

**ESG: find the right balance and make the  
right moves to sustainability**

**(hosted by LEGADEx & TAUW)**



**APRIL 4, 2023**

**Symphony Auditorium**

**George Gershwinlaan 22-28, 1082 MT Amsterdam**

**11.30 - 14.00**



ABOUT ACG  
HOLLAND

2023



Driving  
Middle-Market  
Growth®

The Power of **ACG**<sup>®</sup>

UNLIMITED ACCESS  
TO A DIVERSE  
MEMBER COMMUNITY



THE COMPLETE GLOBAL DEALMAKING ECO-SYSTEM

Doing business is at the heart of ACG  
75% of members report they do business with fellow members



- FOUNDED IN 2005, 175 MEMBERS

- HOSTS APPROX. 12 NETWORKING EVENTS PER YEAR (SERIOUS AS WELL AS FUN) INCLUDING:

- ANNUAL GROWTH AWARDS
- NEW YEAR DRINKS RECEPTION
- WOMEN'S EVENTS
- WINE TASTING EVENINGS

- ACCESS A GLOBAL NETWORK OF OVER 15,000 MEMBERS FROM ALL AREAS OF MID-MARKET M&A

Individual Membership | €300 + VAT

Corporate Membership | € 750 + VAT  
3 named members

Sponsor - Gold | €1.000 + VAT  
2 named member. - 1 seat on the Board

Sponsor - Platinum | €2.000 + VAT  
5 named members – 1 seat on the Board

Sponsor - Diamond | €3.000 + VAT  
10 named members – 1 seat on the Board

Diamond



Platinum



Gold



8 – 10 MAY – DEALMAX (LAS VEGAS)

18 MAY – THE ZERO HUNGER GAMES FOOTBALL TOURNAMENT

25 MAY – INVESTMENT OPPORTUNITIES IN ENERGY TRANSITION  
(hosted by Accuracy)

20 JUNE – ACG HOLLAND GROWTH AWARDS  
(Members Only)

SEPTEMBER – START-UP BOOTCAMP

# Your hosts

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**Luc van Daele**  
Founder Legadex



**Morad Kada**  
Manager Corporate M&A



**Femke Pos**  
Manager Corporate Services



# AGENDA

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## Introduction

by Luc van Daele

Legadex

## Governance

by Femke Pos and Luc van Daele

Legadex

## Environmental and Social

by Nick Distelbrink and Julian Stempfer

Tauw Consultancy

## Reflection

by Hans Nieuwenhuis

Tauw Consultancy

## Lunch



# Legadex at a glance

Providing skilled legal staff, smart business processes and the latest technology to support your company and accelerate legal innovation



# What is (good) Corporate Governance?

*“A system of rules, practices and processes by which a company is directed and controlled”*

## **Primary goal:**

Ensuring the long-term success of a company and enhancing its sustainability

## **How do we achieve this:**

- Establishing a clear and transparent decision-making process
- Promoting accountability, fairness, and responsibility
- Throughout the company

## **Main benefits:**

- More attractive to investors
- Lower risk of financial or legal problems
- Higher likelihood of long-term stability and success



# Corporate Governance: what's going on?

## Environmental, Social and Governance (“ESG”)

- Encouraging companies to become more sustainable
- Implementing stakeholder-oriented actions
- Institutional investors value ESG themes and require companies to improve their ESG KPIs

## Board Diversity

- Gender identity, ethnic background, professional and educational variety, etc.
- Presence of female directors (**hint: very positive for multiple ESG KPIs**)
- Social awareness and socially responsible behaviors from companies

## Scope of regulatory framework

- Non-Financial Reporting Directive (“NFRD”)
- Corporate Sustainability Reporting Directive (“CSRD”)
- Sustainable Finance Disclosure Regulation (“SFDR”)
- The EU Taxonomy



# Corporate Governance: what's going on?

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## **Stakeholder engagement**

- Companies and investors must engage with their stakeholders and address their concerns
- Sustainability reports are increasingly important for regulators / investors / shareholders
- Corporate Governance attributes are essential to align stakeholder requests regarding ESG themes with corporate strategy and decision-making

## **Technological advancements**

- Need to adapt due to changes in stakeholder demands and expectations
- Transforming aspects of everyday life and affecting companies and operation of businesses
- Uncertainty about effects, due to current regulatory frameworks related to Corporate Governance

# Relationship between Corporate Governance and M&A

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**Good Corporate Governance practices can help to ensure that M&A transactions are conducted in a transparent and responsible manner**

## **What Legadex does to enhance your M&A Governance:**

- Provide complete and transparent data analytics for ESG due diligence
- Use of AI applications to optimize the due diligence process
- Ensure full data transparency and enhanced workflows
- Create insightful ESG reporting dashboards
- Minimize the risk of post-transaction integration issues and claims

## **Main benefits:**

- Strong factual basis for reporting purposes
- Optimal transparency for decision making and risk mitigation
- Enable the combined company to realize the full benefits of the transaction




# Public opinion on Corporate Governance and M&A

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In the context of M&A, good Corporate Governance helps protect the interests of all stakeholders and builds trust and confidence

