extraction in the Madre de Dios region using leftover elements from the electronic devices industry. In addition to generating additional income for miners, the solution would help to make mining operations more sustainable, and replace outdated techniques and inefficient or hazardous inputs such as mercury.

70% of regional executives believe digital transformation is necessary to achieve growth	Toquepala is the first smart mining site suitable for 5G in Latin America, and the second in the world	\$6.8bn value of the global smart mining market as of 2019	\$20.31bn projected value of the global smart mining market in 2025
---	---	---	--

Percentage of Latin American companies' 2020 budgets allocated to new technologies and digitalisation of operations compared to 2019




Peru's mining digital maturity index, 2020-21



*average across all sectors in 2021 is 62.63

AGRI-BUSINESS

An aerial photograph of a vast agricultural landscape. The foreground and middle ground are dominated by large, rectangular green fields, likely corn, separated by a network of dirt roads. A small village with several buildings is visible on the left side. In the background, there are rolling hills and a large, prominent mountain range under a clear blue sky. A green speech bubble with the text 'AGRI-BUSINESS' is overlaid on the left side of the image.

Agriculture and food production are set to grow significantly following the pandemic



Foundation

Peru's vast biodiversity, and the historically strong linkage between natural resources and development, has long undergirded and deepened the interdependence between agri-business and growth. However, some 20 years ago it embraced agriculture globalisation and began focusing on exports.

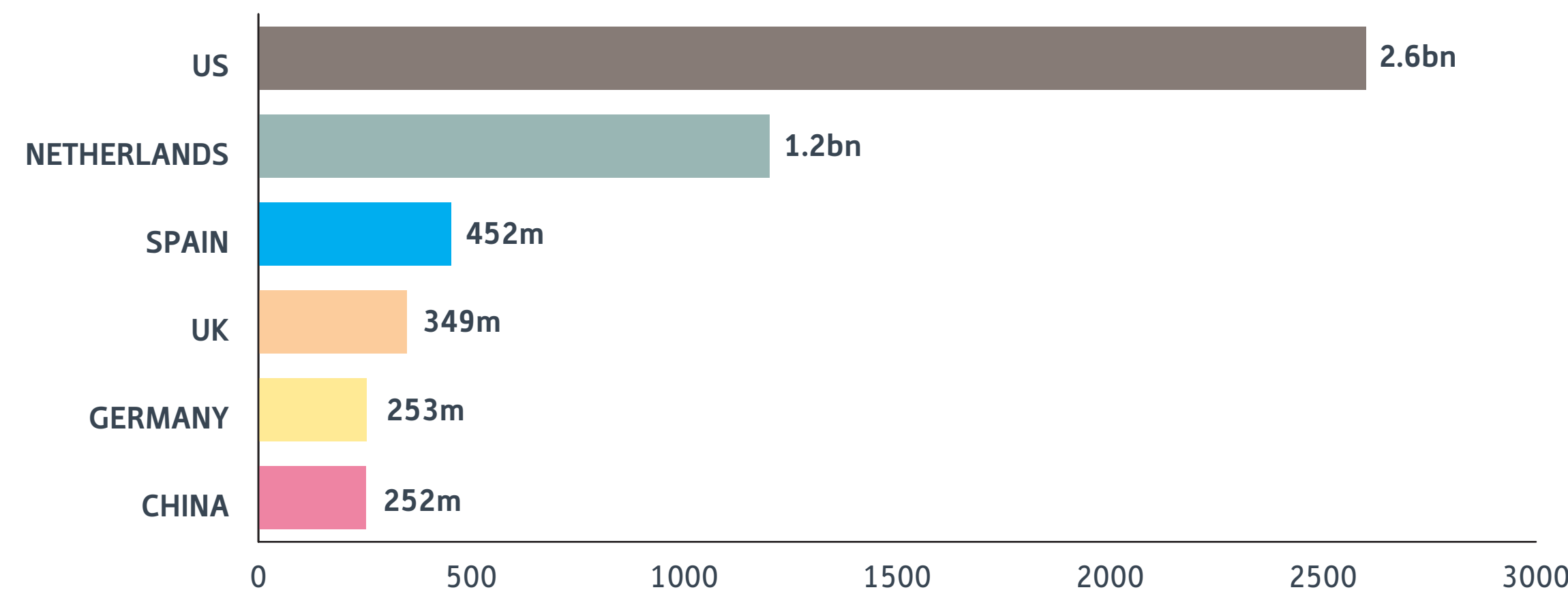
Location

Over the last 15 years agricultural export growth has helped make the industry the second-most important economic driver. While the economy experienced its most significant contraction since 1989 as a result of the Covid-19 pandemic, agri-business was one of just four sectors to post positive growth over the same period.

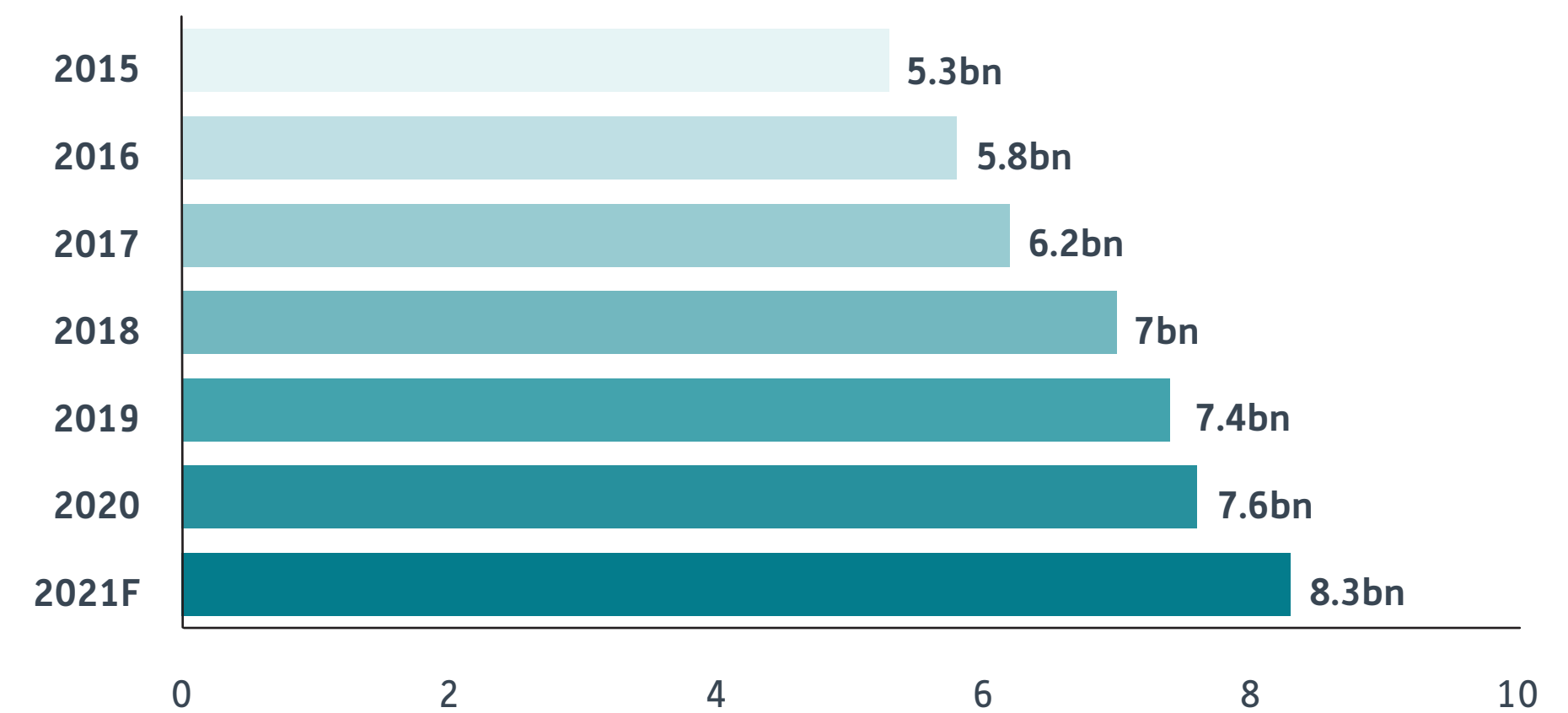
Evolution

To counter the effects of the pandemic on agri-business, the government took a series of measures to reinvigorate the sector's dynamism, such as the creation of the National Government Guarantee Programme for Agro-Company Financing, with more than \$500m in loans for family-based agriculture. As the global economy recovers, increased demand for Peruvian agriculture exports is expected; the Central Reserve Bank of Peru estimates the industry will expand significantly in 2021 and 2022.

