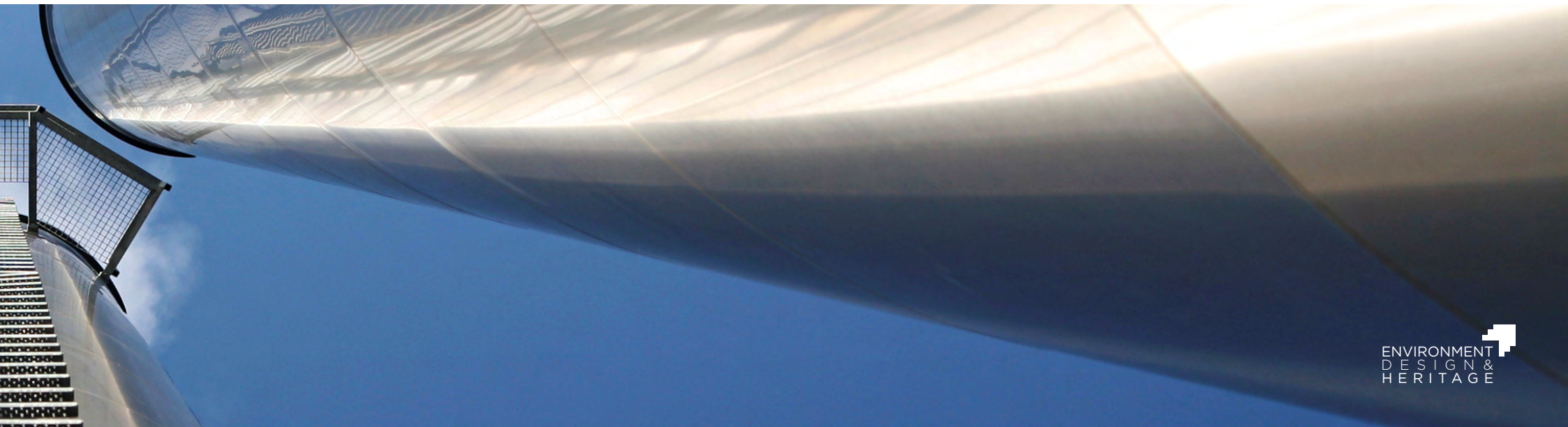


Environmental Due Diligence checklist

Introduction

Environmental risks play a pivotal role in determining the value, safety, and regulatory compliance of real estate and corporate assets. As a result, Environmental Due Diligence (EDD) has become an essential component of investment strategies, property transactions, development projects, and long-term operational planning.

This whitepaper explains what EDD is, why it matters, and how to conduct it effectively. You'll find practical guidance, a checklist template, best practices, and insights into how we can support the EDD process



What is environmental due diligence and why does it matter?

Environmental due diligence involves assessing potential environmental liabilities and compliance risks prior to acquiring, developing, or investing in a property or business.

This process enables stakeholders to make informed decisions by evaluating the asset's environmental condition and anticipating any remediation or regulatory obligations.

Environmental due diligence is especially relevant in the following:

- **Real estate transactions.** Buyers assess potential contamination or environmental restrictions on a property before purchase to avoid future liability or cleanup costs.
- **Mergers and acquisitions (M&A).** Acquirers evaluate environmental risks tied to a target company's assets, operations, or past practices to inform deal terms and valuation.
- **Infrastructure projects.** Developers review environmental impacts, permitting requirements, and potential site contamination to prevent delays or regulatory issues.
- **Contaminated land redevelopment.** In Australia, investors and developers assess remediation requirements and liability protections in line with the National Environment Protection (Assessment of Site Contamination) Measure (NEPM). This framework provides nationally consistent guidelines for evaluating contamination risks and determining cleanup obligations, enabling stakeholders to safely and legally repurpose brownfield sites while meeting environmental compliance standards.

By identifying environmental risks early, parties can negotiate who bears responsibility for remediation, incorporate cleanup costs into deal structures, and avoid unexpected legal or financial setbacks under federal and state frameworks.