## Different angles:

- Public opinion on Corporate Governance and M&A varies depending on the context
- M&A might lead to concentration of power and erosion of corporate culture (e.g., **Twitter** )
- As a result, compromising independence and effectiveness of the board of directors, and negatively impacting a company's reputation

## In conclusion:

(Good) Corporate Governance is **essential** for the long-term success and sustainability of a company, making it a key consideration in any M&A transaction



# Major regulatory developments in sustainability disclosures

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ESG regulatory framework for reporting is rapidly expanding. Requirements will be massive, and many companies and investment firms are **still in sleep mode**

## Major upcoming regulatory developments, including:

- CSRD (the Corporate Sustainability Reporting Directive)
- Replacing the current NFRD (Non-Financial Reporting Directive) obligations
- New legislation will enter into effect between 2025 – 2027

## Does it apply to your company?

- Starting 2026, applicable to large companies **meeting 2 out of 3 criteria:**
  - > 250 employees
  - > EUR 40M turnover
  - > EUR 20M total assets
- As of 2027, applicable to listed SMEs as well as small and non-complex credit institutions



# To-dos and solutions coming up

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- Define a specific **ESG data roadmap** based on your company or investment profile to comply with ESG disclosure requirements, and start doing it now
- **Structure, connect and use your data** (e.g., contracts or policies) to demonstrate facts and figures for assessment and reporting purposes
- Create **your ESG governance and compliance framework**
- Invest in technology and advice to make your process data-driven **by using AI solutions and creating clear dashboards,**

**to get in control and to comply with expanding ESG regulatory requirements**

# Speakers

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**Nick Distelbrink**  
ESG Consultant

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**Hans Nieuwenhuis**  
Senior Consultant

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# About TAUW



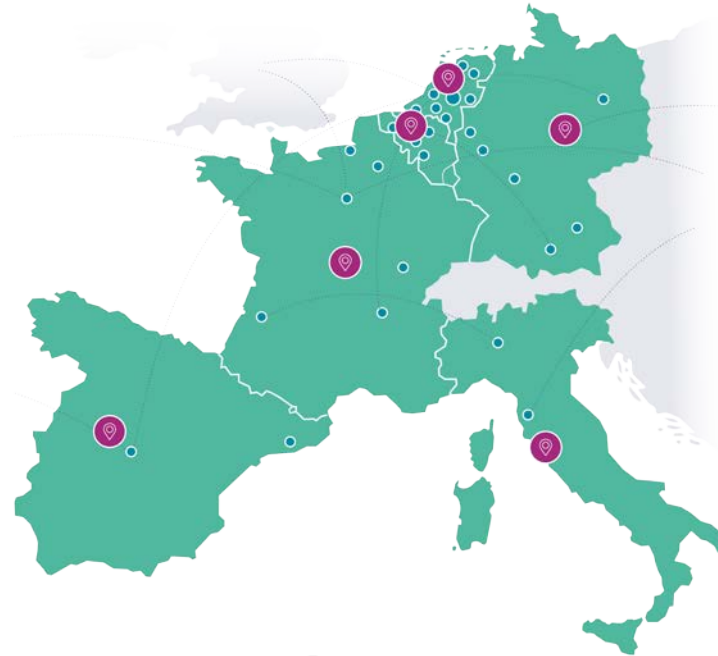
**30 Offices in 6 countries**



**1230 Employees**



**CAT Alliance**  
International Network with  
(almost) global coverage



## Selected ESG Services

- Trainings/Workshops
- Policy Development
- ESG Due Diligence
- SFDR Support
- PAI Indicator Assessment
- EU Taxonomy Assessment
- Climate Risk Assessment