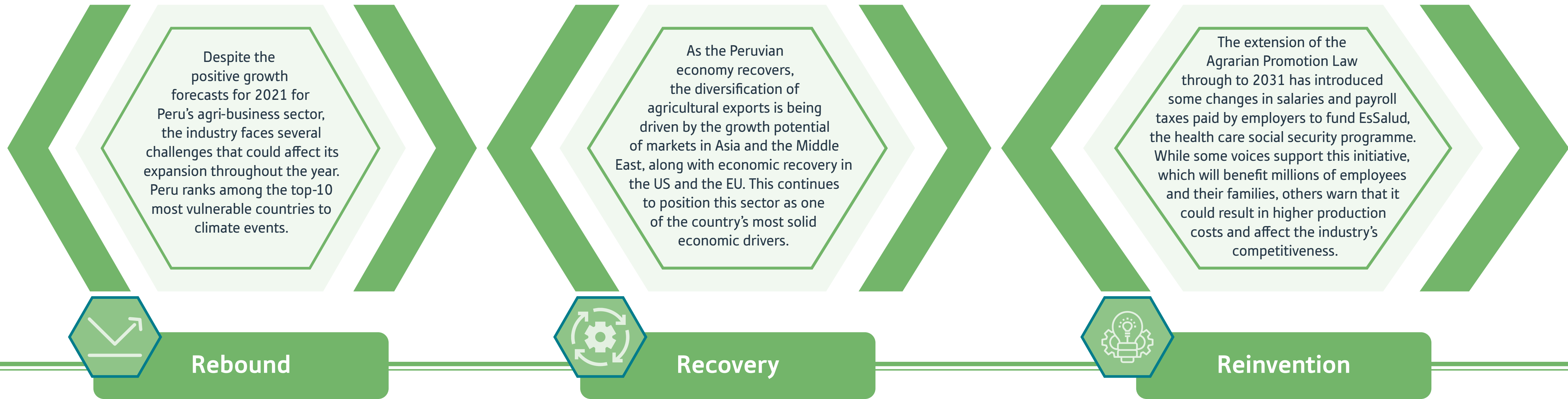
Main agricultural export destinations, 2020 (\$ m)



Agri-business exports, 2015-21F (\$ bn)



Strong agricultural output throughout the pandemic will remain central to the economy



Agricultural production growth, 2021-22F (%)



SECTOR RESILIENCE

Given the risk of climate change, sustainability practices are crucial for the agricultural value chain



Goals

The immediate aim of bolstering ESG initiatives in agri-business serves as a tool to reduce poverty and inequality, protect fragile ecosystems where farming and food production take place, and strengthen food security within the country and across the region.



Solutions

Projects at a variety of organisations are incorporating sustainability-focused practices into post-pandemic economic recovery. Given the diversity of actors operating along the sector's value chain, comprehensive and institutional solutions with ESG considerations at every level will be central to sector growth.

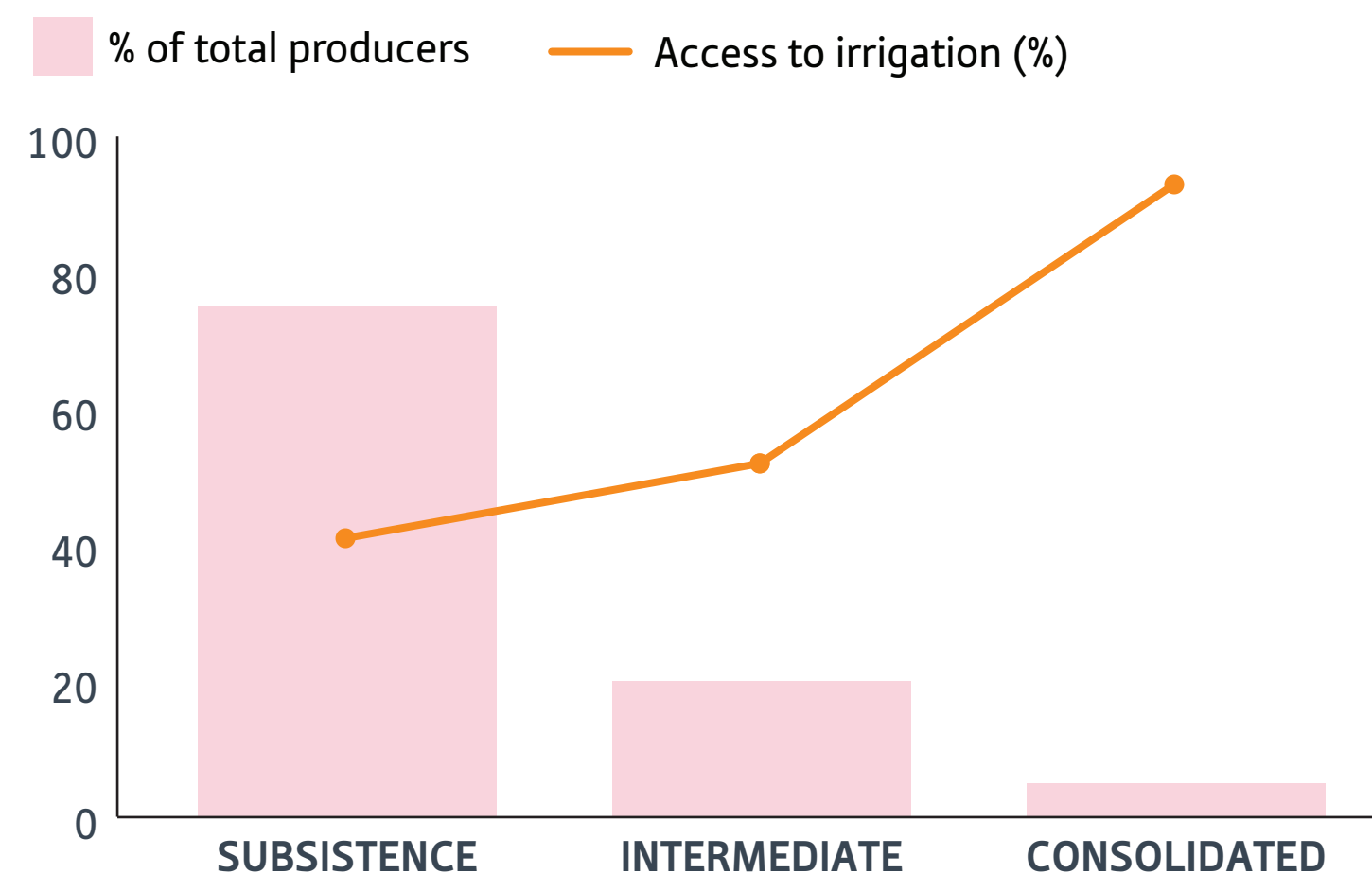
The Forest Programme was started by the Ministry of the Environment in 2016 and formed part of its climate change-mitigation and conservation policy. It focused on collaboration among various stakeholders to incorporate sustainability-centric practices into the sector. One of the first partnerships was formed with the Mayni ethnic group, who produce eco-friendly, shade-grown coffee in the Satipo province.



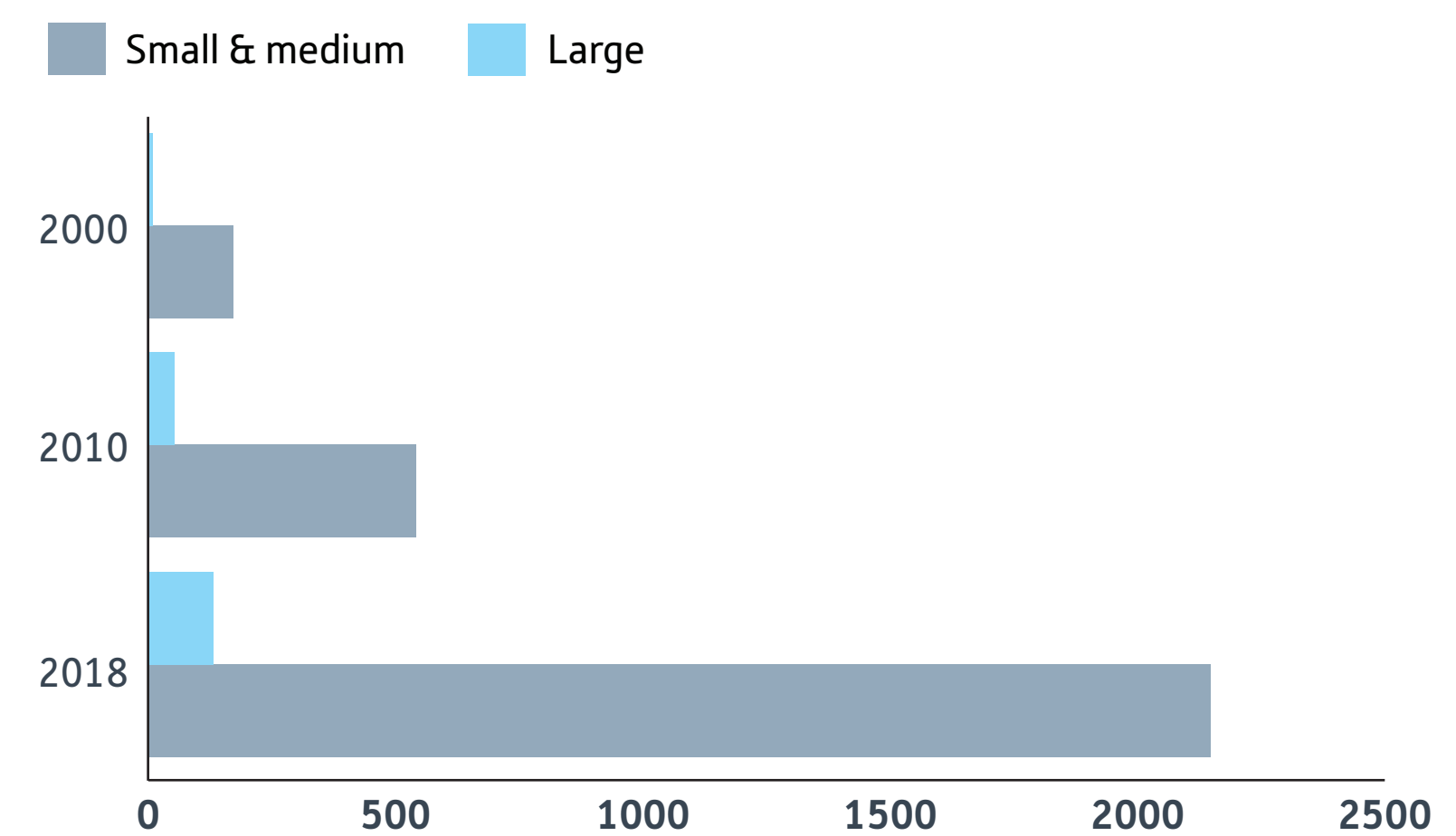
The UN Food and Agriculture Organisation has implemented a value chain approach to help artisanal fishermen be more resilient to future crises. When the pandemic struck in 2020, artisanal fisheries were severely impacted; this had a knock-on effect on the fish supply in Peru, which is one of the largest fish producers in the world. "A value chain approach brings an in-depth perspective on sustainability that enables us to identify what needs to be done to help artisanal fisheries recover from any crisis," said Jaime Mendo, lead scientist from the Universidad Nacional Agraria La Molina in Lima on an international team of researchers.

