The sustainable advantage:

Leveraging sustainability due diligence to unlock value
Introduction

The impact of sustainability-related factors continues to grow, and companies vary significantly in their readiness to address them, making it more critical than ever for investors to scrutinize the data in mergers and acquisitions (M&A) targets. Consequentially, more and more investors are undertaking sustainability due diligence.

The KPMG LLP 2023 US Sustainability Due Diligence Study shows that sustainability due diligence is on the rise and becoming fundamental in investment decision-making, enabling visibility into adverse effects of sustainability factors and ensuring better preparedness for resilient and sustainable growth. Thirty-three percent of dealmakers reported conducting sustainability due diligence in more than half of their deals in the past two years, and 43 percent plan to conduct it in most of their deals in the future.

Why? Investors are increasingly convinced that sustainability due diligence can successfully identify valuable opportunities and critical risks, evidenced by 53 percent reporting deals being cancelled due to material findings in a sustainability due diligence. Evaluating sustainability factors allows investors to assess short and long-term risks and opportunities, which enhances portfolio resilience and drives stronger financial results.

In this paper, we not only discuss the role of sustainability due diligence in addressing potential risks, building resiliency, realizing value, and uncovering avenues for growth and innovation, but also the challenges and leading practices for effective implementation. We provide practical steps for companies to establish or enhance their sustainability due diligence approach, navigate common obstacles, and create long-term value.
Key findings

The top reasons US investors are conducting sustainability due diligence are to identify risks and upsides pre-signing, in order to meet increased investor focus, and to respond to regulatory requirements.

53% of US investors have had deals canceled and 42% of investors have opted for a purchase price reduction due to material findings on an sustainability due diligence.

43% of US investors will perform sustainability due diligence on the majority of their deals in the future, whereas only 33% of investors conducted sustainability due diligence this frequently in the past.

62% of US investors are willing to pay a premium for companies that align with their sustainability priorities.

The top challenges US investors experience when conducting sustainability due diligence are a lack of robust data, inadequate understanding of what “sustainability means” across stakeholders, and difficulty selecting a meaningful scope.

23% of US investors are conducting sustainability due diligence without an adequate understanding of sustainability in their area of investment.

100% of US investors with a top-notch sustainability due diligence approach link their sustainability due diligence approach to their overall sustainability strategy.

90% of US investors with a top-notch sustainability due diligence approach leverage their sustainability due diligence findings to drive a clear post-close action plan.

54% of US respondents plan to work with external advisors for sustainability due diligence in the future.

In a related study*, 82% of Europe, Middle East, and Africa (EMEA) investors integrate sustainability in their M&A agenda, compared to only 74% of US investors.

Source:
KPMG 2023 US ESG Due Diligence Study
*KPMG 2022 EMA ESG Due Diligence Study
The rising importance of sustainability due diligence

According to our survey, US dealmakers are planning to increase their sustainability due diligence activities. A third reported that they conducted sustainability due diligence either frequently or very frequently in deals completed over the past two years, while 43 percent plan to conduct sustainability due diligence in the majority of their future deals.

How frequently did you / do you expect to conduct sustainability due diligences on your deals?

The survey indicates growing recognition that sustainability due diligence enables more informed investment decisions as sustainability risks are identified. When material sustainability risks are discovered, investors have an opportunity to cancel, negotiate, or use other mitigation techniques to protect their investment. As stakeholder awareness of sustainability issues continues to grow, there is a corresponding increase in pressure on businesses to prioritize adoption of sustainability due diligence. As such, it is necessary for companies to demonstrate commitment to responsible investing and long-term value creation, thereby attracting more investors and solidifying their industry standing.

Furthermore, as sustainability-related regulations continue to evolve, sustainability due diligence can help corporate investors align their investments with sustainability compliance requirements and respond more effectively to increased sustainability reporting requirements. By remaining at the forefront of evolving regulations and ensuring investments adhere to sustainability frameworks, organizations can more effectively manage risks, enhance stakeholder trust, and create sustainable growth.
Will US investors follow in global investors’ footsteps?

