



AZVIZORY



ESG Starter Kit for MSMEs: Unlocking Capital through Sustainability

The New Funding Frontier: Why ESG Matters for MSMEs

Revenue & Access

Global buyers and Indian majors are now screening suppliers based on their Environmental, Social, and Governance (ESG) performance. Businesses that have strong ESG fundamentals are more likely to win RFPs and export orders.

Capital

Investors are increasingly using ESG screens to evaluate investment opportunities. Businesses that can provide clean ESG data and have robust ESG policies in place can speed up the due diligence process and access capital more easily.

Cost & Risk

Improving energy and water efficiency, creating safer workplaces, and ensuring compliant waste handling can reduce operational expenses and incident-related risks, leading to cost savings and a stronger bottom line.

Talent

Younger workforce members often prefer to work for purpose-led, safe, and fair organizations. Embracing ESG principles can help businesses attract and retain top talent, giving them a competitive edge in the labor market.

Access Capital

Tap into \$35T+ sustainable investment market

Risk Reduction

Mitigate operational and regulatory exposures



Reputation Boost

Strengthen brand trust and customer loyalty

Competitive Edge

Gain advantage through early ESG adoption

Global ESG Funding Initiatives

Empowering MSMEs

The financial ecosystem for ESG-aligned MSMEs is rapidly expanding, offering unprecedented capital access for sustainable enterprises.

1

IFC Sustainable Finance Framework

IFC's guide highlights green bonds and ESG-linked financing for emerging market MSMEs with sustainability commitments.

2

Dedicated ESG Investment Vehicles

Funds like Aavishkaar Capital's \$250M ESG First Fund target MSMEs in Asia/Africa with strong ESG practices.

3

Public-Private Partnerships

Government bodies and development agencies partner with financial institutions to create ESG-focused funds for MSMEs.

4

Indian Green Finance Initiatives

Indian institutions like SIDBI promote green financing for MSMEs, encouraging sustainable practices and technologies.



ESG Reporting Made Feasible: Building Investor Confidence

Clarify metrics and ensure transparency in ESG disclosures to build trust with investors and stakeholders. Consistent, accurate reporting helps demonstrate tangible progress and commitment to sustainability goals.



1

Define Material ESG Topics

Start by identifying the ESG factors most relevant to your business. Focus on what truly impacts your operations and stakeholders to make reporting manageable and meaningful.

2

Establish Baseline Metrics

Determine simple, measurable indicators for your chosen ESG topics. Focus on collecting data you can realistically gather to establish a clear starting point.

3

Implement Tracking Systems

Utilize readily available and cost-effective tools, even spreadsheets or basic software, to consistently collect and organize your ESG data.

4

Create Transparent Reports

Develop concise, honest reports highlighting both achievements and improvement areas. Include specific, achievable targets for future performance.

- ✓ Frameworks like the SME Climate Disclosure Framework and B Impact Assessment offer simplified reporting structures specifically designed for resource-constrained businesses.

90-Day ESG Kickstart for Lean Teams

Adopting ESG for MSMEs can be simplified with a structured, phased approach, focusing on high-impact areas. This 90-day kickstart plan provides a practical pathway to integrate sustainability, build investor confidence, and unlock new growth opportunities.

1

Days 1–15: Baseline & Intent

Designate an ESG owner and team. Map top ESG risks and opportunities, collect existing data, and publish a simple 1-page policy on environment, people, and ethics.

2

Days 16–45: Fix High-ROI Items

Implement practical changes yielding immediate returns. Focus on energy efficiency (e.g., LED lighting, off-peak usage), people & safety (e.g., PoSH policy, incident logs), waste reduction (e.g., segregation, recycling), and ethical practices (e.g., vendor code, data handling SOPs).

3

Days 46–90: Measure, Disclose, Improve

Establish accountability, communicate progress, and set the stage for ongoing efforts. Track key performance indicators (KPIs), implement pilot initiatives (e.g., energy reduction), develop a concise one-page ESG fact sheet, and institute quarterly reviews.