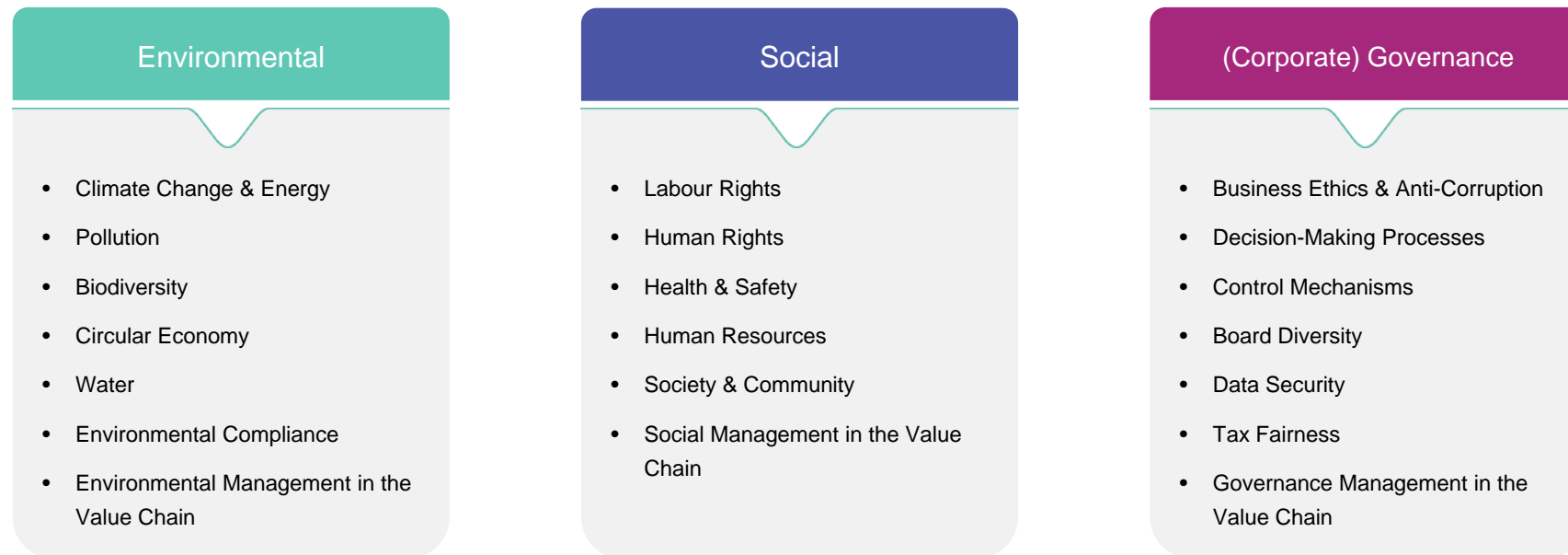
# ESG in M&A

# What is ESG?

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## ESG stands for Environmental, Social and Governance

Investors and companies are increasingly applying non-financial (i.e., ESG) factors as part of their analysis process to identify and manage material risks and growth opportunities.



# ESG is everywhere these days

## Regulators, investors, companies and stakeholders get more 'serious' about ESG

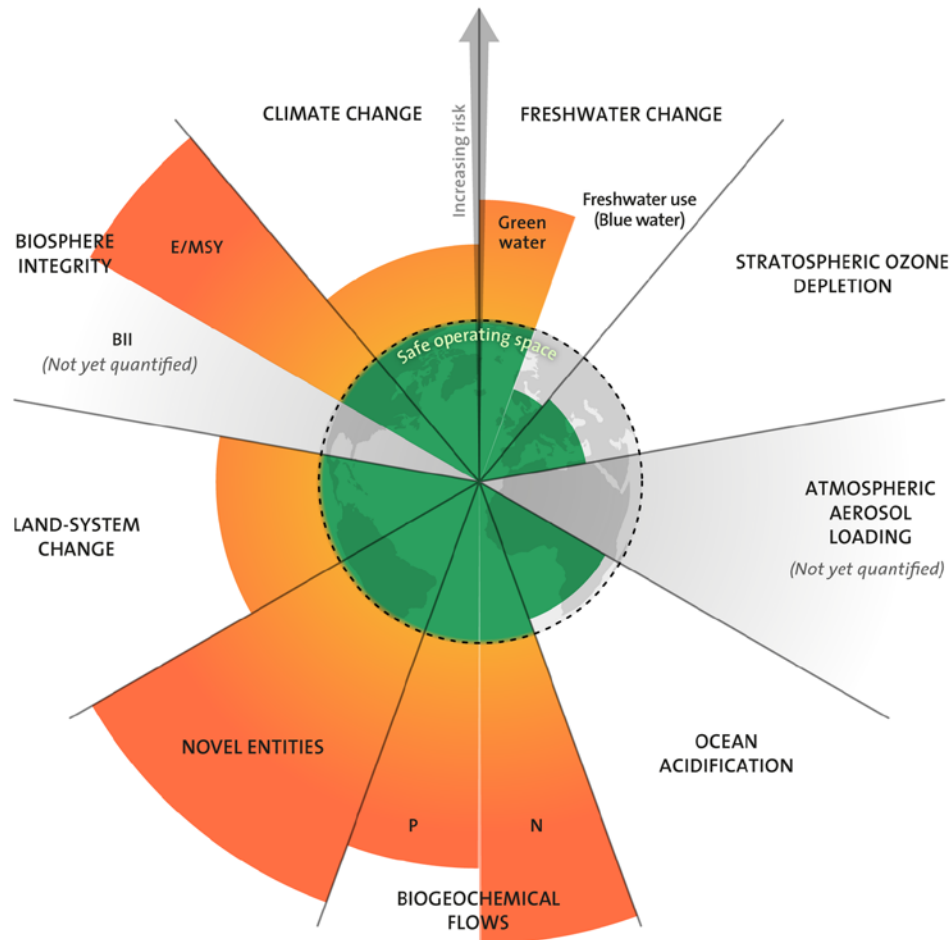


- Regulatory 'Tsunami'
- Voluntary ESG standards (GRI, ISSB)
- Drive for ESG data
- ESG litigation and claims
- Environment: Biodiversity (Ecology) and Water
- Social: Human Rights and Labour Rights
- ...



