



Impacting investment and Environmental, Social and Governance (ESG) management

When making investment decisions, many institutional investors evaluate whether there are environmental (e.g. contaminated land), social (e.g. health, safety & human rights issues), and governance (e.g. bribery and corruption) issues that could result in reputational, operational and strategic risks.

There has been a shift away from risk and compliance-focused Environmental, Health, and Safety (EHS) assessments in the investment life cycle, to a more holistic ESG due diligence assessment which better identifies the sustainability risks and opportunities. Deloitte provides a tailored approach across the various phases of ESG management and the associated activities.

Environmental, Social & Governance Due Diligence (ESGDD)

What is ESGDD?

ESGDD is a process used to assess potential environmental, social and governance risks and impacts associated with a company, project, investment, or business transaction. ESGDD evaluates environmental, social and governance performance and recommends appropriate mitigation measures and corrective actions to mitigate risks and ensure compliance with relevant legislation and international best practices.

It considers factors such as environmental sustainability, equity, community relations, labour practices, human rights, health and safety as well as other social aspects to ensure compliance with regulations and identifies potential liabilities. It makes informed decisions about the investment's viability and potential impacts. It is also important to ensure there are no fatal flaws or condition precedent findings which could restrict or risk the potential sale or acquisition of the target company.

Reference Frameworks – The ESGDD is performed against:

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International Finance Corporation (IFC) Performance Standards
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Organisation for Economic Co-operation and Development (OECD) Guidelines
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World Bank Group’s General EHS Guidelines & Relevant Industry Sector Guidelines
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The International Association for Impact Assessment (IAIA) Guidelines and Principles for Social Impact Assessment

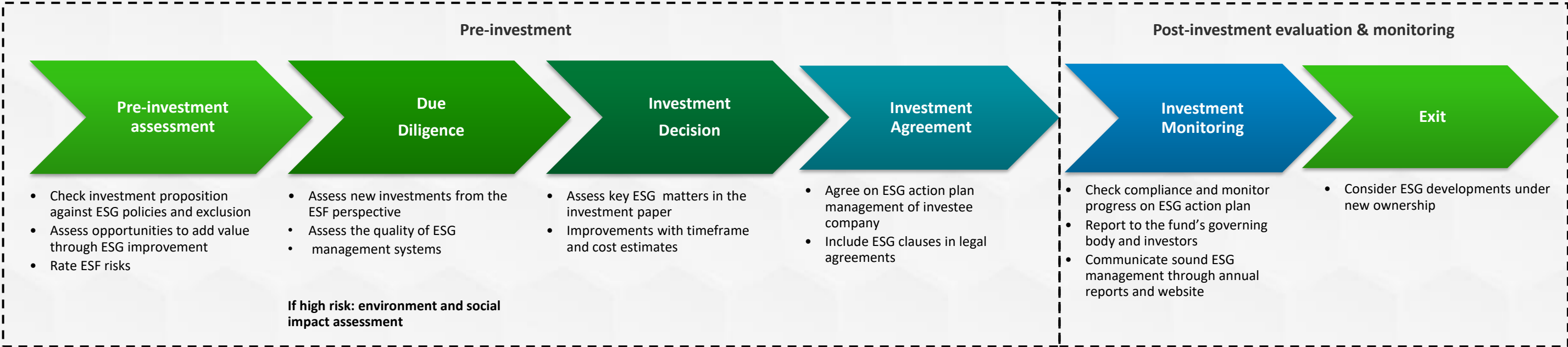
Pitfalls of ESGDD

- Incomplete and inconsistent data on ESG
- Failure to grasp the level of investments
- Validifying return of investment stakeholders

Payoffs of ESGDD

- + It addresses the issue of expensing, as investors often overlook items not included on the balance sheet
- + Assessment of reputational risks that may influence the company's valuation
- + Enhances ability to identify value enhancement opportunities

Our approach to Impact investing and ESG management



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