

The Daily Dispatch

Weekly Special Feature

February 16, 2024

ESG is rising in importance in M&A

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For both businesses and investment firms, the last few years have seen an increasing focus on environmental, social, and governance (ESG) factors in corporate valuation—so much so that a company’s commitment to ESG and the effectiveness of its ESG programs have become important factors in mergers and acquisitions (M&A). It’s increasingly common for ESG to be among the primary rationales for a transaction.

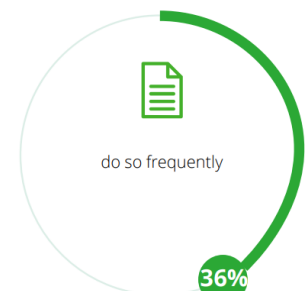
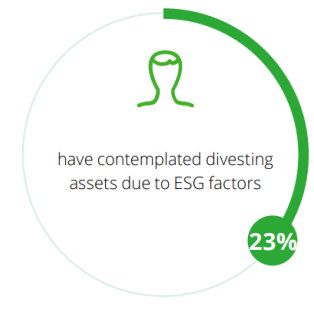
As companies strive to prioritize sustainability, responsible practices, and long-term growth, understanding the tax and legal implications of ESG in M&A becomes crucial. The result is a range of new challenges—and potential opportunities for those with the knowledge and skills to address them.

By integrating ESG into valuation and M&A processes with the help of tax and legal professionals, businesses can effectively evaluate and showcase their ESG investments. This integration leads to benefits such as cost savings, enhanced reputation, compliance with regulations, and enduring sustainability. Embracing ESG not only fosters long-term success but also opens up new, valuable opportunities for businesses.

This article explores ESG’s impact on the M&A lifecycle, including due diligence, valuation, negotiation, and post-merger integration, and its growing influence on how deals are done. It then addresses the associated challenges from a tax standpoint, including those which are related to the due diligence process, and the critical role of tax leaders in managing ESG metrics throughout the M&A lifecycle.

ESG’s rising importance in M&A

A recent Deloitte client survey exploring the evolution of capital allocation strategies among global businesses underscores the continuing momentum towards ESG.



The reason for this interest is clear: Successful ESG initiatives are increasingly viewed as value drivers. We found that 65% of businesses believe that ESG boosts enterprise value, while 40% see it as a competitive advantage with the potential to create value. And higher M&A premiums aren’t far behind.

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A recent Deloitte analysis found that ESG-focused renewable energy providers averaged valuation to EBITDA multiples of 15.2x in M&A deals between 2019 and 2021, compared to 6.1x–12.8x for traditional oil and gas companies.

With numbers like these, treating ESG as marginal or “nice to have” is no longer an option. A solid track record in this area can improve access to capital while attracting investors, talent, customers, and suppliers. In short, successful ESG can expand strategic opportunities and enhance an organization’s ability to weather economic cycles.

Read the full article at [Deloitte](#).

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TODAY'S TOP NEWS

San Miguel Group wins bid for NAIA makeover

The Department of Transportation officially announced Friday San Miguel Group as the winning bidder for the P171 billion contract to rehabilitate, operate, and maintain the country's main international gateway.

Cash remittances rose 2.9% in 2023

Overseas Filipinos sent a record-breaking \$37.2 billion in personal remittances to the Philippines in 2023, up by 3.0 percent from \$36.1 billion in 2022, according to the Bangko Sentral ng Pilipinas (BSP).

Maynilad spending P2.7b to replace Manila's old pipes

West zone concessionaire Maynilad Water Services, Inc. (Maynilad) said Thursday it is spending P2.7 billion from 2023 to 2027 for its non-revenue water (NRW) management program in Manila where water loss is highest due to an aging pipe network and rampant illegal connections.

Angkas supports PUV modernization

Homegrown motorcycle taxi operator Angkas said Thursday it is supporting the government's public utility vehicle (PUV) modernization, but called for a more comprehensive approach to address the concerns of all stakeholders.

