

Screening and risk assessment

Chapter 8 and Appendix A. Screening takes ten minutes, on every deal, and must never delay the deal team. The risk assessment takes one or two days, on deals moving to exclusivity, and produces three outputs: a rating, a scope and a budget.

Target		Deal partner	
ESG lead		Date	

Question	Y / N	Finding
Stage one: screening, ten minutes		
Exclusion policy breach? (sector, activity, revenue threshold)		
Sanctioned entities or jurisdictions?		
Adverse media on the company, the founders or the major shareholders?		
Litigation or enforcement action in the public record?		
Sector inherent risk rating (table below)		
Stage two: risk assessment, one to two days		
Step 1. Inherent sector risk: the characteristic high-risk areas		
Step 2. Geography: governance, labour and environmental enforcement, physical climate exposure		
Step 3. Business model: sites owned or leased, and what was there before? Supplier concentration? Founder dependency? Customers in a transition? Growth by acquisition?		
Step 3. Customers: do major customers have sustainability requirements this company must meet?		
Step 4. The exit question: who buys this in five years, and what will they diligence?		

Sector	Characteristic high-risk areas
Industrial manufacturing	Site contamination, emissions and permits, occupational safety, energy cost
Chemicals and coatings	Substance regulation, product transition, contamination, process safety
Food and agriculture	Supply chain labour, water, deforestation-linked commodities, food safety
Consumer and apparel	Supply chain and forced labour, product safety, packaging regulation
Healthcare services	Patient safety, workforce, regulatory compliance, billing integrity
Business services	Data protection, employment practices, subcontractor labour
Software and technology	Data protection, product ethics, energy use of infrastructure
Transport and logistics	Fuel and emissions, driver safety, subcontractor employment status
Construction and real estate	Site safety, building energy performance, embodied carbon, subcontractors
Waste and environmental services	Permits, enforcement history, contamination, community relations

Output	Result
Preliminary risk rating	
Recommended diligence scope: what, and what NOT	
Estimated diligence budget, and why it is proportionate	
Phase II likely? Commission now: site investigations take weeks	

Full diligence: the checklist

Appendix A. Adapt to sector, deal size and inherent risk. Not every item applies to every deal: the discipline is to decide consciously which do not, and to record why.

Target		Consultant	
ESG lead		Date	

Item	Applies? Y / N / why not	Finding
Environmental		
Phase I at all owned and material leased sites; Phase II where Phase I indicates		
Contamination: historical use, incidents, migration risk, remediation cost RANGE		
Liability allocation: owned or leased; lease terms on remediation		
Permits: complete? Conditions close to breach? Transferable on change of control?		
Enforcement history: notices, fines, prosecutions		
Emissions and energy: consumption, cost, share of cost base, carbon pricing		
Water: withdrawal, discharge, water-stressed locations		
Waste: volumes, disposal routes, hazardous waste		
Product and process transition risk: restricted substances, substitution		
Physical climate: flood, heat, water stress, wildfire at key sites		
Social		
Health and safety: five-year record, fatalities, lost-time injury rate		
Health and safety SYSTEM: is there one, is it certified, is it used		
Workforce: headcount, turnover (voluntary and total), agency share		
Employment practices: contracts, working time, pay, disputes, unions		
Discrimination or harassment claims		
Supply chain: mapped? Audited? High-risk geographies or sectors?		
Forced labour indicators: recruitment fees, document retention, movement		
Community relations; data protection where personal data is processed at scale		
Governance		
Ownership structure, ultimate beneficial ownership		
Related-party transactions: identify ALL, value at arm's length		
Board: composition, independence, functioning, minutes		
Delegated authority: written? Observed?		
Financial controls: segregation of duties, authorisation limits, bank mandates		
Anti-bribery: policy, training, agents, public-sector customers		
Whistleblowing channel: exists? Independent? Used?		
Litigation and regulatory investigations		
Founder dependency and succession		

From finding to outcome: the IC paper section

Chapter 8. Two or three material findings, each with a cost range, its driver, a likelihood and ONE recommendation in deal language. Then what was not investigated. Then one line on the exit. No framework diagram, no matrix, no score.