# Why is ESG important?

## The environmental crisis is worsening rapidly, social issues prevail



- We crossed multiple **planetary boundaries**
- IPCC: global warming of **3.2 degrees**
- We are living off the equivalent of **1.75 earths**
- **69% decline** in wildlife populations in last 50 years
- **160 million** children engaged in child labour; half in hazardous work
- **50 million** people living in modern slavery



# What does this mean for M&A?

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## Pressure and incentive to consider ESG aspects in investment practices



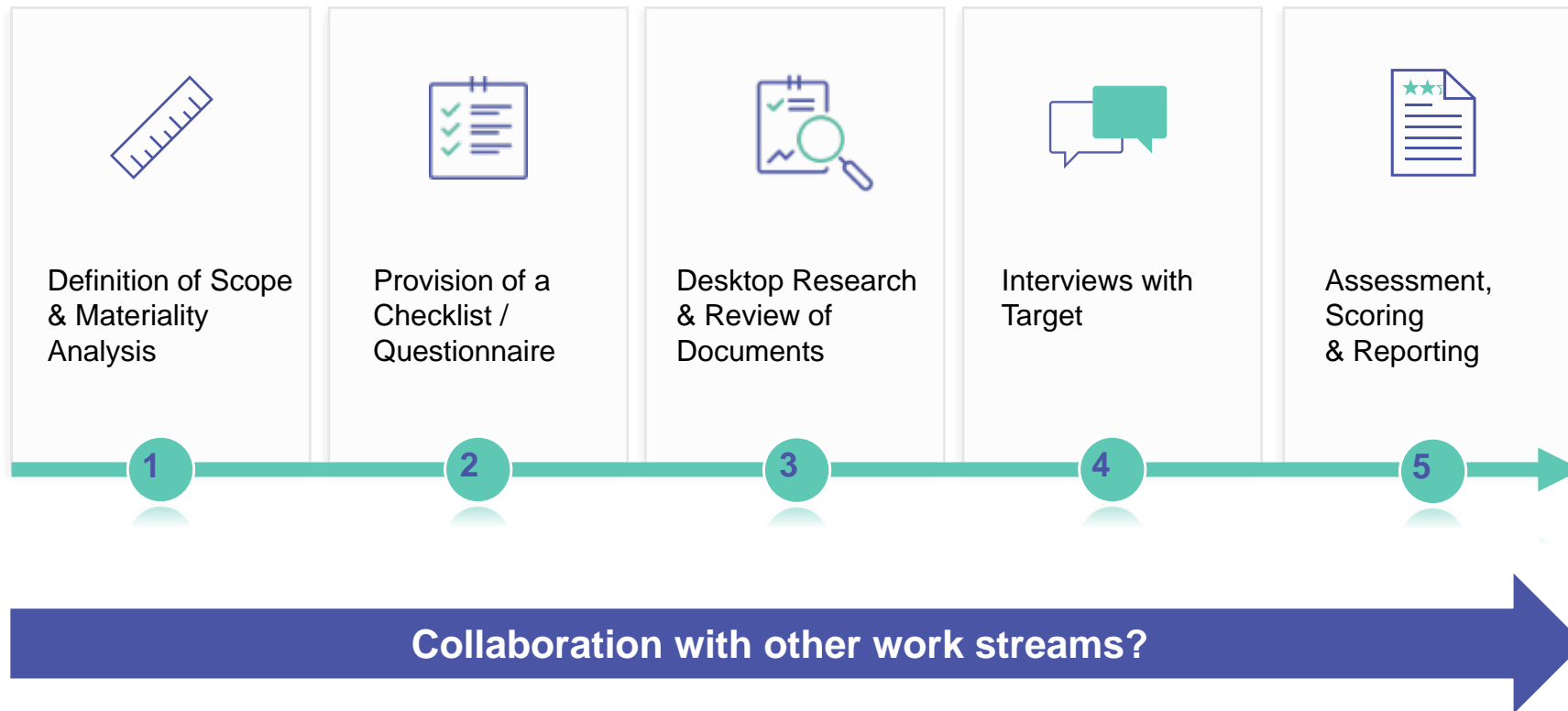
- Adoption of **ESG Due Diligence** by dealmakers
- ESG profile becomes either ‘asset’ or ‘liability’
- Risk mitigation
- (Financial) value creation





# TAUW ESG Due Diligence

## Assessment of target's ESG performance, identification of risks and/or opportunities



# Materiality

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## Making ESG smaller when it 'feels too big'

Materiality refers to the relevance or significance of individual ESG aspects for an asset or target. Depending on different factors (e.g., industry, size, etc.) some aspects are more important than others for an asset to manage.

### Determining materiality:

- Industry / sector?
- Business model?
- Size of organization?
- Organizational structure?
- Geographical footprint?
- Value chain structure?