NGOs are collaborating with local farmers to introduce a sustainable focus into agriculture activity. Rainwater harvesting in the Andes is being promoted by NGO World Neighbours, which has been educating smallholder farmers in the Andes on the sustainable use of natural resources and sustainable agriculture. Climate phenomena such as El Niño, droughts, frosts and climate change – which place Peru at high risk of water stress – represent constant and increasing threats that make local communities more vulnerable. Rainwater harvesting systems are key to protecting their livelihoods because they allow for year-round water supply and longer growing seasons.

Sector share & irrigation access by producer type



Agro-export companies, 2000-18



44% of listed agri-business companies' environmental policies or management systems include environmental risk management and environmental impact assessments in all operations related to climate change

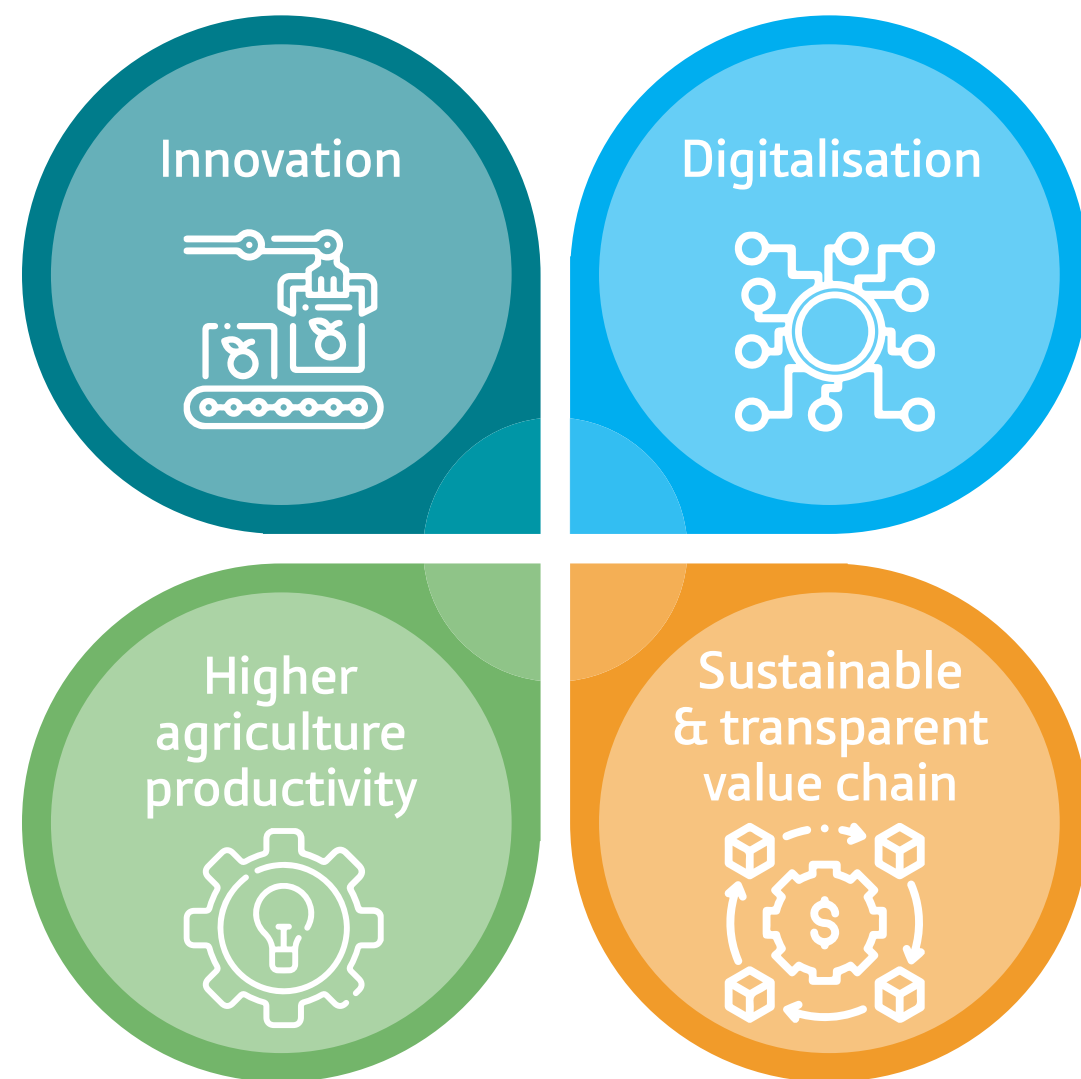
92% of agro-export companies are small and medium-sized enterprises

97% of Peruvian agro-firms are family-owned

BUSINESS TRANSFORMATION

Substantial economic gains can be made by increasing productivity in the sector

Four key factors for Latin America's transformative recovery in agri-business:



Progressive Innovation

The Inter-American Institute for Cooperation on Agriculture has praised the progress Peru has made in terms of public policy to strengthen agricultural innovation. It has funded projects in collaboration with a diversity of stakeholders, such as agriculture clusters, farming communities and research centres, and promotes innovation for the development of a productive, inclusive and sustainable agri-business sector.

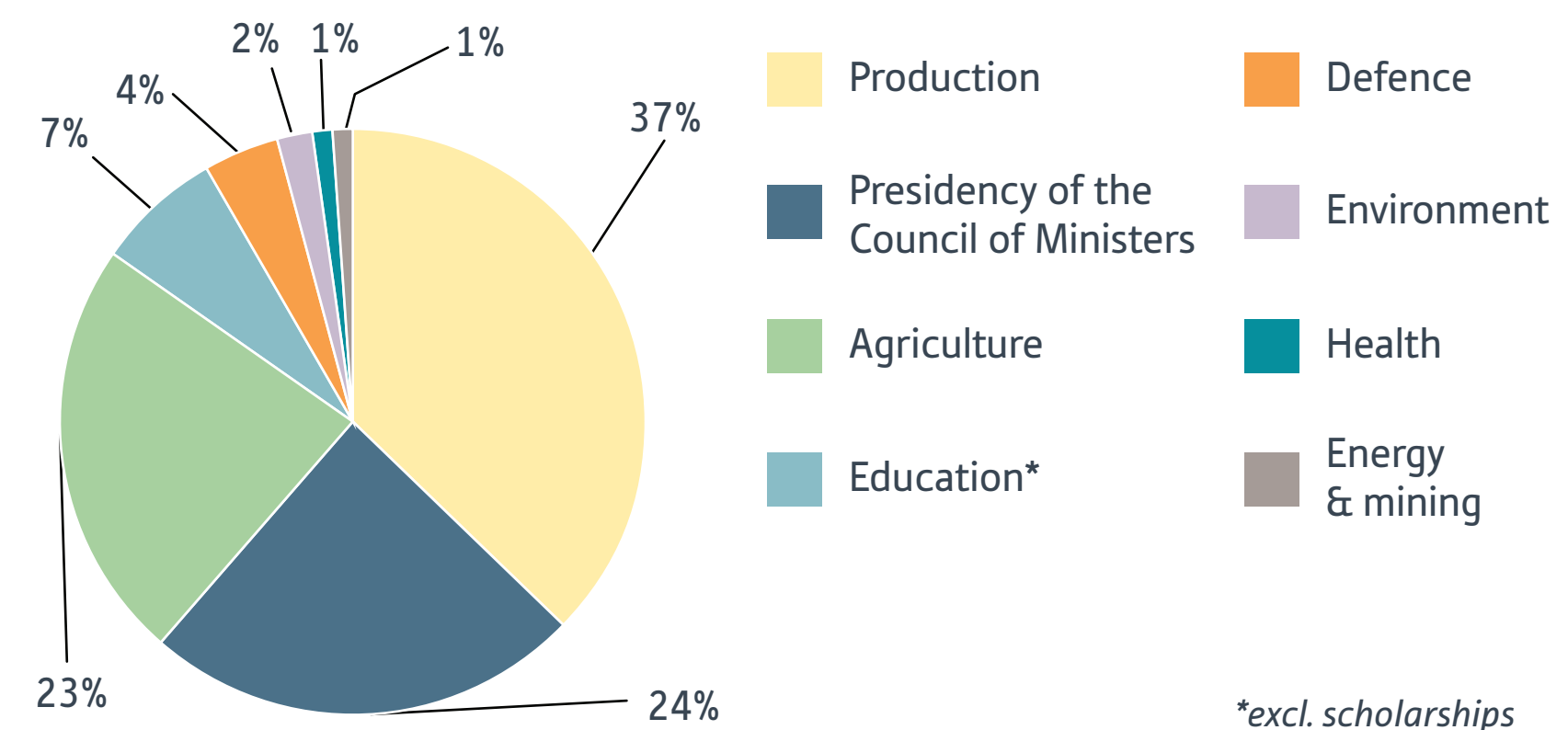
To reduce the vulnerability of temporary and permanent crops in the face of water scarcity, the Ministry of Agriculture and Irrigation is implementing a solar power irrigation project that will provide water for 300 ha of farmland in the Tumbes region.

