

# ESG BUSINESS OUTPERFORMANCE: ETHICAL IMPACT

**ASA**  
Going The Extra Mile



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ESG or Environmental, Social and Governance are three essential elements of businesses today. What was initially viewed as an added compliance, is now regarded as a vital part of business strategy. This reflects the growing appreciation of the importance of managing ESG issues as a core part of business, and the potential risks involved in ignoring them. A company's business stakeholders are increasingly considering ESG performance while determining future business dealings. The evidence is overwhelming: Good E&S management and governance improve business performance. Integration of these value-creating practices provides powerful synergy for innovation, competitiveness, and business growth.



## E ENVIRONMENTAL

- Greenhouse gas emissions, carbon footprint
- Pollution & Waste Management
- Biodiversity, water and land use
- Depletion of resources/deforestation



## S SOCIAL

- Employee relations & diversity
- Equitable working conditions
- Development of local communities
- Health, safety and security



## G GOVERNANCE

- Board diversity and structure
- Management and internal controls
- Donations and political lobbying, corruption and bribery
- Transparency and disclosures

# ESG - The Global Scenario

The EU's Sustainable Finance Disclosure Regulation (SFDR), which came into effect in March 2021, is designed to drive capital toward sustainability oriented investments

Corporate Sustainability and Reporting Directive (CSRD) by EU also introduces tougher reporting requirements and audits of ESG related information

In US, SEC (Securities Exchange Commission) has launched a task force to address ESG related issues in line with government's sustainability policy

The Investment Company Institute Board, USA - enhanced ESG disclosures by public companies

Sustainable Development Goals (SDGs), the United Nations Guiding Principles on Business & Human Rights (UNGPs), are now advocated across the globe

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*Growing reporting requirements by regulatory bodies necessitates adherence to best ESG practices*



# ESG in India – The Law

- The Securities Exchange Board of India (SEBI) makes it mandatory for the top 1000 listed companies (by market capitalization) to furnish a Business Responsibility and Sustainability Report (BRSR) based on the 9 principles of the Indian government's National Guidelines on Responsible Business Conduct.
- This is proposed to apply to all Companies and Limited Liability Partnerships by FY 2026-27



# ESG & You

Sustainable ESG strategies increase business resilience and help improve overall company performances

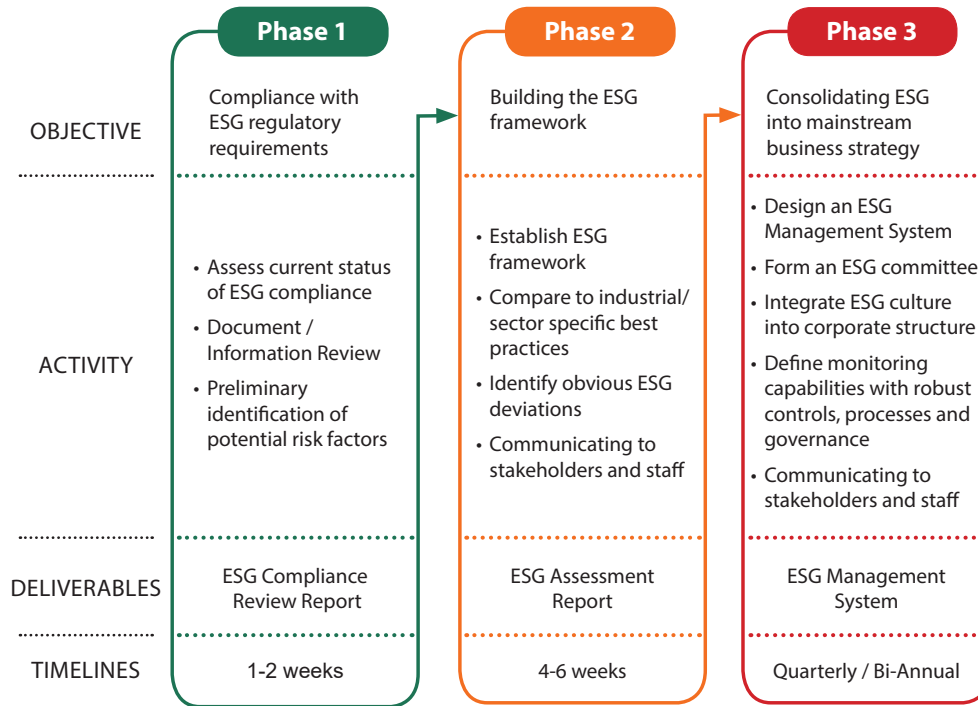
- Stakeholders such as customers, employees, shareholders, vendors, investors, etc. want to know about the company's ESG efforts.
- Attracting top talent at operational or board level now requires a strong ESG positioning
- Strong ESG positioning leads to preferential treatment from investors
- ESG has direct impact on your business valuation – over 25% of listed companies globally are ESG rated
- The BP oil spill and Volkswagen emissions scandal proves that public and media scrutiny on a laggard ESG performance can seriously damage your valuation, brand and reputation