Minimal KPI set

Environment

- Energy intensity (kWh per unit produced / per ₹ revenue)
- Renewable energy share (%)
- Water use per unit (litres/unit or per ₹ revenue)
- % waste recycled or co-processed

Social

- Total workforce; % women; new hires; attrition
- Training hours per employee per quarter
- Recordable incident rate (TRIR) and near-misses
- % employees covered by PoSH, ESI/EPF

Governance

- % critical suppliers with signed Code of Conduct
- Reported ethics concerns and resolution time (days)

Light-weight documentation pack

1. **ESG Policy (2 pages)** – commitment to environment, people, ethics, governance, grievance channel.
2. **Code of Business Conduct (2 pages)** – anti-bribery, gifts, conflict of interest, whistleblowing email.
3. **Supplier Code & 10-point questionnaire (2 pages)** – labour, safety, environment, compliance.
4. **PoSH Policy & ICC order (2 pages)** – names/emails of committee, annual training plan.
5. **H&S SOPs (2 pages)** – PPE, incident reporting, emergency contacts; a one-page toolbox checklist.

Sector Specific Focus Areas

For MSMEs, prioritizing ESG themes that align with their business is key. This targeted approach ensures ESG efforts are impactful and contribute to long-term value.

1

Environmental (E)

Focus on resource efficiency, waste reduction, and carbon footprint where most material.

- **Manufacturing:** Energy efficiency in production, sustainable materials sourcing.
- **Hospitality:** Water conservation, waste management, responsible tourism practices.
- **Agriculture:** Sustainable land use, water efficiency, biodiversity protection.
- **AI:** Energy consumption of data centers, sustainable hardware, e-waste management.

2

Social (S)

Prioritize fair labor practices, community engagement, and customer welfare relevant to operations.

- **Quick Commerce:** Ethical supply chains, fair wages, product safety and accessibility.
- **Tech/Services:** Employee well-being, diversity & inclusion, data privacy for users.
- **Healthcare:** Patient safety, equitable access to services, employee training & development.
- **Agri-business:** Fair labor for farm workers, community development, food security initiatives.

3

Governance (G)

Emphasize transparent decision-making, ethical conduct, and robust compliance.

- **All Sectors:** Anti-corruption policies, board diversity (if applicable), cybersecurity measures.
- **Financial Services:** Risk management, regulatory compliance, client data security.
- **Start-ups:** Clear ownership structures, ethical leadership, stakeholder engagement.
- **AI:** Data governance, AI ethics boards, transparency in algorithm design and use.

By focusing on the ESG aspects most relevant to their business, MSMEs can demonstrate sustainability, attract capital, and build valuable partnerships.

Measuring ESG Effectiveness: Key Metrics for Investor Confidence

For MSMEs, demonstrating ESG progress through key metrics builds investor confidence and unlocks funding opportunities.

Environmental (E)

Greenhouse Gas (GHG) Emissions Intensity

Measure CO2e per unit produced, service rendered, or distance traveled.

Renewable Energy Adoption

Track the percentage of energy from renewable sources and energy efficiency (e.g., PUE for data centers).

Waste Diversion Rate

Calculate the percentage of waste recycled, composted, or diverted from landfills.

Social (S)

Employee Turnover & Satisfaction

Monitor annual voluntary turnover rates, employee tenure, and satisfaction scores.

Diversity, Equity, and Inclusion (DEI)

Track representation of diverse groups in leadership, equitable access to services, and DEI training hours.

Community Investment & Impact

Measure employee volunteer hours, support for local suppliers, or value of micro-loans to underserved communities.

Governance (G)

Board Diversity & Independence

Assess the percentage of independent board members and gender/ethnic diversity on the board (if applicable).

Ethical Conduct & Compliance Training

Track the percentage of employees completing annual ethics training and reported ethics violations.

Data Privacy & Cybersecurity

Monitor data breaches, compliance with privacy regulations, and frequency of cybersecurity audits.

By consistently measuring and transparently reporting these metrics, MSMEs meet investor expectations and drive continuous improvement.

Success Stories: MSMEs Winning with ESG

These real-world examples showcase how strategic ESG implementation provides tangible funding advantages and market access for MSMEs in India.



Indian Textile Manufacturer

Transitioning to solar, water recycling, and fair labor certifications attracted a \$5 million private equity investment, enabling expansion and entry into premium European markets.



Indian Organic Agri-tech Startup

Adopting organic farming methods and fair trade practices secured \$3 million in impact investment, allowing them to scale operations and partner with major international food retailers.