In a related KPMG study, findings show that the US lags behind EMEA (Europe, Middle East, and Africa) markets in sustainability due diligence adoption, largely due to differing regulatory requirements and stakeholder pressures. However, we believe that US investors will continue to make progress in developing and implementing sustainability-focused investing strategies.

Are sustainability considerations currently on your M&A agenda?

82% V. 74%

Global investors lead US investors in terms of integrating sustainability in their M&A agenda.

Going forward, how frequently do you expect to conduct sustainability due diligence on your deals?

48% V. 27%

Higher percentage of global investors are going to conduct sustainability DD on greater than 80% of deals.

Learn more from around the world:

Europe, Middle East, & Africa (EMA) ESG Due Diligence Study

The recent focus on greenhouse gas (GHG) emissions and climate risk disclosures by the SEC and increasing prominence of greenwashing concerns by stakeholders (and regulators) signal a growing shift toward more stringent sustainability regulatory practices in the US. Additionally, many qualifying US companies will be subject to the European Union’s Corporate Sustainability Reporting Directive (CSRD). American investors should take proactive steps to develop and implement sustainability due diligence practices to remain competitive and meet stakeholder expectations. By learning from EMEA’s more mature sustainability due diligence approaches, US investors can better manage risks and capitalize on the potential value and opportunities offered by sustainability-aligned investments.
No time to waste: Be ready when deals accelerate

Deal flows remain slower in 2023 as the M&A community waits for equity markets to normalize, interest rates to stabilize, and market sentiment to swing upward. This presents a prime opportunity for asset managers and corporate buyers alike to focus on defining and bolstering sustainability due diligence processes, satisfying the growing demand for sustainability-aligned investing practices.

Integration of sustainability due diligence procedures into the deal process can provide several advantages in a slow and evolving deal market, positioning organizations to stand out in a crowded field and win deals. Prioritizing sustainability due diligence can give investors a competitive edge by demonstrating a commitment to a holistic investment approach and long-term value creation. Consistently focusing on sustainability topics can enhance an investor’s reputation among target companies, co-investors, and other stakeholders, resulting in increased deal flow, stronger partnerships, and enhanced access to capital.

By integrating the sustainability due diligence activities early in the deal process, investors are more likely to identify high-quality deals with stronger long-term prospects and resilience to sustainability-related risks, which can deliver stronger and more sustainable financial returns.
Gain a competitive edge with sustainability due diligence

Uncovering overlooked deal value

62% of US investors are willing to pay a premium for companies that align with their sustainability priorities

As a buyer, how much would you be willing to pay more for a target that demonstrates a high level of sustainability maturity in line with your sustainability priorities?

- 0% Premium: 38%
- 1-5% Premium: 39%
- 6-10% Premium: 19%
- >10% Premium: 4%

Source: KPMG 2023 US ESG Due Diligence Study

KPMG found that 62 percent of US investors are willing to pay a premium for target companies that align with their sustainability priorities. That’s because companies that integrate strong sustainability performance into their overall business strategy are often better positioned to manage regulatory, environmental, and reputational risks while responding to and managing emerging industry trends and challenges. Sustainability-aligned companies not only benefit from improved operational efficiency, cost savings, and increased profitability, but also tend to have better reputations, which help attract and retain customers, investors, and employees.

A recent KPMG Consumer Pulse Survey found that approximately 50 percent of consumers say environmental sustainability is important to their purchase decision and further noted that Gen Zs over-index on the importance of sustainability and social responsibility when making their purchasing decisions. As consumers increasingly consider sustainability a key decision driver, companies and investors are also expected to increasingly tie their future growth to sustainability commitments and performance.

By considering both the social and environmental aspects of business along with traditional financial metrics, companies can make well-rounded decisions that lead to long-term value creation for stakeholders. To capitalize on these benefits, companies must integrate sustainability due diligence early in their decision-making process and focus on material sustainability issues relevant to their industry, stakeholders, and location. By strategically embracing sustainability factors as an integral part of their business operations and decision-making, companies can ensure their business strategy is sustainable, adaptable, and resilient in the face of changing circumstances, ultimately driving long-term value creation for stakeholders with a business-first approach.