Case Study: UTEC Ventures – together with Alicorp, the largest Peruvian consumer goods company – have launched a start-up accelerator to create innovative, tech-based solutions for food production. Its main goals are improving the nutrition and health of families across the region, and strengthening the supply chain. It seeks to give distributors and retailers a more prominent role in transformative practices through the creation of new, innovative and scalable business models, and developing food products for large or vulnerable populations.

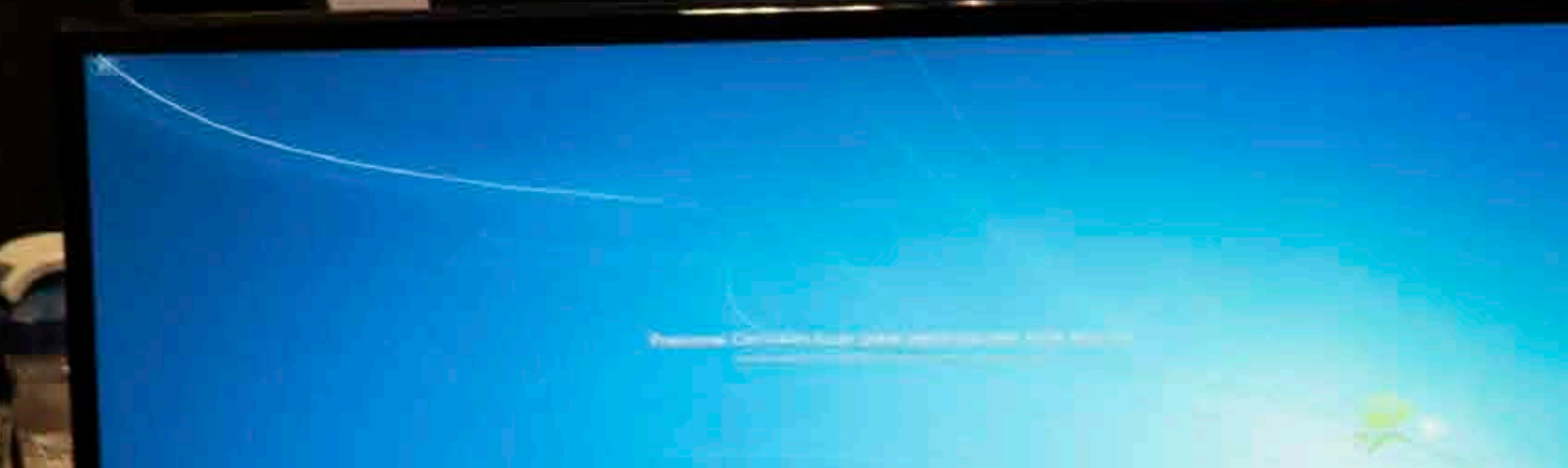
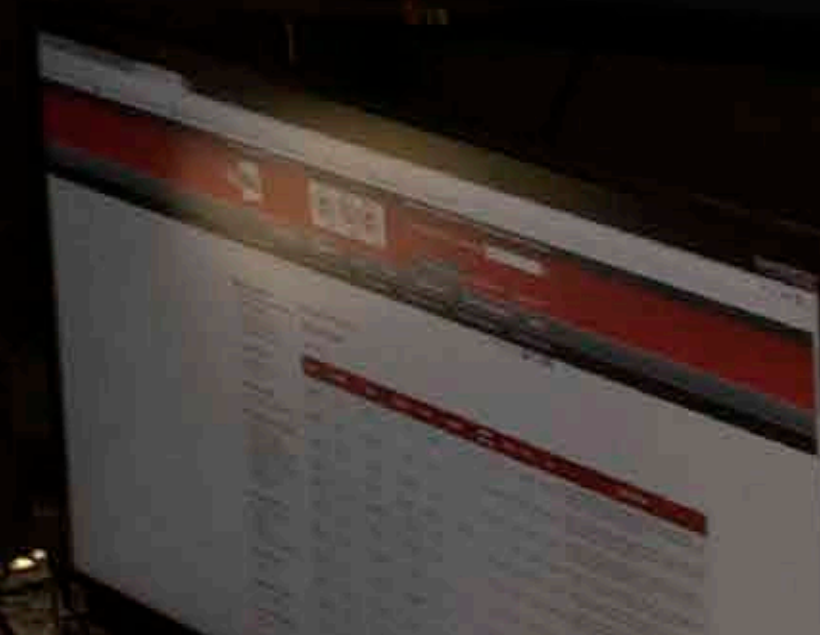
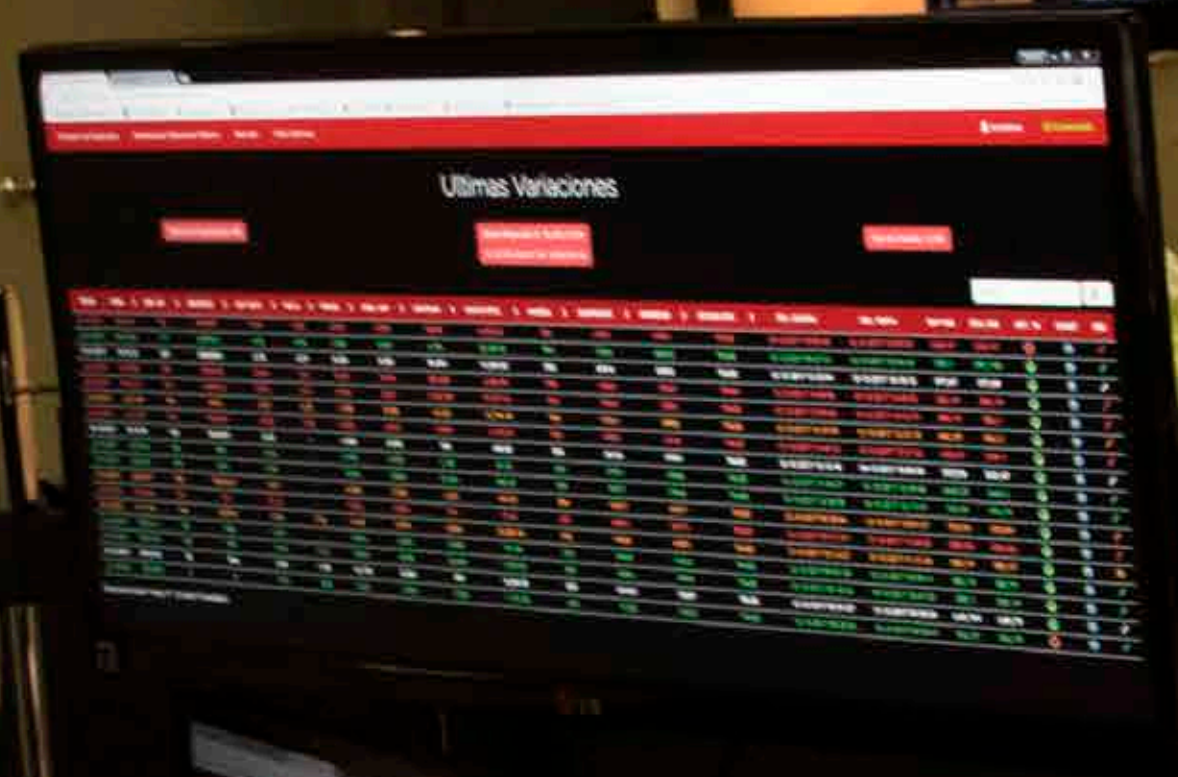
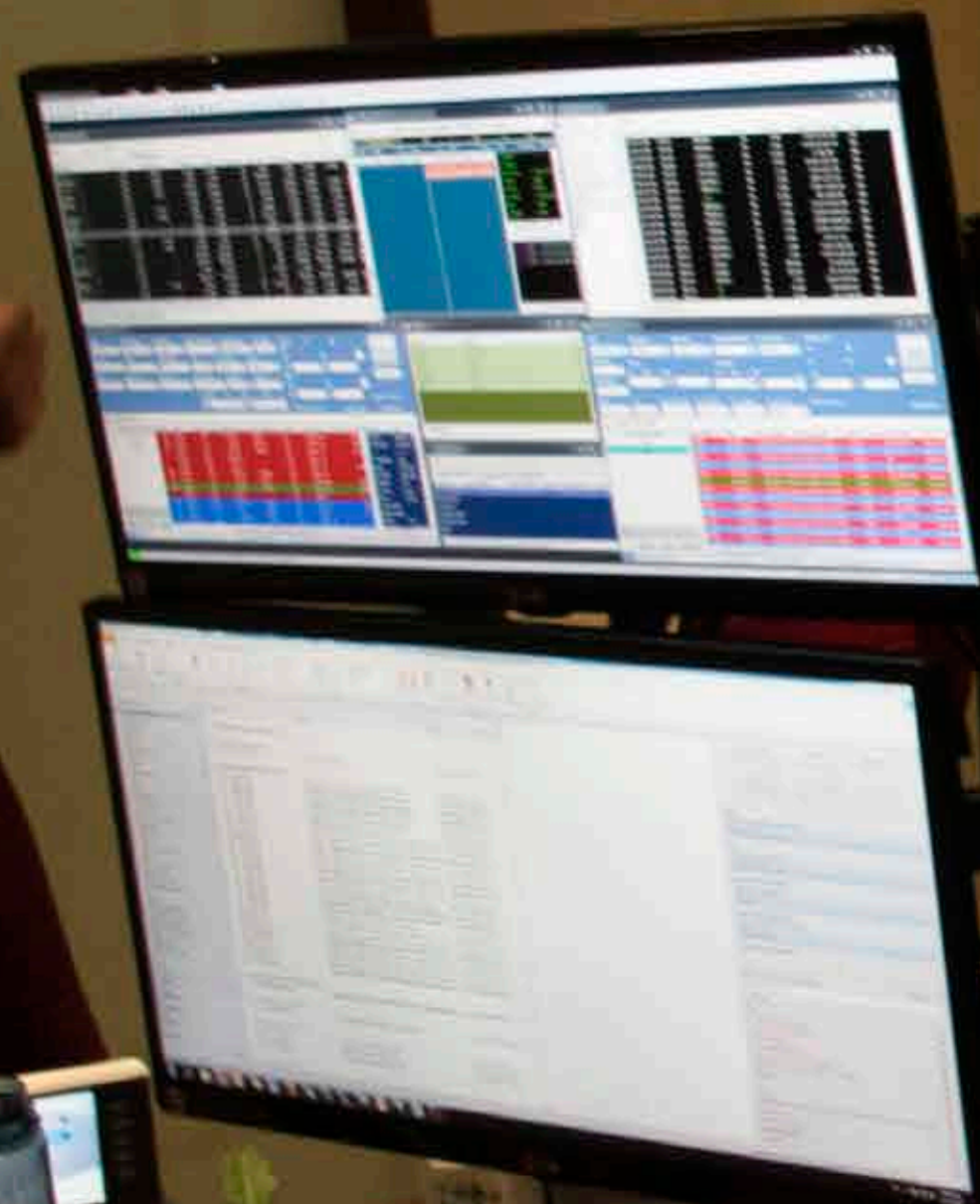
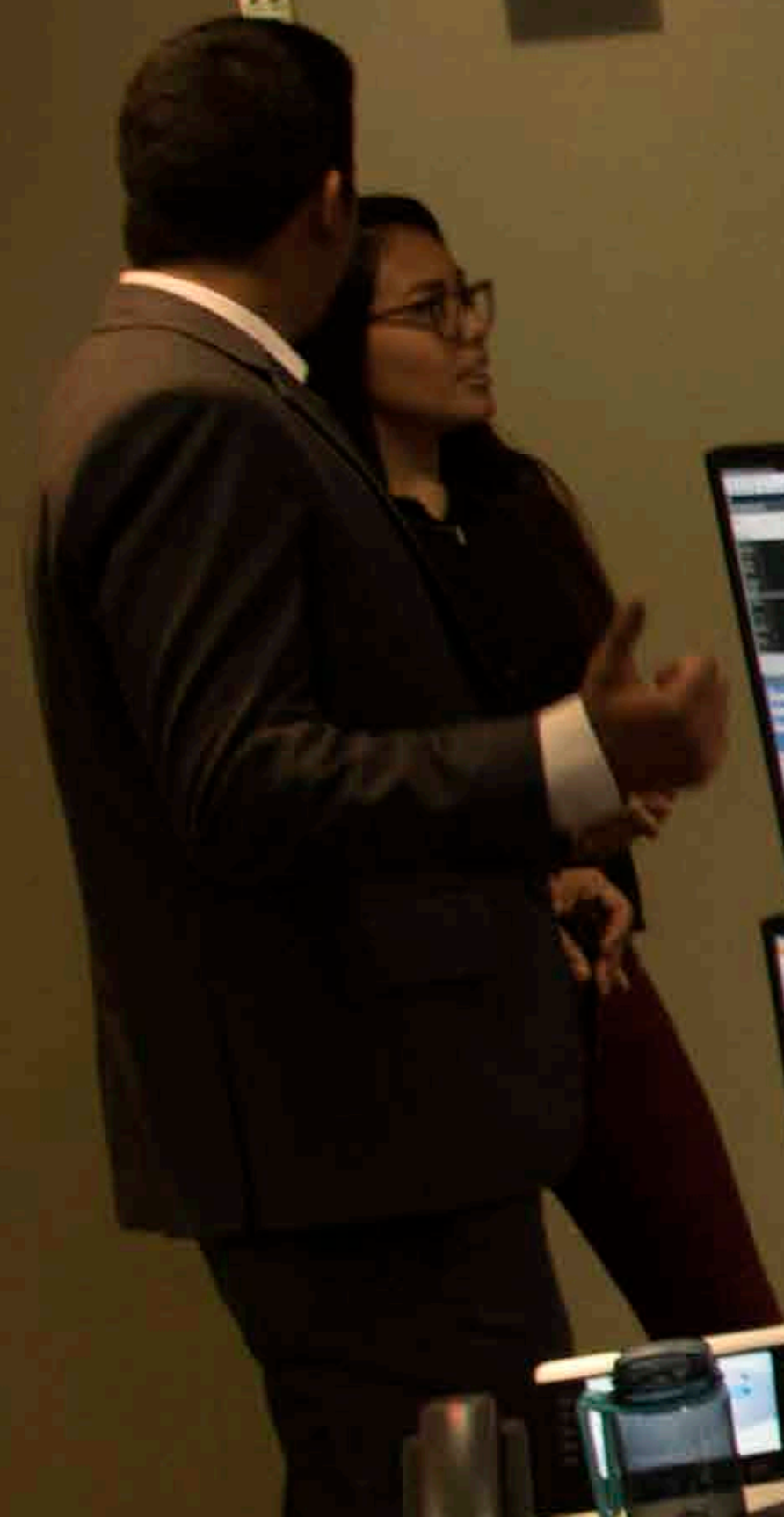
In April 2021 the governments of the US and Peru signed a memorandum of understanding to boost joint efforts to modernise the Peruvian forestry sector



Public investment in science, technology & innovation by sector, 2018 (% of total budget)



FINANCIAL SERVICES



Although affected by the pandemic, the financial sector evolved substantially over the last 18 months

The banking crises of the 1980s and 1990s left Peru with a highly concentrated, conservative banking system with one of the region's most solid foundations, and ample capital and liquidity buffers. However, despite the increases registered in domestic lending to the private sector, access to credit remains comparatively low.

The economic impact of lockdowns and mobility restrictions in Peru was among the most severe in the region. However, the financial industry maintained sound and solid sustainability indicators, and the country's debt risk was and remains among the lowest in the region.