Indian Renewable Energy MSME

Focusing on accessible rooftop solar solutions and local community employment led to a successful Series A funding round of \$4.5 million, supporting expansion into underserved rural areas.

Unlocking Diverse Funding

ESG initiatives provide access to new capital sources, including private equity, green bonds, and venture funding.

Expanding Market Reach

Strong ESG credentials open doors to premium markets and global clients.

Gaining Strategic Advantage

ESG acts as a powerful competitive differentiator, driving growth and positioning MSMEs for long-term success.

- ✓ By integrating ESG principles, MSMEs not only enhance their sustainability but also build trust with stakeholders, fostering stronger relationships and greater resilience in evolving markets. This holistic approach ultimately contributes to both financial performance and positive social impact.

Sustaining Momentum: The ESG Maturity Roadmap

The 90-day ESG kickstart begins a continuous journey. This roadmap outlines phases for MSMEs to deepen ESG practices, enhance reporting, and unlock value for long-term resilience and advantage.

Following the initial implementation, companies should focus on embedding ESG principles into daily operations, engaging stakeholders for feedback, and progressively improving transparency through regular reporting cycles. This iterative approach ensures sustained commitment and measurable progress over time.

1

Operational Integration & Policy Development

Embed ESG principles within core operations. Formalize policies to make sustainability a fundamental part of daily activities, focusing on resource efficiency, responsible sourcing, and employee well-being.

2

Value Chain Engagement & Impact Assessment

Extend ESG efforts by engaging suppliers and customers. Conduct impact assessments across your value chain to promote sustainable practices and identify collective impact opportunities.

3

Advanced Reporting & Performance Management

Transition to comprehensive ESG reporting. Implement robust systems for continuous KPI monitoring and use data for internal performance management, target setting, and transparent communication.

4

Innovation, Leadership & Strategic Advantage

Leverage ESG to drive innovation, develop sustainable products, and lead your industry. This enhances brand reputation, attracts talent, and secures access to capital from ESG-conscious investors.

By embedding ESG deeply into the corporate strategy, organizations not only mitigate risks but also unlock long-term value creation, positioning themselves as leaders in sustainability and resilience. This proactive approach fosters trust among stakeholders and ensures adaptability in a rapidly changing global landscape.

Azvizory's Role: Empowering MSMEs in the ESG Journey

Azvizory helps MSMEs integrate ESG principles, providing expertise and tools to turn sustainability commitments into financial and reputational gains.



ESG Strategy & Assessment

We assess ESG strengths, benchmark against peers, and develop customized strategies aligned with business goals and investor expectations.



Implementation Support

We provide practical guidance to embed ESG into daily operations, covering energy efficiency, waste reduction, and fair labor practices.



Simplified ESG Reporting

We assist in preparing clear, credible ESG reports that highlight key metrics, demonstrate progress, and build stakeholder trust.



ESG Certifications & Compliance

We guide MSMEs through relevant ESG certifications (e.g., B Corp, ISO 14001) and ensure compliance with evolving sustainability regulations, enhancing credibility and market opportunities.



ESG Training & Capacity Building

We empower your team with comprehensive training on ESG principles, regulatory requirements, and best practices to foster an internal culture of sustainability.



ESG Risk Management

We help identify and mitigate ESG-related risks, ensuring compliance, enhancing resilience, and protecting your business reputation and long-term value.

Partner with Avvizory to transform ESG commitments into a powerful engine for sustainable growth and a magnet for capital.

Conclusion: Embracing ESG to Unlock Growth Capital and Global Opportunities

MSMEs strategically embedding ESG principles become attractive investment partners, leveraging sustainability as a powerful differentiator in funding decisions and global supply chains.



By simplifying ESG adoption and focusing on impactful actions, MSMEs transform sustainability from a challenge into a powerful competitive advantage. ESG is not merely a compliance cost—it's a magnet for the capital and partnerships that fuel expansion and long-term success, positioning even the smallest enterprises for sustainable growth in a conscientious marketplace.

- ❏ **Next Steps:** Assess your current ESG performance and identify your most material ESG factors, develop simple metrics, and begin communicating your sustainability journey to investors and partners.

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