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Corporate investors noted that by conducting sustainability due diligence, they were better prepared to respond to regulatory requirements. At a time when the number of sustainability reporting regulations are ballooning around the world—e.g., the US Securities and Exchange Commission's proposed Names Rule revision, the new climate rule and current human capital, and cybersecurity disclosure requirements in the US, the CSRD framework in the EU, and the global voluntary reporting guidance from the Financial Accounting Standards Board (FASB) via the International Sustainability Standards Board (ISSB)—sustainability due diligence can help corporate investors more effectively respond to new and rapidly evolving business and reporting requirements.

As sustainability regulations continue to evolve, asset management and corporate investors alike should strive to be at the forefront of these changes to ensure that they are prepared to disclose performance metrics tied to their investments in a manner consistent with current and planned sustainability reporting requirements.

**What’s at risk when organizations do not perform sustainability due diligence?**

Companies leave themselves open to a range of risks when they do not perform sustainability due diligence or perform only a cursory examination. Regulators are increasingly scrutinizing sustainability-related disclosures and may take action against companies that fail to comply with the relevant requirements. In 2022, the same year that the SEC released its proposed climate reporting rule, the regulatory body increased fine amounts for all enforcement actions, including boilerplate disclosures of sustainability risks and greenwashing, and levied a record annual total of $4.2 billion in penalties.¹ According to SEC Director Gurbir Grewal, the stiffer penalties are meant to send the message that regulatory fines are “more than the cost of doing business.”¹

When it comes to environmental issues, legacy liabilities can create significant risks for companies. Environmental legacy liabilities may include costs associated with the cleanup of polluted sites, such as landfills or factories that used hazardous materials in the past. Companies that inherit these liabilities through mergers or acquisitions may face legal or financial penalties, as well as reputational damage. Negative publicity and scandals related to sustainability issues can impact a company’s market position, customer loyalty, and brand reputation. Failing to identify sustainability risks can lead to unexpected financial losses, customer defections, increased operational costs, and possible damage to shareholder value.

Sustainability factors cover a wide variety of environmental, social, and governance issues beyond those at the forefront of regulatory concerns, which can be indicators of the potential risks or opportunities posed to a company. The examples below highlight the breadth and depth of sustainability factors and demonstrate the complex interplay that contributes to a company’s overall financial and sustainability performance.

**Examples of sustainability factors**

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decarbonization / Greenhouse gas (GHG) emissions</td>
<td>Access to essential services</td>
<td>Anti-corruption policies and practice</td>
</tr>
<tr>
<td>Pollution and waste management</td>
<td>Diversity, equity, and inclusion</td>
<td>Digital privacy and data security</td>
</tr>
<tr>
<td>Water and resource scarcity</td>
<td>Customer satisfaction</td>
<td>Executive compensation</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Human rights violations</td>
<td>Supply chain management / circularity</td>
</tr>
<tr>
<td>Hazardous materials</td>
<td>Labor relations</td>
<td>Tax transparency</td>
</tr>
<tr>
<td>Deforestation</td>
<td>Artificial intelligence ethics</td>
<td>Political lobbying and donations</td>
</tr>
<tr>
<td>Climate resiliency</td>
<td>Community impact</td>
<td>Regulatory compliance</td>
</tr>
</tbody>
</table>

The impact of material findings on deals

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>59%</td>
<td>Of corporate investors said they cancelled one or more deals after a material sustainability finding was found during due diligence.</td>
</tr>
<tr>
<td>46%</td>
<td>Almost half of financial investors cancelled a deal or opted for purchase price reduction after a material sustainability finding.</td>
</tr>
<tr>
<td>43%</td>
<td>Of debt providers refused to finance/underwrite the deal where a material sustainability finding was noted.</td>
</tr>
</tbody>
</table>

What was the consequence of your material finding [from sustainability due diligence] on the deal?