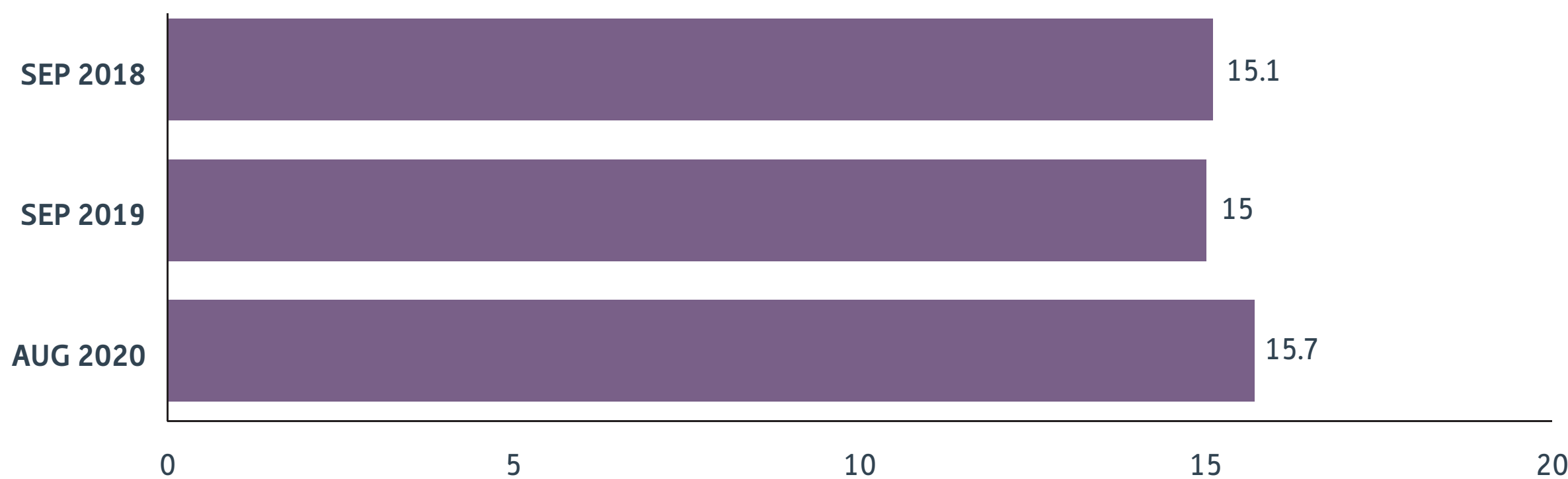
In the early months of the pandemic Reactiva Perú, a financial platform for government-backed loans to companies, allowed sectors to continue operating without disrupting the chain of payments and liquidity, and guarantee the continuity of banking services and activities. Additionally, in December 2020 the central bank announced it would offer long-term interest rate swaps and repos to enable banks to hedge against rising rates on long-term loans such as mortgages and corporate loans.

Foundation

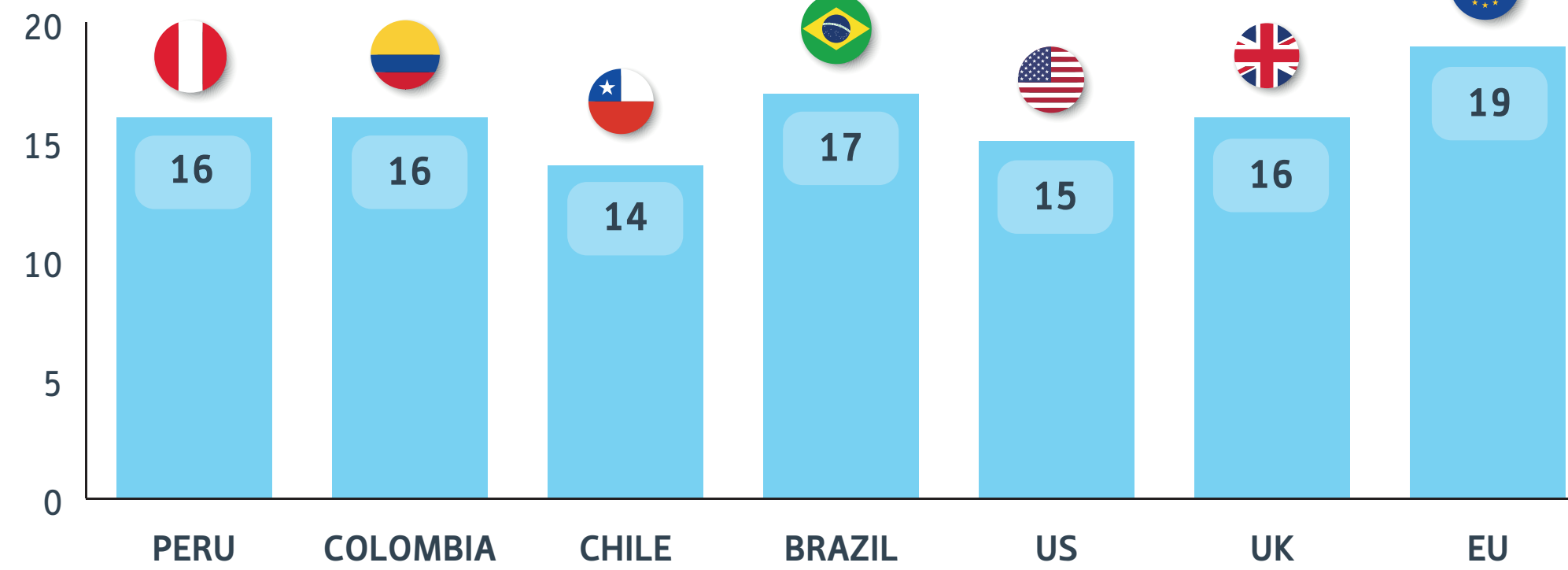
Location

Evolution

Peru's capital adequacy ratio, 2018-20 (% of risk-weighted assets)



Pre-pandemic capital adequacy ratios (% of risk-weighted assets)



The financial sector has been a cornerstone of macroeconomic stability and will be central to recovery

“The expected rebound in economic growth and ample support packages will aid local banks’ asset quality and boost profitability,” Moody’s Investors Service noted in April 2021. “Moreover, strong liquidity and solid core deposit funding will continue to support Peruvian banks’ financial profiles in 2021,” the ratings agency added.

Although the financial industry has robust foundations, some significant improvements are needed. According to the World Economic Forum, its acutest weakness is the financing of companies and entrepreneurs, mostly small and medium-sized enterprises, a category in which Peru ranks 95th globally. Financial technology (fintech) firms are emerging to fill the gap left by commercial banks, finding opportunities to develop and expand financial services and products to reach a wider range of clients.

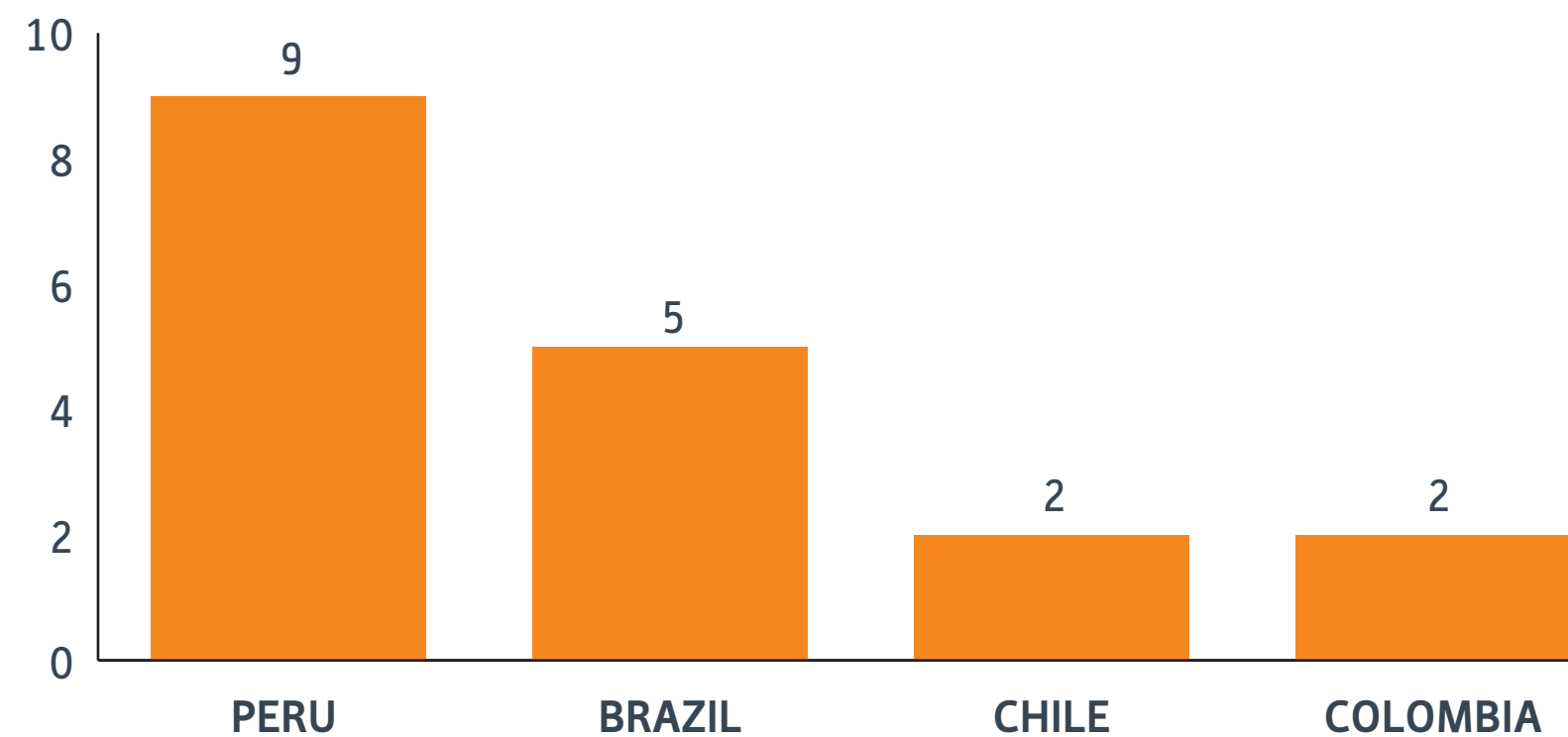
Traditional banks and fintechs can collaborate to make the sector more resilient and competitive. Commercial banks should continue to invest in digital transformation and not view fintechs as replacements, but rather as avenues to incorporate new risk schemes into business models, allowing digitalisation to dovetail with penetration. It is important to set the conditions for balanced regulation that allows fintech to operate within a fair market framework, and increase awareness and financial education so clients understand potential benefits and risks.