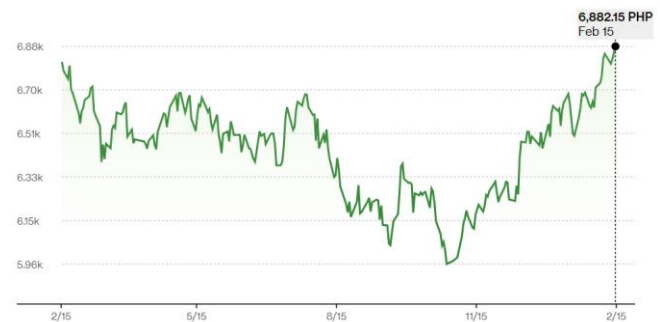
URC breaks ground for mega Batangas factory

Food manufacturer Universal Robina Corp. (URC) said Thursday it broke ground on its new mega production plant in Malvar, Batangas. URC said in a statement the new manufacturing facility, covering an area of 30.7 hectares, will employ some 3,000 workers directly and indirectly.

Special Announcement

Deloitte and Primeiro Partners join forces in the Philippines in a move to strengthen Deloitte's end-to-end M&A capability in Southeast Asia

Philippine Stock Market Update



Previous Close:

6,882.15

1 Yr Return:

3.57%

Open:

6,893.22

YTD Return:

6.56%

52-Week Range:

5,920.47 - 6,931.55

Source:

Bloomberg

Foreign Exchange

As of February 15, 2024

US Dollar	Philippine Peso
1	56.02

BVAL Reference Rates

As of February 15, 2024

Tenor	Rate
1Y	6.092
3Y	6.097
5Y	6.173
7Y	6.201
10Y	6.237
20Y	6.334

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MORE LOCAL NEWS

BSP keeps rate steady as price risks ebb

The Philippine central bank kept its benchmark interest rate at a near 17-year high for a third straight meeting on Thursday, as policy makers remained watchful despite easing consumer prices. The Bangko Sentral ng Pilipinas (BSP) left the target reverse repurchase rate (RRP) at 6.5% at its first policy meeting of the year.

PH foreign investment pledges rise to record

Approved foreign investment pledges in the Philippines almost quadrupled last year, buoyed by economic growth that was one of the best performing in Asia last year, according to data from the local statistics agency. Pledges hit a record P889.07-bn (\$15.9-bn), about 3.7 times higher than a year earlier and the highest since 1996.

Aboitiz group keen on developing more airports

Aboitiz InfraCapital, Inc. is eyeing to develop more airports in the country after securing the original proponent status for the development, management, and expansion of two regional airports, the company's president said.

ALI to glam up malls with P13B makeover

Upscale property developer Ayala Land Inc. (ALI) will be spending P13-bn for a makeover of its flagship shopping centers to meet the needs and preferences of the "new era." Ayala Malls has engaged global design consultants for the makeover of its premier shopping centers.

Offshore wind GEA planned for either 2024 or 2025

The Department of Energy (DoE) said that it is planning to hold the Green Energy Auction (GEA) for offshore wind projects this year or in 2025. In an energy forum held on Thursday, DoE Undersecretary Rowena Guevarra said that the GEA being held this year is possible but there will be several factors that need to be sorted first.

Meralco to power Metro Manila subway

The Department of Transportation (DOTr) on Thursday signed a deal with the Manila Electric Company (Meralco) for the distribution utility to power the Metro Manila Subway project. In a news release, the DOTr said its partnership with Meralco allows the latter to construct facilities at the Valenzuela Depot of the Metro Manila Subway.

Marcos vows to boost agri productivity

President Ferdinand "Bongbong" Marcos Jr. on Friday renewed his commitment to boost agricultural productivity in the country. Marcos made the remark after he inspected the P550-million Soil Laboratory Building that is presently under construction in Agusan del Sur.

Sunlight Air to move operations to Clark

Starting April 1, boutique airline Sunlight Air will mainly operate in its new home, Clark International Airport (CRK). The carrier said that while it will primarily operate from CRK, its existing booth at Terminal 4 of Ninoy Aquino International Airport would cater exclusively to flights between Manila to Cebu.