- **Deal Canceled**: 53%
- **Purchase Price Reduction**: 42%
- **Additional indemnity from the seller**: 39%
- **Impact on post-signing integration priorities**: 21%
- **None**: 4%

Source: KPMG 2023 US ESG Due Diligence Study
Material findings from sustainability due diligence can significantly influence the outcome of a deal, as they highlight potential risks that may adversely impact a company’s reputation, legal compliance, financial stability, efficient and effective operations, or future investment returns. Material sustainability findings can also expose activities that are not aligned with investors’ values, reveal non-compliance with regulations or environmental laws, raise concerns about the target’s future financial performance, and uncover operational risks that could adversely impact performance or lead to legal and reputational consequences.

More than half (59 percent) of US corporate investors cancelled one or more deals following material findings uncovered during sustainability due diligence. Nearly half (46 percent) of financial investors cancelled deals or opted for a purchase price reduction, and 43 percent of debt providers refused to finance or underwrite deals when faced with material sustainability issues. However, material findings do not always completely imperil the deal. Forty-two percent of all deals with material findings continued with a purchase price reduction, and 39 percent included additional indemnity from the seller. Despite material findings in 76 percent of all deals, M&A debt providers followed through and financed or underwrote deals with more conservative conditions.

**Sustainability due diligence helps avert a risky deal**

When a large firm wanted to acquire a regional chemical company, findings from a thorough sustainability due diligence proved to be pivotal. Material findings were discovered during a review of the target’s historical use of chemicals and disposal practices. The target company had produced a substance that contained persistent organic pollutants at a former manufacturing facility they sold many years ago. The disposal of chemical waste from this facility had not been properly managed, resulting in contamination of surrounding soil and water. The target company did not disclose this to the acquiring firm. The risk was identified in the sustainability due diligence process by using a federal database of historic contamination sites.

As a result of the sustainability due diligence findings, the acquiring firm determined there was significant legal liability and potential environmental remediation costs. This presented serious doubts about the target company’s financial value proposition. The acquiring firm decided not to move forward with the deal, avoiding costly financial and reputational risks in the process.
Challenges in conducting sustainability due diligence

Even if investors are ready to adopt or improve existing sustainability due diligence processes, our US dealmakers’ responses show it is a complex, yet worthwhile undertaking.

While nearly three quarters (74 percent) of US respondents reported that they include sustainability in their M&A process, only 51 percent claimed to have a good understanding of sustainability due diligence and felt capable of providing basic guidance to investees on their sustainability program and priorities. Furthermore, 37 percent admitted to not having any specialized knowledge of sustainability.

This reveals a concerning disconnect between the growing prevalence of sustainability integration in M&A activities and the actual comprehension of sustainability due diligence practices among investors and dealmakers. This gap in understanding can lead to inconsistencies in implementing sustainability due diligence, misinterpretation of findings, and a failure to recognize and address critical risks and/or capture opportunities effectively.

To bridge this understanding gap and maximize the benefits of sustainability due diligence, investors should invest time and effort in building their knowledge and expertise or partner with external experts to develop and implement a comprehensive, well-informed approach.

What are the key challenges you have encountered in conducting sustainability due diligences?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Lack of robust data</td>
<td>59%</td>
</tr>
<tr>
<td>Difficulty selecting a meaningful scope</td>
<td>56%</td>
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<tr>
<td>Inadequate understanding of what “ESG DD means” across stakeholders</td>
<td>56%</td>
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<tr>
<td>Difficulty quantifying potential findings</td>
<td>45%</td>
</tr>
<tr>
<td>Lack of structured approach &amp; resources</td>
<td>13%</td>
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<tr>
<td>Difficulty finding knowledgeable advisor</td>
<td>10%</td>
</tr>
<tr>
<td>Lack of knowledge in-house</td>
<td>8%</td>
</tr>
<tr>
<td>No challenges</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: KPMG 2023 US ESG Due Diligence Study
More than half (59 percent) of US investors highlighted a lack of robust, credible data as a challenge when conducting sustainability due diligence. This can lead to biased or flawed analysis and increase the likelihood of inaccurate assessments of a target's risks and opportunities, causing investors to make decisions based on incomplete or misleading information. Poor data can also obscure material sustainability issues that require attention. As a result, resources could be allocated to less material areas, impairing value creation and effective management of sustainability risks, and potentially lead to unexpected costs or operational challenges after the deal is complete.