→ Often not applied in checklists/questionnaires

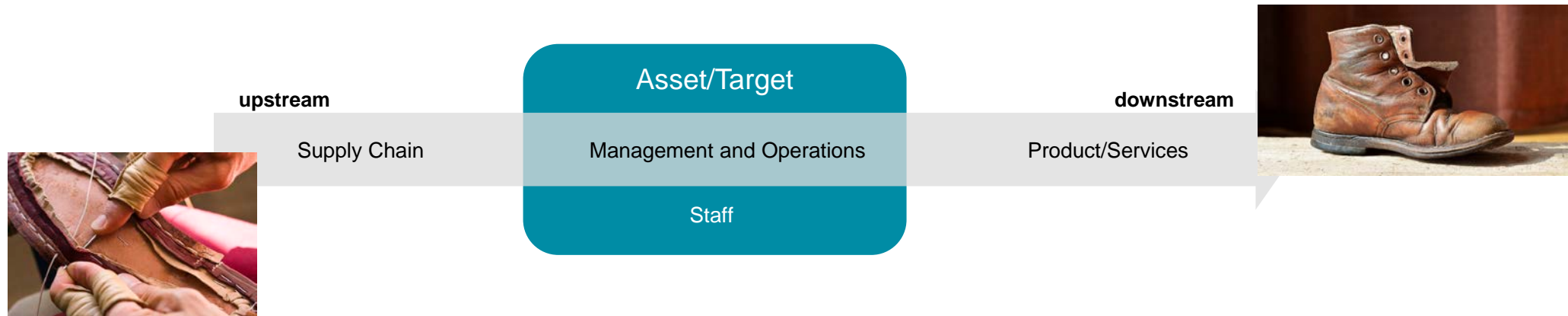
→ Helps when ESG feels 'too big'

→ Important element of the Corporate Sustainability Reporting Directive (CSRD)



# Value chain perspective

Organizations need to work together to tackle bigger sustainability challenges



An organization's ESG performance is directly dependent on how (well) suppliers and clients/customers deal with ESG





# Case

How do Materiality and Value Chain Perspective work in practice?

# Do solar parcs always perform well on ESG aspects?

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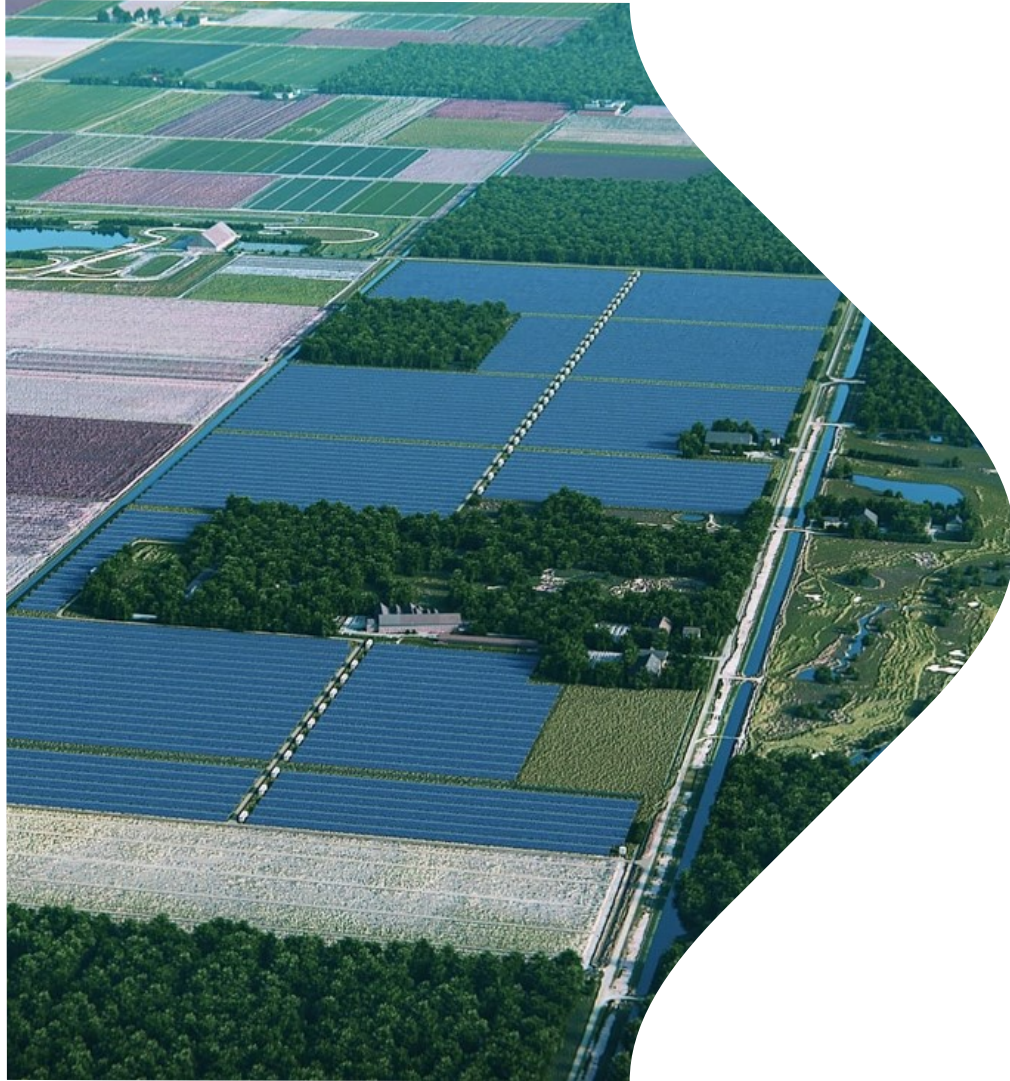
A fictional case based on real findings during ESG assessments

- Renewable energy production
- Reduction of our carbon footprint

However, context might differ per case and nuance is needed.