Recovery

Rebound

Reinvention

Government credit support programmes (% of GDP)



In April 2021 Moody’s Investor Service changed Peru’s banking system outlook from negative to stable



By September 2020 the Reactiva Perú programme had granted \$14bn in government-backed liquidity assistance to support lending across the economy



In recent years stakeholders have coordinated to boost uptake of green finance in Peru's financial markets

Highlights of the financial sector's green journey

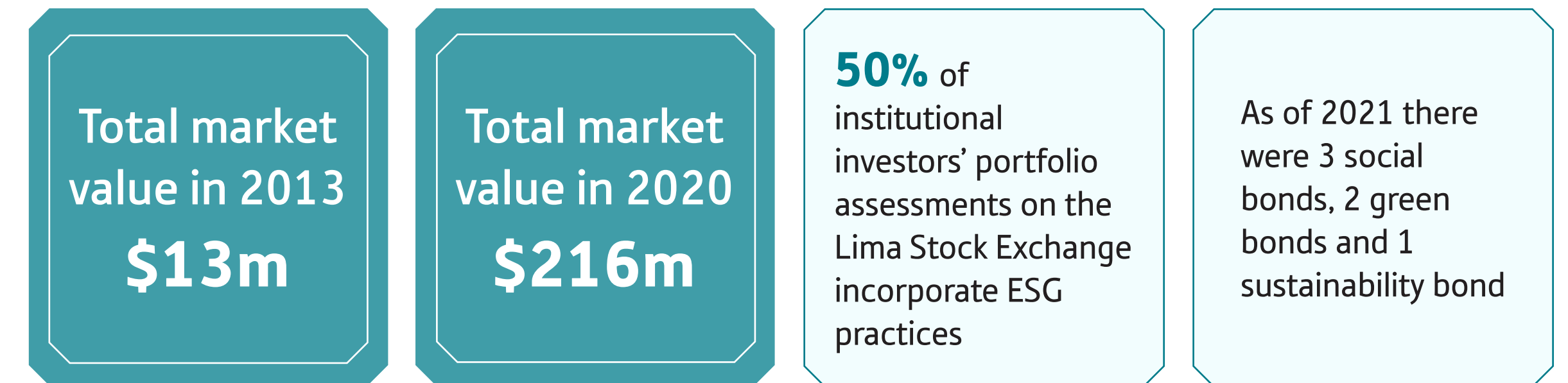


Goals: Both public and private initiatives are key to accelerating the adoption of ESG standards in the financial industry



Solutions: Since 2015 successive administrations in Peru have strengthened the legal framework around ESG in the financial sector. That same year the Regulations for Social and Environmental Risk Management were issued, aimed at promoting the implementation of good governance practices by financial organisations, as well as setting minimum requirements for social and environmental risk management.

Global growth in the value of green bonds



Pandemic-fuelled digital acceleration in financial services is set to increase due to high demand-side activity

A changing outlook

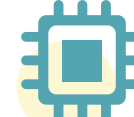



Significant progress on banking penetration in Peru has been made with the aid of digital technologies. The most popular digital payment solution is the digital wallet, which is mostly used for person-to-person payments. There has also been a substantial increase in the use of contactless technology in credit and debit cards due to social-distancing rules and health-related concerns due to the pandemic.

Banking operations conducted through digital platforms during the pandemic grew rapidly to the point that they were matching or even eclipsing ATM or point-of-sale terminal activity. For instance, the number of new accounts opened through digital platforms at BBVA has grown roughly seven-fold since the start of the pandemic.

This has enabled Peruvians to access different financial opportunities and has improved the perception of fintech, which should be accelerated further in the context of a more stable and dynamic economic outlook post-pandemic.

The role digitalisation can play in the deployment and expansion of financial services is not only relevant, but also necessary, and the substantial increase in digital banking usage, in tandem with an increase in digital products and services during the pandemic, exemplifies this.

Key structural challenges to address for further sector transformation

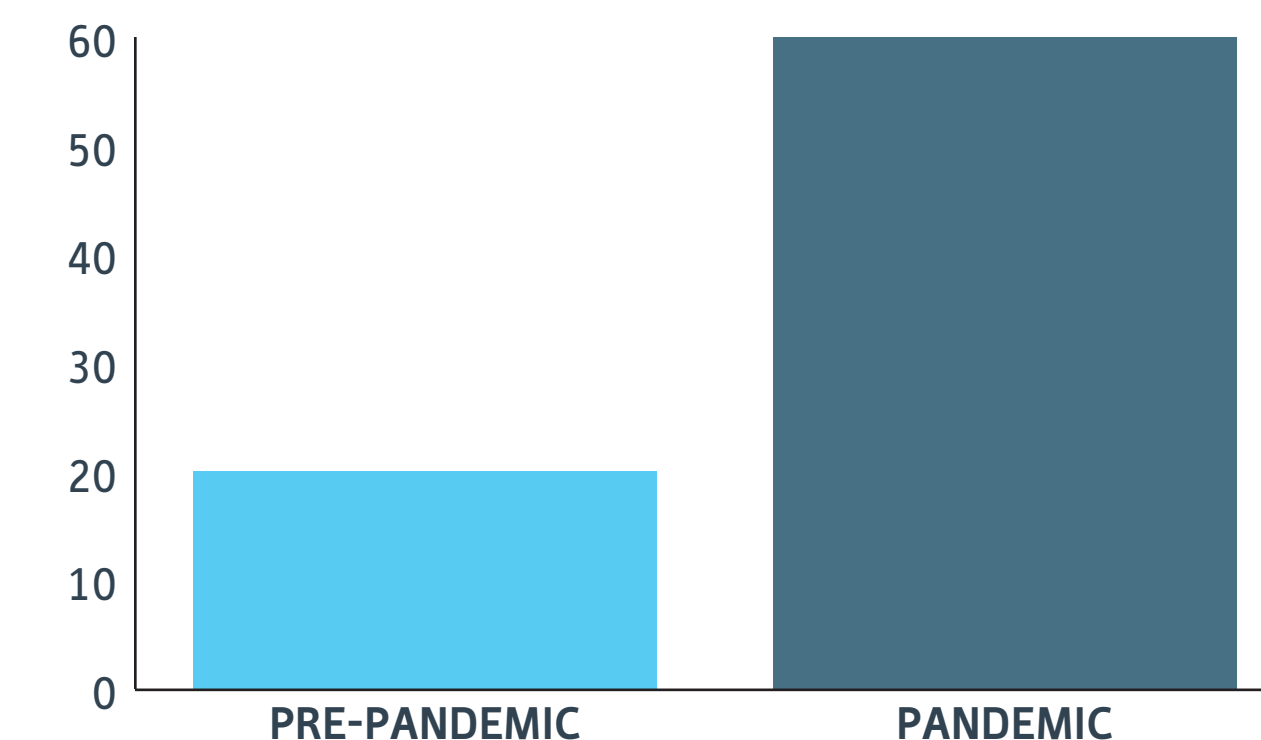
-  Digital infrastructure gaps, especially in remote parts of the country
-  Limited individual access to the internet
-  Lack of financial education
-  Misconceptions about functionality and security of digital banking

Tailoring public policy

In order to broaden the use of digital technology in the financial sector, efforts are being focused on increasing the number of adults with an account at any financial institution, and expanding internet network coverage across the whole country

Amid the acceleration of digital transformation in financial services that was taking place during the Covid-19 pandemic, BBVA Perú updated its digital banking services, introducing a new mobile app called GloMo that uses facial and tactile recognition. This makes BBVA the first financial institution in Peru to use biometrics technology to strengthen security, ease access and improve consumers' banking experience.

Banking operations via digital platforms (%)



Informal labour counts for **70%** of Peru's economy; only **25%** of this cohort (70%) has a savings account

Three-fold increase in mobile banking app users during the pandemic

Government policy targets

75% adults to have an account at any financial institution by 2030

52% internet network coverage penetration by 2030

Adrián Revilla Vergara, General Manager, Automotive Association of Peru



Which technologies and processes could be employed to renew the national vehicle fleet, and make it more efficient and sustainable?

REVILLA: With an average age of 13 years, Peru's vehicles are largely outdated. This results in major pollution across urban centres, as well as higher costs for users and insurance companies when there are accidents or repairs needed. Since Peru is not a car-manufacturing nation, most of the technology related to this industry is imported. However, progress towards more efficient and sustainable vehicles can be achieved with the right public policies, more Euro 6 diesel and petrol cars, and refineries supplying fuel nationally. The latter will be possible by the second half of 2024, according to the Ministry of the Environment and the Ministry of Mining.

How can Peru expand the presence of electric cars in the country?