Incomplete data can pose significant challenges when it comes to tracking and assessing sustainability performance. Without comprehensive and reliable information, investors may find it difficult to evaluate progress, accurately assess the impact of their sustainability initiatives, and make informed decisions to achieve desired outcomes. Incomplete data can also undermine credibility and transparency, eroding stakeholder trust in both the investee company and the investor. Furthermore, insufficient or inaccurate sustainability data could hinder compliance with regulatory requirements and voluntary reporting standards ultimately exposing companies and investors to regulatory risks, penalties, and potential reputational damage.

To overcome these challenges, investors should prioritize obtaining high-quality, accurate, and timely sustainability data during the due diligence process. This may involve requesting internal data for the target, conducting interviews with management, completing market studies, leveraging third-party research over the target, and leveraging external sustainability data providers who specialize in generating sustainability insights. As investors help develop their sustainability due diligence programs, articulating the role and sourcing of data is a critical element when establishing a successful due diligence program.

At its most basic level, sustainability due diligence focuses on identifying a target’s sustainability risks and opportunities. Agreeing on a definition and scope for an sustainability due diligence, however, is crucial to ensure a successful outcome. Yet, 56 percent of US investors said they face difficulty defining sustainability due diligence and agreeing on the scope of material sustainability topics that satisfies all involved parties.

One of the main drivers of this problem is the scope and scale of competing sustainability topics, priorities, and focus areas. While the universe of potential sustainability topics is immense, the material sustainability topics relevant to each deal are unique, often narrow in scope, and must reflect the sustainability priorities of both the investor and its key clients. During the deal planning phase, the scope of sustainability topics should be tailored to gather useful insights over the material sustainability risks and opportunities facing the target. This complexity of the materiality process, and competing priorities of the key stakeholders, can make it challenging to define sustainability due diligence in a simple, straightforward way.

Compounding this challenge, sustainability due diligence is still a relatively new concept and one that is still evolving. While sustainability considerations have been around for many years, the practice of conducting systematic sustainability due diligence is still gaining traction among investors and companies. As such, there is a lack of clear-cut standards or guidelines for what sustainability due diligence should entail. Different organizations and stakeholders offer competing definitions and priorities for evaluating sustainability risks and opportunities, resulting in a wide range of approaches.

While it may be challenging to create a standardized sustainability due diligence process applicable to all situations, adopting key elements of sustainability frameworks, sector-specific criteria, leading practices, and effective data management can help enhance consistency and quality when completing sustainability diligence and related deal decision-making. Codifying these foundational elements into a series of operational guidelines is another critical element for establishing a successful sustainability due diligence program.
Establish a standout ESG due diligence program

Whether you decide to embark on the sustainability due diligence journey independently or with a partner, the following essential steps can help you develop a robust sustainability due diligence program aligned to your unique business needs:

**Identify your motivation:** Determine if your goal is simply to meet stakeholders’ expectations or to make operational improvements and become a leader in sustainability.

**Develop a clear sustainability strategy:** Perform a materiality assessment to define sustainability priorities. Establish an sustainability strategy that outlines the company’s commitment to sustainability principles and how they will be integrated into the decision-making process, understanding that material sustainability topics may be unique to each deal.

**Secure appropriate resources and assign responsibility:** Designate a team or individual to oversee the implementation of sustainability due diligence, including regular reports to senior management and the board of directors. Ensure the team has the required skills, knowledge, and time to do a thorough job.

**Collaborate with external experts:** Gain access to valuable expertise, resources, and networks through partnerships with consultants, industry associations, or non-governmental organizations.

**Link sustainability due diligence to sustainability strategy:** Define how to layer sustainability factors into the due diligence process based on your business’s strategic objectives and the context of sustainability in your industry.

**Develop your sustainability due diligence framework and establish a structured process:** Create a systematic approach for identifying, assessing, and managing sustainability risks and opportunities, which may include developing guidelines, checklists, and tools to support the process.