Cross-border tax policy on 'case-to-case' basis

The Bureau of Internal Revenue (BIR) on Friday clarified that its taxation policy on cross-border services would be implemented on a case-to-case basis. Commissioner Romeo Lumagui Jr. said those covered by the regulation would be determined during the auditing process.

Higher NAIA passenger fees upon private takeover

Filipinos should brace for higher passenger service charges (PSC) of as much as 95 percent at the Ninoy Aquino International Airport (NAIA) when its management goes to the hands of a private group. A document seen by The STAR showed that the PSC for domestic travelers will almost double to P390, from P200.

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TODAY'S TOP ASIAN NEWS

Thailand to offer medical coverage for tourists

Thailand has launched a scheme to offer visitors up to \$14K in medical coverage in the event of an accident, the tourism minister said, as the kingdom seeks to lure travellers back after the pandemic. Tourism minister Sudawan Wangsuphakijkosol said the new Thailand Traveller Safety scheme began on Jan 1 and will run until Aug 31.

F&N unit leases land for \$3.9M in Cambodia

Beverage company Fraser and Neave announced that its Malaysian unit Fraser & Neave Holdings Berhad (F&NHB) has agreed, through a subsidiary, to lease an industrial land parcel in Cambodia for a total consideration of \$3.9-mn. F&NHB intends to build a dairy manufacturing facility on the 32,200 square metre (sq m) land parcel.

Carousell co-founder Lucas Ngoo to step down

Carousell co-founder Lucas Ngoo announced on Feb 15 that he would step down from managing day-to-day operations at the online marketplace. In a LinkedIn post, Ngoo said that he will remain with Carousell in the capacity of co-founder and board director. He will also step in as an adviser when necessary.

Indonesia stocks jump with Prabowo win

Indonesian stocks jumped in early trading on Feb 15 as traders bet on policy continuity after Defence Minister Prabowo Subianto declared victory in the country's presidential election. The Jakarta Composite Index rose as much as 2.2 per cent, the most since May 2022.

BHP writes down AU asset value after nickel price falls

Mining giant BHP wiped billions off the estimated value of its Australian nickel operations, as it struggles to compete with a flood of cheap shipments from Indonesia. The Anglo-Australian company said it is writing down its assets in Western Australia by about US\$2.3 billion, citing "current market conditions".

TODAY'S TOP GLOBAL NEWS

US stocks advance, shrug off weak retail sales data

Wall Street stocks climbed again on Thursday, shrugging off weak retail sales data as investor bullishness lifted the market. The Dow Jones Industrial Average finished up 0.9% at 38,773.12. The S&P 500 gained 0.6% to 5,029.73, while the Nasdaq Composite Index added 0.3% at 15,906.17.

US retail sales fall; weekly jobless claims decline

US retail sales fell more than expected in January, pulled down by declines in receipts at auto dealerships and petrol service stations. A separate report from the Labor Department on Thursday showed initial claims for state unemployment benefits fell 8,000 to a seasonally adjusted 212,000 for the week ended Feb 10.

Nokia, Dell partner up for 5G, cloud networks

Nokia and Dell Technologies have agreed a partnership to help deploy private 5G networks and adapt networks to the cloud, they said in a joint statement on Thursday. The companies will also continue joint research and development efforts, including platform and application testing in the Dell Open Telecom Ecosystem Lab.

Global crypto laundering amount in 2023 falls

The amount of cryptocurrency laundered in the world fell in 2023 on the back of lower trading volume, said blockchain research firm Chainalysis. It said in its report released on Feb 15 that the global amount of crypto laundered in 2023 fell 29.5 per cent to US\$22.2 billion from US\$31.5 billion in 2022.

British economy fell into recession in 2H2023

Britain's economy fell into a recession in the second half of 2023, a tough backdrop for Prime Minister Rishi Sunak who has promised to boost growth ahead of an expected 2024 election. The Office for National Statistics (ONS) said GDP contracted by a worse-than-expected 0.3 per cent in the three months to December.