Target		IC date	
ESG lead		Version	

Finding 1

What it is		Likelihood	
Probable cost range, EUR		Driver of the range	
Recommendation	Walk away / reprice / protect / condition / fix, or a combination: say which and why		
In deal language			
Exit implication			

Finding 2

What it is		Likelihood	
Probable cost range, EUR		Driver of the range	
Recommendation	Walk away / reprice / protect / condition / fix, or a combination: say which and why		
In deal language			
Exit implication			

Finding 3

What it is		Likelihood	
Probable cost range, EUR		Driver of the range	
Recommendation	Walk away / reprice / protect / condition / fix, or a combination: say which and why		
In deal language			
Exit implication			

Not investigated, and why

The exit line: the sentence partners remember

Split the liability, do not stack remedies on it: reprice the certain part, protect the uncertain part. Case one on the companion page shows the Chapter 8 example paying the buyer 0.4 million too much in every outcome because the price cut and the indemnity cover the same euro.

The post-completion action list

Chapter 9 and Appendix C. Converted from the diligence findings BEFORE completion and agreed with the deal team while they are still writing the hundred-day plan. An action list produced after the plan is a request; a workstream inside it is a commitment.

Company		Completion date	
Deal partner		ESG lead	

Must-do, immediately: legal or safety (an expired permit, an uncontrolled hazard, a related party to unwind)

Action	By when	Owner	Cost, EUR	Consequence of inaction

Must-do, within the year: structural fixes (safety system, remediation, basic governance)

Action	By when	Owner	Cost, EUR	Consequence of inaction

Value creation: upside, for the value creation plan

Action	By when	Owner	Cost, EUR	Consequence of inaction

Item	Done	Evidence or note
Days 1 to 30		
CEO meeting, framed around what you can help with		
CFO meeting: bring something useful		
Operational contacts: site, HR, health and safety, facilities		
Internal sustainability owner named IN WRITING by the CEO		
No policy pack sent. No data request sent.		
Days 30 to 60		
Baseline: energy, emissions, headcount, turnover, safety, board		
Estimates documented as estimates. No zeros for unknowns.		
One-hour materiality conversation with CEO and CFO: damage / value / who is asking		
One page of priorities: at most THREE for year one		
Days 60 to 100		
Standing board agenda item; one-page board report agreed		
Annual reporting calendar communicated		
One visible win delivered		
Company classified: engaged / capacity-constrained / resistant		

The company that does not engage

Chapter 9. Diagnose before you respond: a company that cannot has a resource problem, a company that will not has a leverage problem. Escalating a cannot as though it were a will not burns the relationship.

Company		Deal partner	
ESG lead		Date	

Diagnosis	Evidence	Response
Cannot: overwhelmed, mid-integration, a finance team of two		Reduce the ask to the minimum; do the work yourself; tell the investment team this company is deferred, and why
Will not: the CEO calls it a distraction, or simply does not reply		The escalation ladder below, in order, no step skipped

Step	Date	What was said or done	Result
1. Find the commercial hook: a customer asking, a tender lost, a margin ratchet, a competitor			
2. Reduce the burden: first cycle done for them, pre-filled template, an hour not a week			
3. The sponsor relationship, gently: the deal partner mentions it on the monthly call			
4. The board: formal, minuted, with a deadline			
5. The investment committee: an owner refused information is a governance problem			

Minority positions

Information right negotiated at investment	In the shareholders' agreement?	Clause
Annual ESG data on the fund's core metric set		
Incident notification within a fixed time		
Access to management for an annual review		
Board seat or observer right		

Reaching step five should be rare. If it is not, the problem is the firm's ownership posture, not the portfolio companies.

The value creation plan: sizing and tracking

Chapter 10. Every initiative placed on the equity bridge, sized, ranked by return rather than by theme, and tracked every quarter. Where you cannot size something, say what it would take to size it.