**Perform sustainability due diligence procedures:** Ensure all stakeholders are aligned on the scope of the diligence and accurate data is captured and analyzed.

**Link sustainability due diligence findings to post-closing actions:** Ensure appropriate measures are taken to address any sustainability issues identified during due diligence.

**Monitor and report:** Regularly monitor and evaluate the company’s progress on sustainability performance, report findings to stakeholders, and take corrective actions when necessary.

**Continuously improve:** Regularly revisit and refine the sustainability due diligence process, incorporating lessons learned, industry and sector leading practices, and changes in the external environment. Consider the flexibility of your sustainability strategy.
Data-backed, leading practices

Within the competitive M&A market, having a solid sustainability due diligence process sets dealmakers apart. Our respondents’ answers highlighted two commonalities among those with an established, productive sustainability due diligence approach:

**Link sustainability due diligence to sustainability strategy:**
Sixty percent of US investors with a top-notch sustainability due diligence approach cited a strong direct link between their sustainability strategy and their sustainability due diligence process. This connection ensures that the sustainability factors examined during the due diligence phase are tied into the company’s overarching sustainability objectives, material sustainability topics, and risk management priorities.

**Integrated post-close action plans:** Ninety percent of US investors with a top-notch sustainability due diligence approach effectively leverage their findings to drive a clear post-close action plan. These investors proactively utilize the insights gained during the sustainability due diligence to address any identified risks, capitalize on opportunities, and integrate sustainability-related improvements into the target company’s operations and governance. This enables them to achieve their sustainability objectives and enhance overall sustainability performance post-acquisition.

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How well connected is your pre-signing sustainability due diligence approach to your sustainability strategy?

- **40%** Somewhat linked to strategy
- **60%** Strong, direct link to strategy

How well do you make use of the findings of your sustainability due diligence reports to establish a post-closing action plan?

- **40%** Somewhat linked to post-closing action plan
- **50%** Strong, direct link to post-closing action plan

Source: KPMG 2023 US ESG Due Diligence Study
How KPMG can help

KPMG applies an established, standardized approach to sustainability due diligence, tailored to meet the needs and unique circumstances of individual clients and targets, while considering the target’s specific market/sector characteristics. Our thorough process assesses material risks, liabilities, and opportunities, from identifying material topics to determine the scope, to collecting and evaluating information and data, analyzing sustainability risks and opportunities, and preparing an extensive report. This approach, and our deep industry experience and technical skills, create one powerful capability.

Conclusion

As the business world evolves and the focus on sustainability issues becomes increasingly prominent, investors must adapt their strategies and priorities to excel in this new environment. Early adoption and improvement of sustainability due diligence processes can provide a competitive advantage, enhancing an investor’s reputation and access to capital. To unlock the full potential of sustainability due diligence, investors should develop a clear sustainability strategy, assign responsibility, collaborate with external experts, and continuously refine their processes to remain at the forefront of sustainable value creation. Start your sustainability due diligence journey today and unlock the sustainable advantage to help enable the future success of your organization.
To understand how dealmakers are utilizing sustainability due diligence, KPMG conducted surveys in 2022 and 2023, capturing insights from 151 EMEA and 202 US investors, respectively. Many of our US respondents (63 percent) work in privately held companies, and almost half (46 percent) have fewer than 1,000 employees. Most of these companies (59 percent) manage assets worth less than $1 billion, and more than two thirds (67 percent) of their deals are valued at less than $50 million. The roles and perspectives are evenly split between corporate investors, financial investors (across a range of asset classes), and M&A debt providers. The majority in each have executive leadership and/or deal-making decision power.