# Solar park Dorhout Mees (Netherlands)



## Materiality

- Health & Safety regulated by Dutch law
- Located near Key Biodiversity and Natura2000 areas

Environmental aspects like biodiversity have the highest materiality in this case



# Mohammed Bin Rashid Al Maktoum Solar Park (Dubai)



## Materiality

Can we assume that:

- Human rights and labour rights are respected?
- Health & Safety are assured?
- Fair wages are paid to installers?

The site is not located near a Key Biodiversity area

Social aspects might have the highest materiality in this case



# Materiality matters



## Summary

Context is different, which results in:

- Different outcomes in ESG assessments
- Different recommendations

Example 1 should implement ecological solutions to protect and enhance biodiversity

Example 2 should implement measures to protect social aspects





# What are your material topics?



## Depends on the context

### Consultancy firm

- Identify specific material topics for clients depending on their specialism

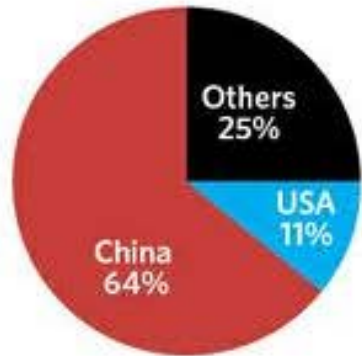
### Investor fund

- Consider and assess a broad range of material topics for their investments

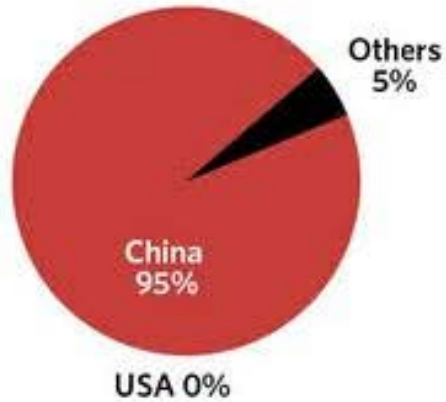


# The Value Chain of Solar panels

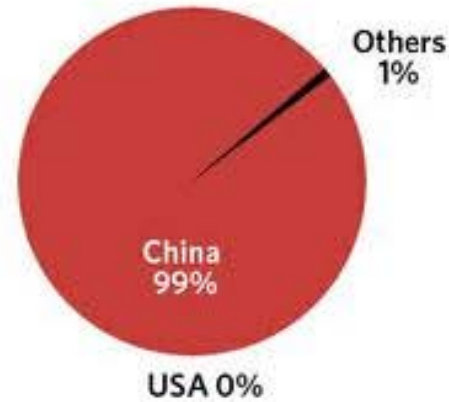
Solar-Grade Polysilicon Capacity



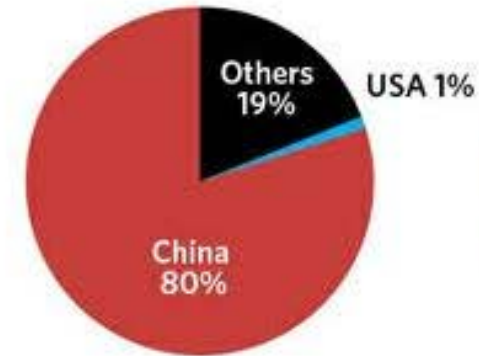
Solar Ingot Capacity



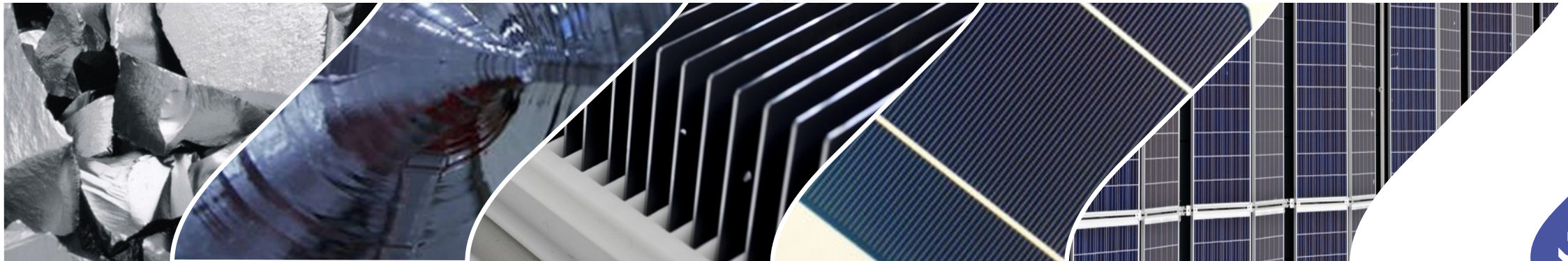
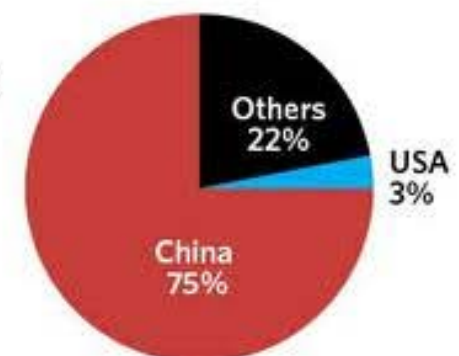
Solar Wafer Capacity