Company		Exit multiple assumed	
ESG lead		Date	

Initiative	Bridge: EBITDA / multiple / debt	EBITDA a year, EUR	Cost, EUR	Payback	Owner	EV at exit multiple

Initiative	Baseline	Target	Q1	Q2	Q3	Q4	Variance and reason

For the investment committee	Value
EBITDA effect, EUR	
At the exit multiple: enterprise value created	
Equity created (without-case: the cost was never spent, so debt is lower)	
Change in multiple on invested capital	
Change in gross IRR, points	
Defensive lines priced (revenue protected x margin x share lost x attribution x multiple)	
The same programme expressed in turns of exit multiple	

Initiatives that do not pay within the hold: name them, and present what is required as a cost of doing business. Appendix G and the workbook on the companion page take the Chapter 10 case through to equity.

The core metric set and data dictionary

Chapter 11 and Appendix B. Fewer than thirty data points, each with a destination. Send the dictionary with every request. Label every figure: measured, calculated, estimated, not available. Never a zero for unknown.

Fund		Reporting year	
Owner		Version	

Metric	Unit	Note	Destination (regulation, LP, VCP)	Definition and boundary	Quality label
Electricity consumption	kWh	Grid / on-site renewable			
Natural gas consumption	kWh				
Other fuels	kWh or litres	Fuel type			
Total energy cost	Currenc y				
Renewable electricity share	%	Contracted, certificated or on-site			
Scope 1 emissions	tCO2e	Incl. refrigerants, process			
Scope 2, location-based	tCO2e	Report both			
Scope 2, market-based	tCO2e	Report both			
Scope 3 emissions	tCO2e	Categories and method			
Water withdrawal	m3	Where material			
Waste; diverted from landfill	t; %	Where material			
Headcount, permanent; temporary and agency	FTE				
Gender split: workforce, management, board	%				
Turnover, voluntary; total	%	State the denominator			
Net new hires	Count				
Injuries; lost-time injuries; rate	Count; per hours	State the basis			
Work-related fatalities	Count	Always			
Board size; independent members	Count				
Policies: ABC, whistleblowing, H&S;, supplier code	Y / N				
Whistleblowing reports received / resolved	Count				
Material incidents, fines, enforcement	Count, text				

A metric without a destination is deleted. If the same underlying number is collected twice in two formats, the architecture is wrong.

The collection calendar and validation log

Chapter 11. Expect sixty to seventy-five per cent at the deadline, even in a well-run process. Reminders go to individuals, not to groups. Send each company its own data back with a benchmark: that improves next year more than any reminder.

Fund		Cycle	
Owner		Deadline	

When	What	Date	Done
Six weeks before	Notify: invitation, template, dictionary, and what the data is for		
Four weeks before	Offer support: a thirty-minute clinic		
Two weeks before	First reminder, individual		
One week before	Second reminder; escalate to the CFO if no response		
Deadline	Record the response rate		
One week after	Individual chase; the deal partner for non-responders		
Two to four weeks after	Validation, below		
Then	Aggregate; thank; send each company its own data and benchmark		

Company	Metric	Flag: >30% change / unchanged / vs headcount or area / vs sector intensity	Query sent	Answer	Resolved

The coverage statement, for the report

Scope 1 and 2 emissions were reported by ___ of ___ portfolio companies, representing ___ per cent of portfolio value. Of the reported figures, ___ per cent were calculated from measured energy data; ___ per cent were estimated from _____. Companies acquired or sold in the year are treated as follows: _____.

The abatement cost curve worksheet

Chapter 12. Every action, its cost per tonne and its volume, cheapest tonne first. Lead with cost, not carbon. Case two on the companion page draws the chapter's own food-manufacturer curve.

Company		Discount rate / life	
Prepared by		Date	

Action	Capital, EUR	Annual saving, EUR	Life, years	Annualised capital	Net annual cost	tCO2e a year	EUR per tonne	Rank

Annualised capital = capital $\times r / (1 - (1 + r)^{-life})$. Net annual cost = annualised capital - saving. EUR per tonne = net annual cost / tonnes. Negative is money saved.