Nature and ownership structure

Which of the following describes the nature of your company best? n = 202; Single-select

- 34% Corporate investor
- 34% Financial investor
- 33% Debt-provider to M&A transactions

Which of the following describes the ownership structure of your organization best? n = 202; Single-select

- 63% Privately held
- 36% (73) Publicly traded
- 1% (2) Government-owned
Role in the organization

Corporate investor
Which of the following describes your role in your organization best? (a) n = 68; Single-select

- ESG/sustainability team: 24%
- Strategy/business development team: 21%
- Head of M&A: 18%
- CFO: 16%
- CEO: 12%
- Other position with deal-making responsibilities (please describe): 7%
- Other position without deal-making responsibilities (please describe): 3%

Financial investor
Which of the following describes your role in your organization best? (b) n = 68; Single-select

- Final deal decision maker (e.g., Private Equity Partner/MD): 65%
- Deal captain/principal with 7 key operational deal responsibility: 22%
- ESG/Sustainability team: 9%
- Other (please describe): 4%

Debt-provider to M&A transactions
Which of the following describes your role in your organization best? (b) n = 66; Single-select

- M&A debt financing professional with lending decision responsibility: 70%
- M&A debt financing professional without lending decision responsibility: 26%
- Other (please describe): 5%

Source: KPMG 2023 US ESG Due Diligence Study

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Size of the company and deal volume

Corporate investor

How large is your company?

\( n = 68; \) Single-select

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>&gt;=10,000 employees</td>
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<tr>
<td>&gt;=1,000 to &lt;10,000 employees</td>
<td>26%</td>
</tr>
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<td>&gt;=250 to &lt;1,000 employees</td>
<td>15%</td>
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<tr>
<td>&gt;=50 to &lt;250 employees</td>
<td>16%</td>
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<tr>
<td>&lt;50 employees</td>
<td>15%</td>
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Financial investor & Debt-provider to M&A transactions

How large are your total assets under management?

\( n = 68; \) Single-select

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<tr>
<td>&gt;=$1M to &lt;$500M</td>
<td>43%</td>
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How many deals is your organization involved in per year, on average (including both realized and aborted deals)?

\( n = 134; \) Single-select

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<thead>
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<th>Option</th>
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<tbody>
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<td>1%</td>
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<tr>
<td>&gt;=10</td>
<td>17%</td>
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<td>&gt;=5 to &lt;10</td>
<td>15%</td>
</tr>
<tr>
<td>&gt;=3 to &lt;5</td>
<td>31%</td>
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<tr>
<td>&gt;=1 to &lt;3</td>
<td>35%</td>
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<tr>
<td>None / Not applicable</td>
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How many deals is your organization involved in per year, on average (for PE investors: including add-on transactions of portfolio companies)?

\( n = 68; \) Single-select

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<tr>
<th>Option</th>
<th>Percentage</th>
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<tbody>
<tr>
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<td>29%</td>
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<td>&gt;=3 to &lt;5</td>
<td>16%</td>
</tr>
<tr>
<td>&gt;=1 to &lt;3</td>
<td>24%</td>
</tr>
<tr>
<td>None / Not applicable</td>
<td>3%</td>
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What is your typical deal size (enterprise value)?

\( n = 68; \) Single-select

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>&lt;$10M</td>
<td>3%</td>
</tr>
<tr>
<td>&gt;=$10 to &lt;$50M</td>
<td>3%</td>
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<td>&gt;=$100 to &lt;$500M</td>
<td>16%</td>
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<td>&gt;=$1B</td>
<td>26%</td>
</tr>
<tr>
<td>Don’t know or prefer not to answer</td>
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</tr>
</tbody>
</table>
### Sector view

#### Corporate investor

Which sector(s) are you active in (all significant sectors of activity)?

- CnR: 24%
- ENRC: 25%
- FS: 44%
- HCLS: 18%
- IM: 54%
- TMT: 35%
- Other: 12%

#### Financial investor

Which sectors do you predominantly conduct transactions in (investments or divestments)?

- CnR: 24%
- ENRC: 35%
- FS: 47%
- HCLS: 40%
- IM: 59%
- TMT: 38%
- Other: 10%

#### Debt-provider to M&A transactions

In which sectors do you predominantly underwrite M&A deals?

- CnR: 32%
- ENRC: 26%
- FS: 59%
- HCLS: 52%
- IM: 67%
- TMT: 50%
- Other: 12%
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