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Environmental, Social, and Governance (ESG)

Transfer Pricing (TP)

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ESG – A background



Environmental (E)

Covers the impact of change on the current global climate and related risk management practices.



Social (S) Refers to an entity's relationship with various stakeholders like employees, customers, investors, suppliers, the government, etc.



Governance (G)

Addresses the standards for running a company with transparency and accountability.

Why is ESG important?

ESG scores are a non-financial performance indicator used by banks and financial institutions to analyse a company's creditworthiness. ESG investments offer improved access to capital markets with reduced capital costs. Emerging evidence suggests that investing in ESG not only leads to **rapid growth and high valuations** but also helps reduce costs by focusing on operational efficiency and waste reduction.

Building a socially conscious brand to satisfy customers who are increasingly selecting brands with strong ESG credentials. Safeguarding from the financial implications of ESG risks like supply chain disruptions, reputation damage, etc. Satisfying **stakeholder demands** of heightened business transparency with responsible and ethical business practices.

Ensuring compliance with current **ESG regulations** as well as staying ahead of more stringent regulations likely to be introduced in the future.

Interplay between ESG and TP

Governments are increasingly promoting sustainability objectives, requiring businesses to go beyond existing legal requirements towards adopting a more ESG-based approach. These initiatives are bound to impact tax management, and the road to net zero is expected to drive new partnerships, collaborations, and related restructuring activities. Considering the changing scenario, businesses find tax advisory at the core of ESG, right from diligence to tax structuring.



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