REVILLA: In Peru 0.5% of new cars sold are electric, while in Costa Rica, Mexico and Colombia this figure is substantially higher, at 2-3%. Although Peru has experienced a significant increase in the purchase and use of electric motorcycles, mostly in urban areas, sales of electric cars remain marginal. The vehicle industry requires a set of new comprehensive policies; a regulatory environment that boosts the import, distribution, sale and mobility of electric vehicles, either through tax reductions or exemptions for imports; and tax incentives for distributors or consumers.

Greater uptake of electric vehicles also requires free and unrestricted mobility within urban areas, ample parking spaces, and a robust and well-distributed network of electric charging stations across the country. Similarly, the market needs to build a pool of trained professionals that can work on electric vehicles. More affordable batteries – which are expected by 2024 – would also contribute to making electric cars less expensive. In line with this objective, the Automotive Association of Peru

has proposed a 10% reduction in consumer tax and an additional reduction in value-added tax to boost demand. Growing the electric vehicle segment from its current marginal status to a relevant industry in Peru will require the right context and take six to seven years, according to some estimates.

What are the goals of the National Electromobility Plan, and how would their achievement impact society and the environment?

REVILLA: The motorisation rate in Peru, at 10.36 inhabitants per passenger car, is somewhat more sustainable than the Latin American average of 5.36. However, given that 99.9% of vehicles in the country use petrol, diesel, liquefied petroleum gas or compressed natural gas, Peruvian vehicles are more polluting and less environmentally friendly on the whole. The goals of the National Electromobility Plan related to updating the country's vehicles by 2030 are three-fold: to have at least 20% of annual new private vehicle sales, 50% of new government vehicle purchases and 35% of public transport fleet purchases be electric or hybrid. However, it is key to foster the right market conditions to ensure consumers view the choice of electric vehicles as financially attractive in the short term and cost-effective in the long term. According to some analysis considering the business as usual (BaU) and high case (HC) scenarios, the introduction of financial incentives will allow parity prices between electric and conventional vehicles to be attained in 2025 (HC) or 2036 (BaU) for light and heavy vehicles, and in 2022 (HC) and 2030 (BaU) for buses.

In the Lima and Callao areas around 11,000 deaths are caused by air pollution each year, and over \$1.5bn in health-related costs are incurred. In an ideal scenario, the achievement of the National Electromobility Plan's goals would result in a 48% drop in CO₂ emissions by 2030, with positive effects for Peruvians and the environment.

“
The association has proposed a 10% reduction in consumer tax and an additional reduction in value-added tax to boost demand for electric vehicles
”

CASE STUDY: Climate Change and Sustainability Services (CCaSS)

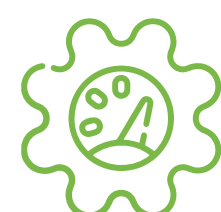
How can best sustainability practices be implemented in Peru?

- ▶ Material analysis
- ▶ Development of long-term value sustainability strategy
- ▶ ESG due diligence
- ▶ Identification, analysis and prioritisation of stakeholders
- ▶ Maturity analysis
- ▶ Materiality analysis



EY helps companies shape their long-term value strategies, undertake transformation initiatives to support that strategy and quantify these non-financial value drivers so that these can be successfully communicated to all stakeholders

- ▶ Social return on investment (SROI) analysis
- ▶ Valuation of natural capital
- ▶ Development of ESG outcome-measurement framework and tools



EY developed the total value approach to measure the value created by the company, the value it shares with its stakeholders and the impact of the company on society

- ▶ Sustainable purchasing strategy
- ▶ Assessment of financial and non-financial risks
- ▶ Value chain assurance in compliance with ESG factors



EY helps to locate, assess risk, analyse and develop strategies for clients to understand and manage environmental, social and governance risks in their supply chains

- ▶ Non-financial reports using standards such as GRI, IIRC, SASB, TCFD, SMV, etc
- ▶ Assurance of non-financial reports
- ▶ Contribution analysis to the UN Sustainable Development Goals

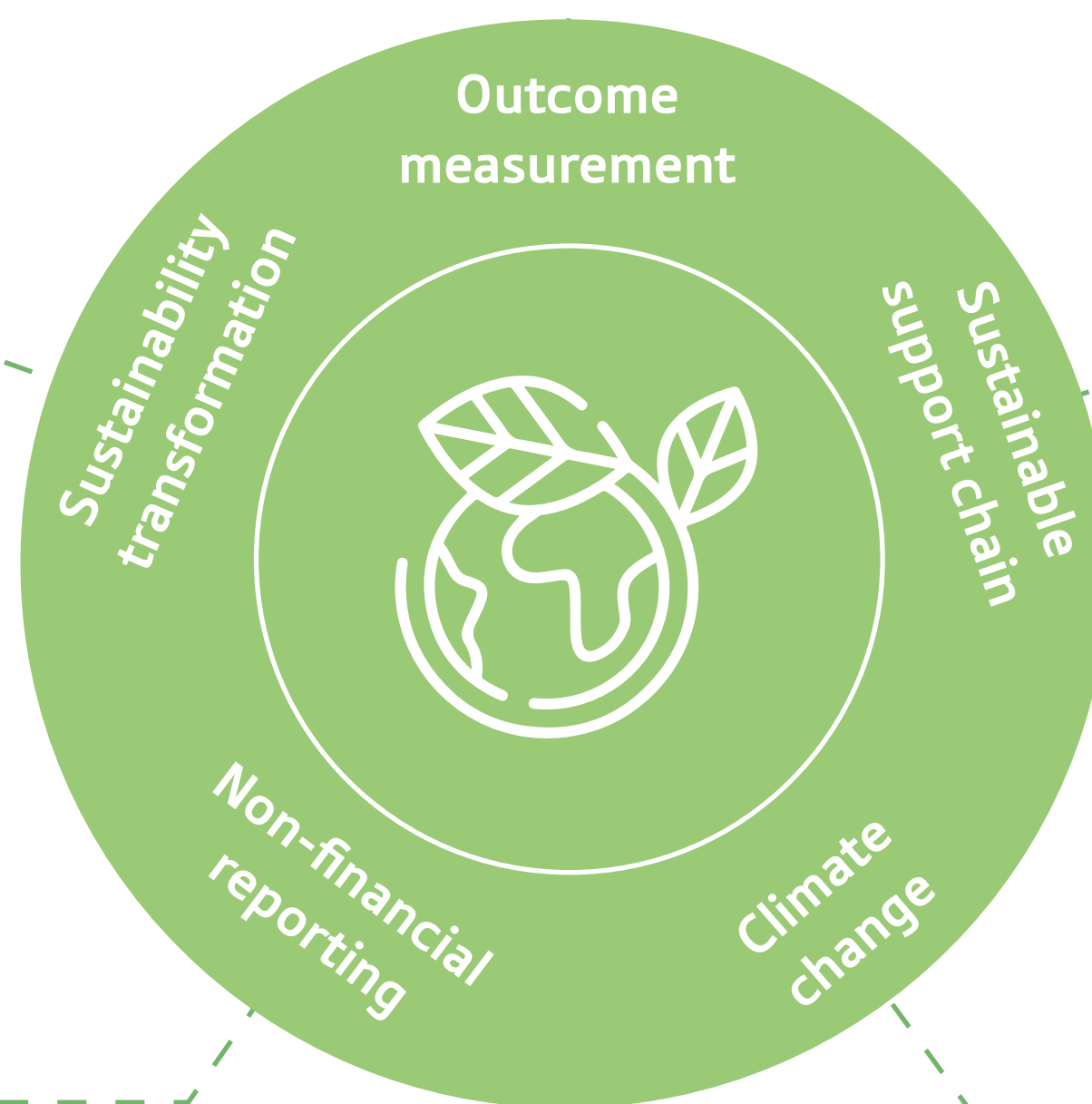


EY helps clients accelerate the fulfilment of these new reporting expectations from executives, shareholders, investors, employees, consumers and other stakeholders

- ▶ Advisory and assurance of green, social and sustainable bond issuance
- ▶ Assessment of risks and opportunities related to climate change
- ▶ Climate change modelling
- ▶ Design of adaptation and mitigation strategies
- ▶ Carbon neutrality strategy and GHG calculation



EY can help organisations maximise these opportunities by designing mechanisms to meet compliance requirements efficiently, manage risk and think strategically



6 Key Takeaways

1

Promoting ESG-related practices across multiple sectors of the economy is of the utmost relevance, given Peru's vulnerability to climate change and the prevalence of socio-economic inequality

2

Covid-19-initiated digital transformation across the economy and society has boosted competitive practices in many sectors, yet more coordinated implementation is needed to ensure the country reaps the benefits

3

As one of the least digitalised and most socially disruptive sectors, mining can benefit from more rigorous ESG and digital transformation practices. These would boost its acceptance in rural communities and help to achieve greater productivity.

4

Agri-business is central to employment and exports. As such, incorporating more ethical and innovative practices along the value chain will prove beneficial for the environment and marginalised communities that remain highly vulnerable to climate change.

5

Financial services are in a strategic position to ride the dual waves of digitalisation and green finance to boost financial inclusion and promote greater awareness of ESG issues in the sector

6

Closer collaboration between the public and private sectors, including the involvement of individual citizens, can act as a catalyst for further sustainable transformation across all sectors

ESG INTELLIGENCE