

# E&S due diligence

## *E&S in the investment cycle*

### OBJECTIVES

- Assess the E&S risks and opportunities of the proposed investment in order to allow the FI's CC to make an informed decision considering: (1) E&S factors; and (2) the company's and FI's capacity to address risks and capitalise on opportunities.

### ACTIVITIES

#### DEFINE THE SCOPE OF THE E&S DD

- Define the boundaries of DD. Findings at screening should guide the scope of DD.

#### PERFORM A DESK REVIEW

- Collect and review E&S documentation, including publicly available information and documents requested from the company.

#### ASSESS THE CLIENT'S COMMITMENT, CAPACITY AND TRACK RECORD

- Assess company's CCTR as these are key indicators of its ability to achieve and maintain expected E&S performance.

#### PLAN AND CONDUCT SITE VISITS

- Site visits are very valuable to confirm or change initial E&S assessments and gauge a company's CCTR and compliance with applicable E&S standards.

#### ASSESS THE NEED FOR E&S CONSULTANTS AND ENGAGE CONSULTANTS (where appropriate)

- Where appropriate, engage consultants with sound technical and geographical knowledge and expertise to assist with the E&S DD (e.g. 'High risk' investments).

#### ASSESS E&S RISKS AND IMPACT. PREPARE DUE DILIGENCE REPORTS

- Prepare a document for the CC summarising DD findings, including key E&S risks and opportunities, view on the company's CCTR, gaps and corrective actions.

#### DEVELOP AND AGREE AN E&S ACTION PLAN (where appropriate)

- Agree with the company a specific, measurable, achievable, realistic and time-bound E&S action plan to address any gaps/improvement areas.

#### ENSURE INFLUENCE AND OVERSIGHT (*See Investment Agreement and Ownership and Monitoring stages*)

- Start considering how to ensure sufficient influence and oversight post-investment, so that the company operates in accordance with the FI's requirements.

### OUTPUTS

- Record of E&S DD process.
- E&S action plan(s).
- E&S DD report.
- Summary of findings for the CC.

Abbreviations: CCTR, commitment, capacity and track record; DD, due diligence; E&S, environmental and social; CC, Credit Committee.

### KEY TOOLKIT RESOURCES

E&S in the investment cycle: Due diligence

E&S checklists

Sector profiles

E&S topics

Business integrity

CDC guidance: Site visits

CDC guidance: E&S action plans

CDC guidance: Specialist E&S assessments

CDC guidance: Assessing CCTR

CDC guidance: Working with management

CDC guidance: Working with consultants

Reference materials