Dear Justina,

ESG is the acronym for **E**nvironmental, **S**ocial, and (Corporate) **G**overnance, the three broad categories, or areas, of interest for what is termed "socially responsible investors." They are investors who consider it important to incorporate their values and concerns (such as environmental concerns) into their selection of investments instead of simply considering the potential profitability and/or risk presented by an investment opportunity.

COP26 is the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change(UNFCCC). In the conference, the member countries are asked to raise their climate targets to limit global warming below 2℃, which ideally was 1.5℃ to avoid climate catastrophe. The main goals of COP26 are to meet net-zero by mid-century, protect people and nature by planning how to adapt to climate change, encourage green financing, and encourage collaboration and cooperation.

With reference to COP26, there shall emerge several **impacts on TCS's business** and the entire car manufacturing industry: asset allocation, compliance, corporate governance, climate disclosure, investors' sentiment, nature and biodiversity and reputational impacts.

The transition from combustion engines to electric vehicles will require TCS to partner with new suppliers for changes in the raw materials: for setting up charging stations, batteries and its supplementary products. Moreover, changes in the entire production units will require TCS from combustion engines to electric vehicles will require the company to allocate and invest a huge amount of capital. Such measures would have adverse effects on the company's financials: reduced EV / EBITDA, and dividend yields; increase in working capital requirements; increased debt for the upcoming quarters.

The current circumstances regarding ESG consciousness and Annual General Meeting within two weeks are an excellent opportunity for TCS to express its change in priority from shareholder to stakeholder capitalism rather than merely shareholder capitalism, especially when notable activists such as Eva Green are seeking for sustainability.

In addition, Section 172 of the Companies Act 2006 requires that the directors of a company must have regard to fulfilling his or her duty to promote the success of the company, which includes the interests of various stakeholders. This shall create both a challenge as well as an opportunity to convince her shareholders to stay invested in the longer term.

Furthermore, in context to ESG, TCS can amend its contracts or establish new rules for the existing suppliers or new ones that it shall continue doing business only when they show evidence that they are abiding by ESG. Greater usage of recycling of various wastes in manufacturing units is recommended along with a greater emphasis on transparency of supply chain management by the implementation of advanced technologies such as the Internet of Things (IoT), AI, and blockchain technology.

While we would like to conclude that the activist shareholder, Eva Green would be satisfied with the above-mentioned implementations, TCS ought not to underestimate her power as a shareholder. There are possibilities that she can initiate a proxy fight against TCS's Board of Directors and attempt to make a hostile takeover for which the company needs to prepare for either of hostile takeover tactics, the popular ones being poison pill, golden parachute, and perhaps crown jewel. TCS can be prepared by comprehensively detailing the roadmap for the upcoming quarters and convincing them that TCS shall make all efforts to adhere to ESG, and faith in the management's judgments.

Hope we addressed your query as per your expectations.

Kind regards,
Debasish Choudhury, Trainee Lawyer,
Slaughter and May.