

ENVIRONMENTAL,
SOCIAL, AND GOVERNANCE

ESG

INFORMATION REQUESTS

Guidance for the Business Valuation Professional 2025

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Introduction

- 1) Entities will soon be required to comply with recent regulatory and corporate reporting requirements such as IFRS S1 and IFRS S2 standards issued by the International Sustainability Standards Board (ISSB), the European Sustainability Reporting Standards (EU ESRS), and the US SEC climate-related disclosure requirements. These new standards underscore the rising prominence of ESG (Environmental, Social, and Governance)¹ factors in impacting corporate value. ESG and sustainability considerations have become an inextricable part of how businesses are being operated today, as well as an important part of the investment decision-making process of investors.
- 2) With the introduction of required reporting on ESG factors comes an abundance of new information (in the form of disclosures) that can assist business valuation professionals in their assessments of risk and opportunities, and assist in the business valuation process. By thoughtfully considering ESG factors more explicitly with the help of these new disclosures, business valuation professionals can produce more robust valuations that meet the evolving needs of today's stakeholders.
- 3) The American Society of Appraisers (ASA), Chartered Business Valuators Institute (CBV Institute), Institute of Valuers and Appraisers, Singapore (IVAS), and Royal Institution of Chartered Surveyors (RICS) (collectively known as "Valuation Professional Organisations" or "VPOs") have jointly developed this document to assist business valuation professionals in the data-gathering stage of a business valuation engagement.

Objective and Purpose

- 4) This information request list is provided for informational purposes only. Its use is neither mandatory nor considered best practice for VPO members and firms, and the details included are not prescribed. This document is not intended to be a checklist and is not an all-inclusive list of questions. The business valuation professional must apply professional judgement when requesting information from Management that is applicable to an engagement's unique facts and circumstances.
- 5) Various valuation standards require business valuation professionals to consider a variety of relevant risks and opportunities, including ESG factors, that could impact a valuation. For the purposes of this document, the VPOs have agreed to reference the International Valuation Standards (IVS) effective January 31, 2025 (IVS 2025). IVS 2025 acknowledges that ESG factors may impact valuations, and states that business valuation professionals should consider significant ESG factors and the ESG regulatory environment when performing valuations to the extent that they (1) are measurable, and (2) would be considered reasonable by the valuer applying professional judgment.
- 6) IVS 2025 sets out broad, principles-based requirements for gathering information, which implicitly encompasses ESG-related data. As with all data and inputs to a valuation, the source of such information could be a client's management team ("Management"), or could consist of the valuation professional's own independent

1 ESG and sustainability are used as interchangeable terms throughout this document.

research or due diligence, or other external sources. This document addresses only information to be gathered from Management.

- 7) The goal of this document is to expand on IVS 2025's ESG-related requirements, so that business valuation professionals may more efficiently seek out and analyse ESG-related information. It does so by suggesting several pertinent questions for business valuation professionals to consider discussing with Management.
- 8) ESG disclosures can be viewed as important inputs to a valuation, and as such, business valuation professionals should be aware of relevant legislation and frameworks in relation to ESG factors impacting a valuation.

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- 9) **IVS 104 Data and Inputs: Appendix - “The *valuer* *should*² be aware of relevant legislation and frameworks in relation to the *environmental, social and governance factors impacting a valuation*.”**

a) Introduction

- i) In assessing what qualifies as “*relevant*”, business valuation professionals should consider all legislation, regulations, and frameworks that are applicable to the subject interest(s) being valued, taking into account whether these factors are likely to impact value. For example, Multi-National Corporations (MNCs) that fall within multiple jurisdictions may be required to follow multiple sets of ESG-related rules. Local and state legislations should also be considered.
- ii) Relevant legislations and frameworks may include applicable sections from:
 - a) Securities regulations
 - b) Accounting standards
 - c) Other regulations (e.g. local/state requirements, industry specific requirements, carbon offset legislations etc.)
 - d) Others (depending on client instructions and/or industry)
- iii) For privately-owned entities without specific regulations, business valuation professionals may look to relevant regulations and frameworks for public companies in the same industry as guidelines when determining what information to request from Management. Business valuation professionals should discuss and confirm with Management if any of the legislations and frameworks may be relevant to subject entity.

b) Sample questions

- i) Please identify all ESG related legislation and frameworks applicable to the business, and those that would generally be considered by market participants³.
- ii) Please identify which ESG related legislation or framework has the most significant impact on your business.

2 The term “should” is defined within IVS 2025 (Glossary 10.25) as: “The valuer is expected to comply with requirements of this type unless the valuer can demonstrate that alternative actions are sufficient”.

3 Market participants as defined under IFRS and US GAAP.

10) IVS 104 A10.01: “The impact of *significant ESG factors should be considered in determining the value of a company, asset or liability.*”

a) Introduction

- i) To assess the significance of ESG factors, business valuation professionals should first discuss and obtain all relevant ESG factors from the client, client’s ESG advisors, and/or Management of the subject interest.
- ii) A good starting point is to consider recent publicly available disclosures made by the company in accordance with the relevant frameworks (i.e. IFRS S1, IFRS S2, TCFD, GRI, ESRS etc.)
- iii) Business valuation professionals should then determine which factors are significant⁴ to value.

b) Sample questions on ESG disclosures/plans

- i) We have identified the following disclosures: [state any identified publicly available disclosures made by the company in accordance with the relevant frameworks (i.e. IFRS S1, IFRS S2, TCFD, GRI, ESRS etc.)]. Please confirm that we have identified all relevant publicly available disclosures, or please provide any that we missed.
- ii) Please provide any internally-prepared ESG related information (e.g. sustainability report, internal management/board report, materiality analysis, etc.), as of the valuation date.
- iii) Please provide any business plans, enterprise risk management assessments, or another documents approved by the board (or those charged with governance) as of the valuation date in addressing ESG risks⁵ and opportunities⁶.

c) Sample questions on significant disclosures

- i) What ESG factors has Management identified as having a significant impact on forecasted cash flows?
- ii) How has Management incorporated ESG factors (opportunities as well as costs) into their budgets and forecasts?
- iii) What, if any, conversations have Management had with lenders or investors about ESG factors? Have lenders or investors introduced any ESG-related targets or other requirements?

⁴ See paragraph 11 above.

⁵ The Recommendations of the Task Force on Climate related Financial Disclosures (TCFD) cites severity of extreme weather events (e.g., cyclones, droughts, floods, and fires), longer-term shifts in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise), policy and legal actions, technology changes, market responses, and reputational considerations as examples of possible risks for organisations. The actual risks will vary depending on the region, market, and industry in which an organisation operates.

⁶ The Recommendations of the TCFD cites resource efficiency and cost savings, adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain as examples of possible opportunities for organisations. The actual opportunities will vary depending on the region, market, and industry in which an organisation operates.

11) IVS 104 A10.06 “*ESG factors and the ESG regulatory environment should be considered in valuations to the extent that they are measurable and would be considered reasonable by the valuer applying professional judgement*”.

a) Introduction

- i) Sound professional judgement underpins all business valuation work, including determining the impact or significance of ESG factors.
- ii) What would be considered "*reasonable by the valuer applying professional judgement*" is subjective and may vary, requiring business valuation professionals to exercise their professional judgement.

b) Sample questions

- i) Please describe how Management’s cash flow forecasts (over the short, medium and long term) have incorporated ESG factors.
- ii) Please describe how Management calculated the cash flow impact estimates.
- iii) Have any incentives been set to hold leaders accountable for achieving target ESG metrics?

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