Solar Cell Capacity

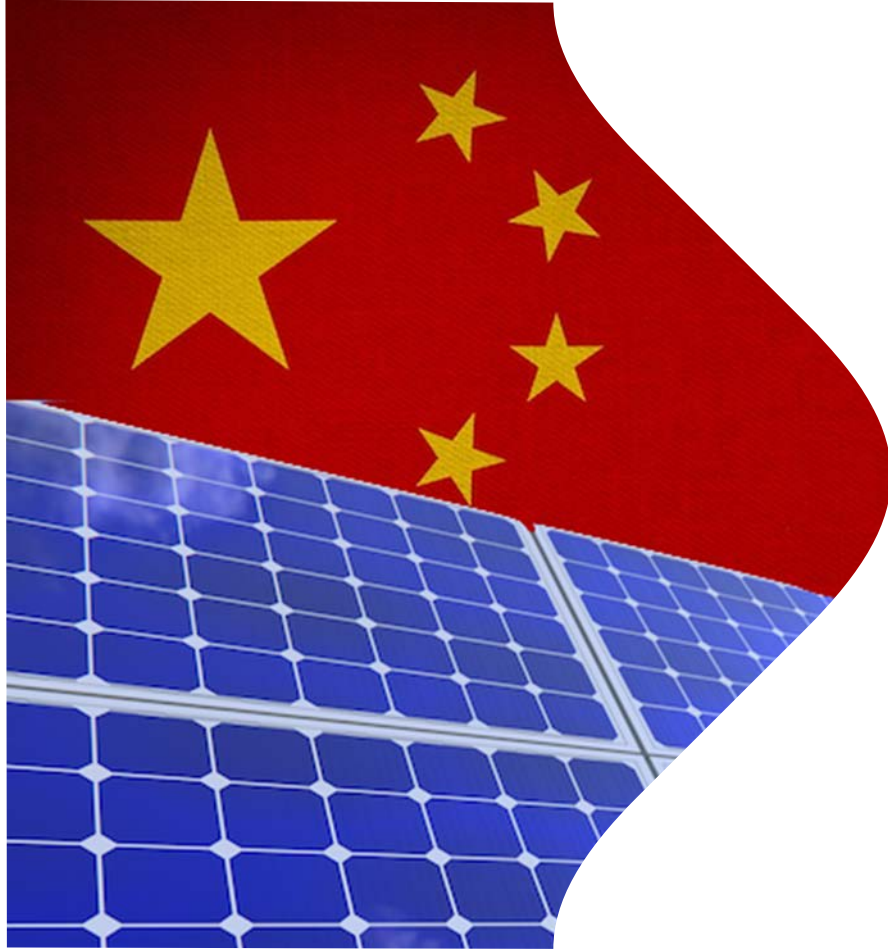


Solar Module Capacity



# The Value Chain of Solar panels

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## Value Chain Perspective

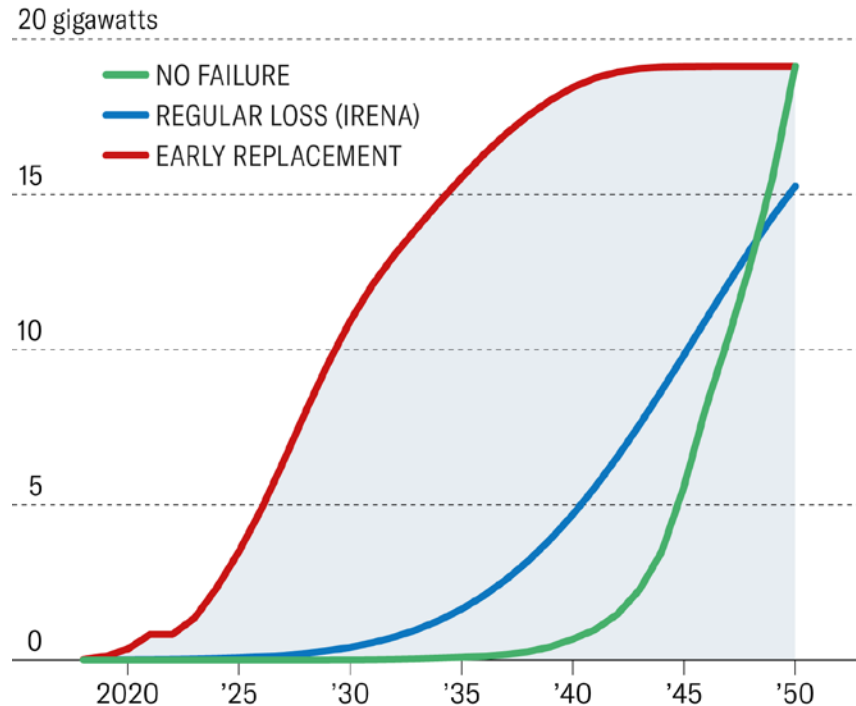
Can we assume that:

- No modern slavery takes place in the polysilicon mines in, for example, Xinjiang?
- Human and labor rights are respected?
- Safety and health are guaranteed?



