



ESG Due Diligence and Integration Services

IDENTIFYING ESG RISKS WILL HELP YOU MAKE AN INFORMED DECISION DURING TRANSACTIONS

UNDERSTANDING THE DRIVERS

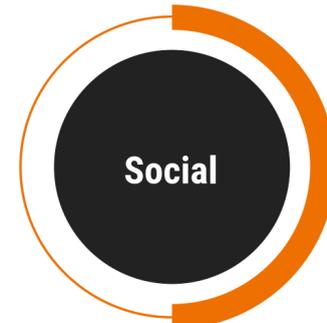
A comprehensive due diligence review is an important part of asset risk management. Identifying and understanding environmental, social, and governance (ESG) risks is now becoming a paramount part of the acquisition and asset management process. Why is ESG so important? In response to increasing regulations, investor pressure, and reputational risk, companies need to consider the potential impact an asset can have on their ESG performance. Reliable and accurate measurement of ESG performance, benchmarking performance against peers, and identifying opportunities for improvement during asset due diligence and property transfers is critical to making informed business decisions.

Traditional due diligence has commonly focused on environmental health and safety (EHS). Now with the shift of the investment community looking more deeply at borrowers, and regulations diving deeper into human and community health, the need to consider ESG is no longer a nice-to-have. Evaluating ESG during due diligence is necessary to understand the costs and time horizon of complying with ESG regulations in a new market. Further, understanding the short-term investment and longer-term return on investment associated with measuring, improving, and reporting on ESG performance during transactions is crucial to continued business profitability and growth.



Environmental

Factors associated with environmental performance, climate change, and pollution



Social

Factors associated with workplace practices, human capital, and communities



Governance

Factors associated with ethics, accounting, and governance structure



Phases:	Target identification and screening	Due diligence data review	Post-closure and integration
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UNDERSTANDING THE BUSINESS VALUE

It is critical to understand what level of ESG risk your company is comfortable with based on what is material to the business. When considering ESG in your due diligence process there are questions your company should consider.

- 1 What ESG topics are material to your business principles?
- 2 What are the ESG Key Performance Indicators (KPIs) set by your organization and where do those metrics currently stand?
- 3 What ESG and climate-related regulations apply to the asset?
- 4 How does the asset being acquired impact your ESG performance?
- 5 What actions, at what cost, and over what time horizons, would need to be taken so that integration of the acquired company does not negatively impact your ESG KPIs?

Stantec's ESG advisory team can help you answer all those questions.

IDENTIFY AND MANAGE YOUR RISKS

Stantec has the tools and experience to answer these questions.

Environmental

- Are environmental requirements met?
- How exposed is the company or property to environmental risks?
- What are potential environmental deficiencies (e.g., past practices, pollution, accidents, contaminations)?
- How aligned is the company's or property's environmental performance with your environmental goals?

Environmental criteria to be examined:

- Environmental impact
- Environmental management
- GHG management/climate strategy
- Biodiversity/habitat
- Energy management
- Efficiencies: water, energy, CO₂
- Air, water, wastewater risks and impacts
- Wildfire risks
- Compliance/non-compliance
- Historic activities

Social

- Have social risks been identified?
- Are adequate social plans and policies in place to meet company social performance, goals, and standards?
- What gaps exist to adequately address social, health and safety, diversity, equity, and inclusion (DEI), and supply chain risks?
- How aligned is the company's or property's social performance with your social goals?

Social criteria to be examined:

- Social impact
- Freedom of association
- Human rights
- Occupational and environmental health and safety (OEHS)
- DEI
- Environmental justice/health equity
- Indigenous peoples
- Labor practices
- Supply chain management
- Product safety and stewardship
- Community engagement
- Cultural heritage

Governance

- Has the company or property been well managed?
- How can you minimize negative impacts/maximize opportunities to improve sustainability KPIs?
- How aligned is the company's or property's governance performance with your governance goals?
- How can ESG risks be minimized throughout acquisition and integration? How can sustainability KPIs be improved?

Governance criteria to be examined:

- Corporate transparency
- Supervisory board
- Business/ESG strategy
- Anti-corruption
- Shareholder structure
- Lobbying
- Data privacy and cyber risk

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