Target type	Robust to deployment?	Our choice and why
Absolute reduction	No: acquisitions raise it whatever the portfolio does	
Intensity reduction	Manages growth, not mix; absolute can still rise	
Coverage: share of companies with validated targets	Yes: measures what the sponsor controls	
Engagement: share with a footprint or a transition plan	Yes: modest and achievable	

Before any fund-level target goes into a fundraising document, run the deployment plan through it (case three).

The incident protocol and the first seventy-two hours

Chapter 13. Written while nothing is on fire, approved, sent to every portfolio company CEO, tested once a year. If anyone is at risk, that comes before every legal and reputational consideration.

Company		Incident	
Log opened by		Opened at	

Reportable incidents	Notify the sponsor within
Fatality or serious injury (immediately: hours, not days)	
Regulatory investigation or enforcement	
Significant environmental release	
Fraud, bribery or serious misconduct allegation	
Data breach above threshold	
Forced or child labour indicators	
Significant adverse media	

Action	Time	Owner and note
Hours 0 to 24: facts		
What happened, who knew, when, what documents exist, is it ongoing, is anyone at risk		
Counsel engaged; privilege understood before anything is written		
No public statement before the facts are known		
Hours 24 to 72: contain and decide		
Harm stopped; evidence preserved		
Who investigates: independent for serious matters		
Beyond 72 hours		
Root cause fixed, not the symptom; compensation where appropriate		
LPs told before they ask; internal communication first		

Who must be told	Trigger and deadline (mapped in advance)	Told at	By
Regulator			
Lender (information covenant)			
Insurer (notification can void cover)			
LPs (LPA, side letters)			
Public			

Response team	Name	Phone
ESG lead		
General counsel		
Deal partner		
Communications		
External counsel on standby		

Exit readiness: the clock and the data room

Chapter 14 and Appendix G. Set the start date from the slowest validation clock you own, not from a rule of thumb: eighteen months suits a certification (8 to 11 months) and not contaminated land (19 to 32 months to a closure statement).

Company		Expected exit	
Deal partner		ESG lead	

Open item from the mock diligence	Process and who signs it off	Duration, weeks: low / high	Must start by	Owner

The exit narrative	Draft
Where the business was at entry, honestly	
What was identified	
What was done: dates, costs, owners	
What it delivered, in numbers	
What remains: costed, with paybacks, as the buyer's upside	

Folder	In?	Index reference
The data room		
Environmental reports from acquisition and after		
Permits and licences, current and complete		
Incident register		
Safety management system and certificate		
Emissions data with methodology		
Workforce data		
Policy suite		
Supplier audit programme and findings		
Board minutes evidencing governance		
Remediation record for everything found and fixed		
Disclosed gaps: which, and why		

The first ninety days: register, map and plan

Chapter 15. Month one is reading and listening: no data request, no policy, no strategy. The commitments register is the single most useful artefact the function owns.

Firm		Start date	
Head of sustainability		Reviewed by	

Commitment	Source: LPA / PPM / SFDR / side letter	To whom	How often, format	From	Can we meet it today?	Owner

Company	Sector, geography	Stake, board seats	Entry / exit	Risk	Data held	Relationship: warm / cold / hostile	Triage group

Triage: high risk and high influence get your time; lower risk or influence get a light process and an honest coverage statement; exiting within eighteen months get exit preparation, not improvement programmes.

Item	Done	Evidence or note
The ninety-day checklist		
All ESG commitments consolidated into one register		
Portfolio mapped, risk-rated, triaged into three groups		
Every internal stakeholder met: what do you need, what frustrated you, which company will be my problem		
Deal process fixed and in use on a live deal: screening, risk assessment, IC section		
Data process designed and tested on two companies, not yet launched		
Reporting calendar published		
One visible win delivered		
One-page year-one plan agreed with the partners, INCLUDING explicit non-scope		