# The Value Chain of Solar panels

## Cumulative capacity



Source: International Renewable Energy Agency, Electricity Data Browser, Global Solar Atlas

HBR

## Value Chain Perspective

Solar panels:

- have a 25-30-year lifecycle
- consists of many valuable materials
- Current state of the art not possible to recycle in a cost-effective manner
  - Costs \$15–\$45 to recycle
  - Costs \$1–\$5 to dump in a landfill

Who is responsible for this large future waste stream?



# What can we do to improve Value Chains?



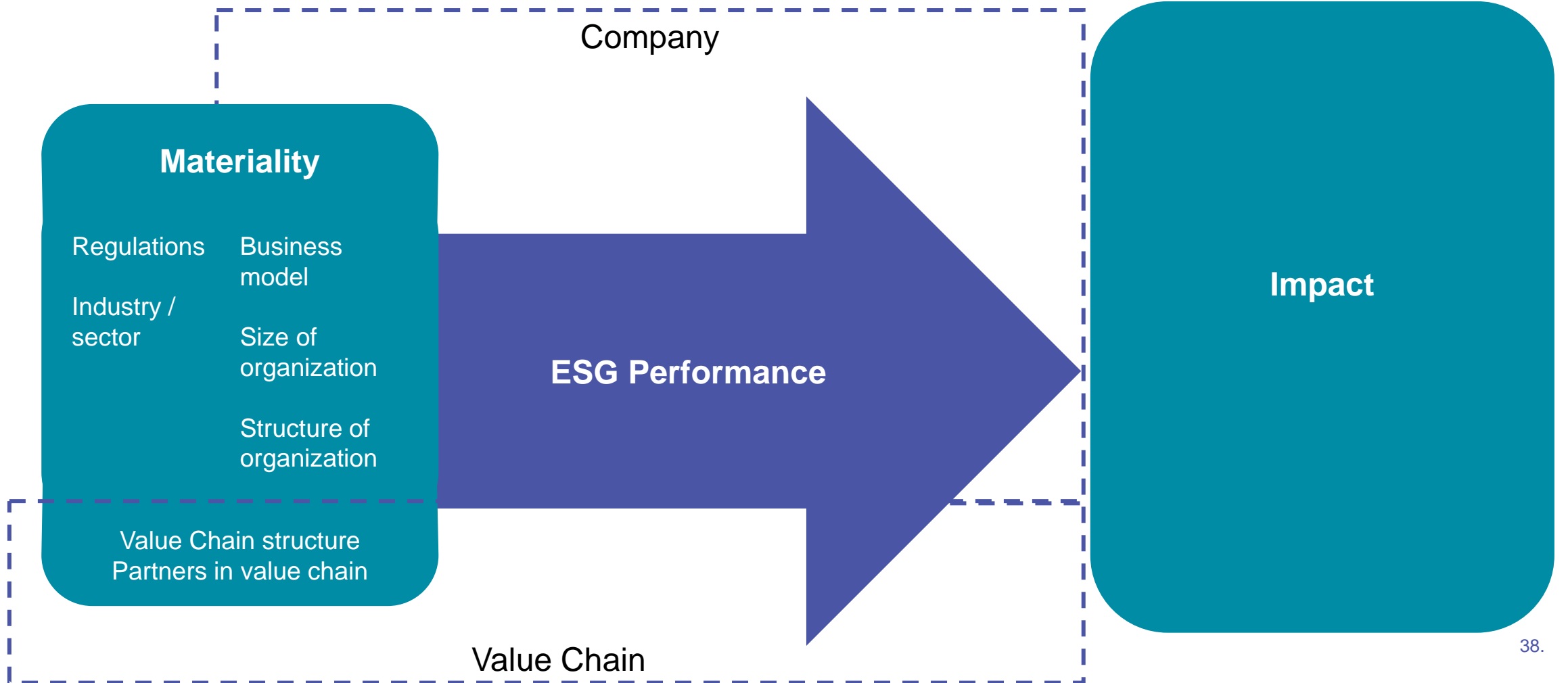
## Value Chain Perspective

- Value Chains are often very complex
- Companies will have more responsibilities in the future
- Know what happens in the upstream value chain
  - Set up Due Diligence processes for ESG
  - Second sourcing
- Know what happens in the downstream value chain
  - Include circular design principles in products/services
  - Include specific partners in value chain



# Takeaways

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# THANK YOU

The logo for LEGADEX, featuring the word "LEGADEX" in white, bold, uppercase letters on a dark blue rectangular background.

**LEGADEX**

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The logo for ACG Holland, featuring the letters "ACG" in a large, grey, sans-serif font with a green triangle above the 'A', followed by "Holland" in a smaller grey font. Below it, the text "Association for Corporate Growth" is written in a smaller green font.

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