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ENVIRONMENTAL AUDITING AS A RISK MANAGEMENT TOOL: CASE STUDY OF AN AUTOMOBILE AXLE MANUFACTURING INDUSTRY IN INDIA

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Abstract

According to “polluter pays” principle, there is huge burden on the industries to remediate contaminated sites. Mergers and acquisitions of industrial sites is a preferred mode of growth for corporations. The management of the acquiring company should be mindful of potential environmental risks which they may inherit as part of the acquisition and take appropriate risk management actions. If not, they may face financial, reputation and other liabilities due to the “polluter pays” principle. This paper presents a case study of an environmental audit during acquisition of an Indian automobile axle manufacturing facility. This audit serves as a due-diligence process to identify environmental risks due to non-compliance with environmental legislation and potential release of environmental pollutants in the soil or groundwater at the time of transaction. The objective of this paper is to demonstrate that an environmental audit process can serve as an effective due-diligence or risk management tool to identify existing and future environmental liabilities at industrial sites. The environmental audit is thus an important tool to mitigate business risks during mergers and acquisitions, document the baseline environmental conditions at the facility; identify areas for improvement and ensuring sustainable compliance with environmental legislation.

Key words: compliance assessment, due-diligence, environmental site assessment, environmental audit

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