# ESG Assessment

ASA's ESG advisory team assists companies in formulating an ESG framework and strategy post a diagnostic check in line with global best practices. We also offer impact assessments for strategic investors on targets to check for non-compliances with ESG parameters.

## Our phase wise approach to ESG compliance



## Benefits of an ESG Assessment

- Reduce operational cost by lower energy consumption
- Helps boost top line growth by manufacturing sustainable products
- Identify potential risk and material issues for the buyer or investor
- Flagging community / labour issues
- Improve favorable ranking and reputation amongst customers, suppliers and regulators
- Asset optimization by allocating capital to more sustainable plant and equipment

# ESG and Business Valuations

Based on the ESG Assessment, primarily the compliance check, our teams re-work the impact on the business valuation. There are prescribed guidelines to valuation calculations incorporating the ESG impact when using valuation techniques like cost approach, sales comparison approach, income approach, etc. Our teams are well geared and understand the impact of identified ESG gap on the business valuation.

## Benefits of ESG Valuation

- Facilitate better negotiation by integration of ESG factors into M&A price & Share Purchase Agreement
- PE/VC funds get investee companies that perform better in the long run including offering a higher return on capital, stronger value creation and better management of longer term risks
- Companies with ESG valuations get larger access to a larger pool of investors including ESG focused funds, sustainability funds and impact funds etc.
- Better risk management and better performance for ESG compliant investments



# Meet the Experts



**Subir Gupta** (*Advisor*)

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Subir is a Chemical Engineer with over 40 years' experience in Sustainability, including Environmental Social & Governance (ESG) assessments and Due Diligence, Environmental, Health & Safety Management, Process Safety Management, Hazardous Waste Management, Site Investigation, Environmental Impact and Risk Assessment.



**Hemant Agnihotri**

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Hemant, an alumnus of IIM - K, has over 15 years of experience in corporate finance and investment banking with exposure across the entire spectrum of a deal cycle including fund raising, partner search, valuation, structuring and negotiations. He advises clients on ESG related issues impacting M&A and PE transactions.



**Vinay KS**

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Vinay is a chartered accountant with over 16 years of experience in auditing and accounting consultancy services. He specializes in Corporate Audit Services, Risk Assessment, Internal Audit, System Reviews and J-SOX. He is actively advising clients on ESG regulatory framework and on governance parameters.



**Gaurav Bhatia**

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Gaurav is a Chartered Accountant with over 12 years of experience. He holds a certification in Forensic Accounting & Fraud Detection from ICAI and has significant expertise in Quality Assurance Reviews, Corporate Audit Services (Indian GAAP), Internal Audits and advising on social and governance parameters measuring the sustainability impact.



**Sivaraman V**

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Sivaraman is a Chartered Accountant with over 10 years of experience. He is an Information System Auditor and is certified in International Financial Reporting Standards and Business Responsibility and Sustainable Reporting.



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\*This document has been prepared as a service to the clients. We recommend that you seek professional advice prior to initiating action on specific issues.

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