



Using RiskHorizon™ to screen a range of legacy, future and emerging risks

An institutional investor was looking to invest in a chemicals company, and commissioned Anthesis to undertake a deal-specific approach that addressed both conventional compliance and legacy liabilities, as well as sustainability performance and preparedness for the future. Specifically, the client's objectives were to:

- Quickly screen for the most important Environmental, Social and Governance (ESG) risks
- Prioritize the 'at risk' sites for Phase 1 assessment
- Identify opportunities for value creation associated with improved sustainability performance

The project

Anthesis recognized that a traditional Environmental Due Diligence (EDD) assessment would not support these requirements; instead, there was a need to change the screening and evaluation approach to look at ESG-type issues. This would help the client to identify material ESG risks earlier on and address these during the acquisition process. Anthesis responded by applying RiskHorizon™ to screen a range of legacy, future and emerging risks, providing the client with:

- A deeper understanding of which issues should be considered in any future environmental, legal, commercial, technical or other relevant due diligence
- The ability to spot opportunities that could bring positive cash flows quicker than anticipated

Key services delivered

Using our proprietary tool RiskHorizon™, we followed three simple steps to perform an ESG screening through the tool:

- Entering the basic characteristics of the target chemicals company, such as sector and geography
- Conducting a short, web-based evaluation of the target company's management proficiency

- And finally, generating a report with our key recommendations

Key project outputs

Within 24 hours of instruction, Anthesis had provided an initial screening of the chemicals sector and the target company's portfolio of assets. This enabled the client to swiftly identify the most material ESG issues and the principal 'hotspots' – key risks, opportunities and target geographies – for further evaluation.

The key outputs included:

- Identification of five target locations for further evaluation (from an initial list of 10 locations).
- An understanding of what future environmental and social externalities are liable to impact the value of the fixed assets.
- Recommendations on a range of environmental and social risks for due diligence consideration; i.e. labor rights, water quality, environmental compliance etc.
- An assessment of the level of exposure to specific sustainability risks; leading to a determination of cost reduction opportunities.

Key project impacts

By using RiskHorizon™ in the initial stages of the due diligence process, we were able to:

- Deliver an efficient and cost-competitive screening of risks and opportunities associated with a transaction in the early stages of the deal.
- Eliminate the need to mobilize resources to collect more granular data via costly field visits.
- Allow for our environmental due diligence and ESG auditors to focus on the countries, risks and sites identified as the most relevant during our assessment.

A program is now being developed with our client to agree the targets for 2017-2018.

For further information, contact:

Fiona Place, Associate Director

Fiona.Place@anthesisgroup.com

M: +44 (0)7876 662 528