

ESG IN THE INVESTMENT CYCLE – ESG DUE DILIGENCE

OBJECTIVES

- Assess the ESG risks and opportunities of the proposed investment in order to allow the fund's Investment Committee (IC) to make an informed decision considering: (i) ESG factors; and (ii) the company's and fund manager's capacity to address risks and capitalise on opportunities.

ACTIVITIES

DEFINE THE SCOPE OF THE ESG DUE DILIGENCE

- Define the boundaries of due diligence (DD). Findings at screening should guide the scope of DD.

PERFORM A DESK REVIEW

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

ASSESS THE COMPANY'S COMMITMENT, CAPACITY AND TRACK RECORD

- Assess company's commitment, capacity and track record (CCTR) as these are key indicators of its ability to achieve and maintain expected ESG performance.

PLAN AND CONDUCT SITE VISITS

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

ASSESS THE NEED FOR ESG CONSULTANTS AND ENGAGE CONSULTANTS (WHERE APPROPRIATE)

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

DEVELOP AND AGREE ESG ACTION PLANS

- Agree with the company a specific, measurable, achievable, realistic and time-bound ESG 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 fund's requirements.

PREPARE DUE DILIGENCE REPORTS AND SUMMARY FOR THE INVESTMENT COMMITTEE

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

OUTPUTS

- Record of ESG DD process.
- ESG Action Plan(s).
- ESG DD report.
- Summary of findings for the IC.

CDC ESG TOOLKIT RESOURCES

- [ESG in the Investment Cycle: ESG Due Diligence](#).
- [E&S Checklist](#).
- [G&BI Checklist](#).
- [CDC Sector Profiles](#).
- [CDC E&S Briefing Notes](#).
- [Governance and Business Integrity](#).
- [CDC Guidance: Site Visits](#).
- [CDC Guidance: ESG Action Plans](#).
- [CDC Guidance: Types of Specialist E&S Assessments and Reports](#).
- [CDC Guidance: Assessing Companies' Commitment, Capacity and Track Record](#).
- [CDC Guidance: Working with Management](#).
- [CDC Guidance Working with Consultants](#).
- [Downloads/Reference Materials](#).