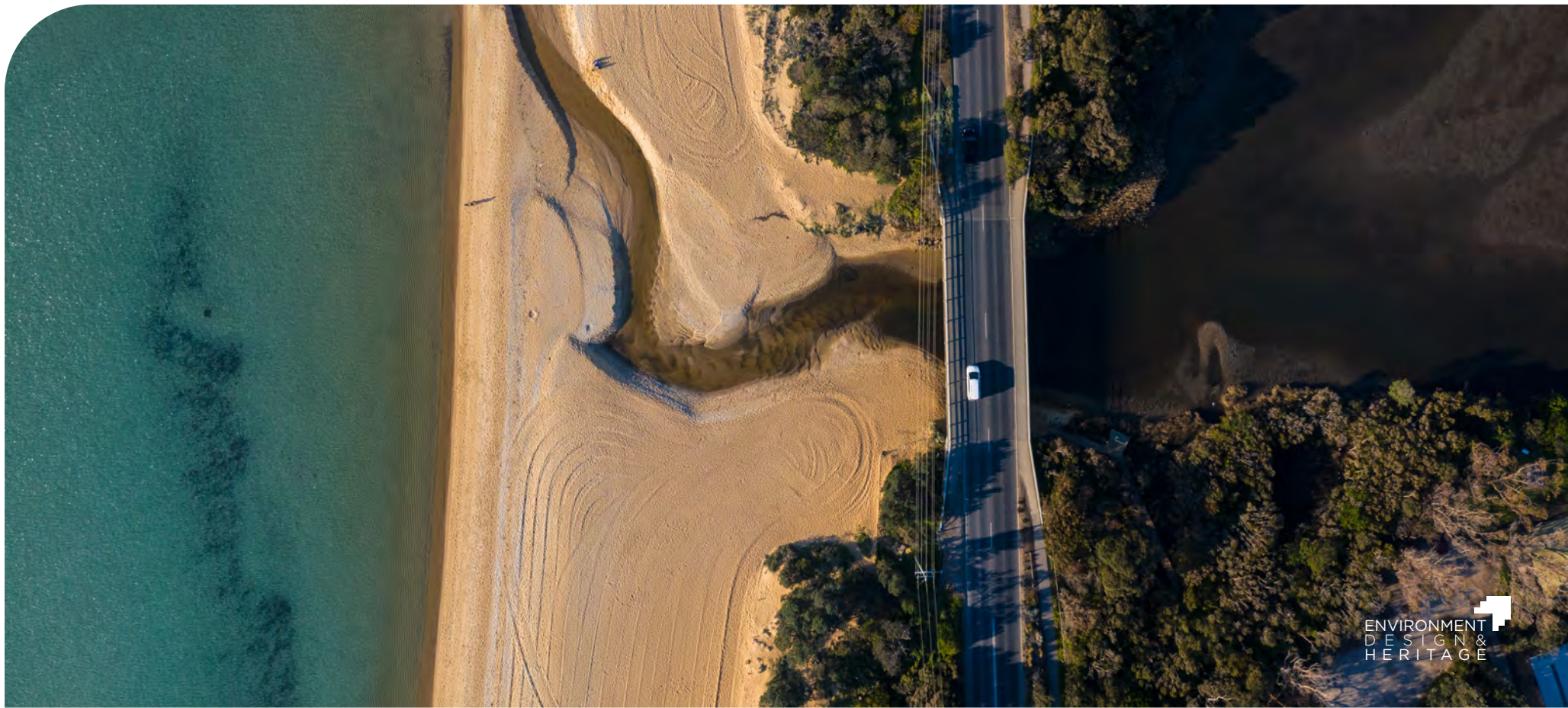
From a regulatory perspective, EDD ensures compliance with the National Environment Protection (Assessment of Site Contamination) Measure (ASC NEPM) - Australia's unified standard for assessing contaminated sites - and with national environmental legislation such as the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act). It also aligns with state-level contaminated land laws (for example, the Contaminated Land Management Act 1997 in NSW), helping stakeholders manage liabilities effectively and responsibly.

Environmental due diligence typically involves Environmental Site Assessments (ESAs)

- **Phase I ESA:** Reviews historical and current property uses to identify potential concerns.
- **Phase II ESA:** Involves ground sampling and laboratory analysis if contamination is suspected.

These assessments follow nationally consistent guidelines under the National Environment Protection (Assessment of Site Contamination) Measure (ASC NEPM), ensuring a robust and defensible approach to evaluating contamination risks.

In short, Environmental Due Diligence (EDD) is a proactive strategy that mitigates risk, ensures compliance with Australian environmental legislation, and safeguards the long-term value of an investment.



Use cases and goals of environmental due diligence checklists

An environmental due diligence (EDD) checklist is a structured tool designed to systematically assess a property or business for potential environmental risks and compliance obligations. It helps identify contamination, hazardous materials, regulatory gaps, and historical land uses that may present legal, financial, or health liabilities.

EDD checklists are widely adopted by stakeholders such as buyers, investors, developers, environmental consultants, and legal teams.

By providing a clear, consistent framework for environmental evaluation, these checklists enable informed decision-making, reduce uncertainty, and protect investments from unforeseen environmental liabilities.

The primary goals of using these checklists include the following:

- **Risk mitigation.** Identifying and addressing environmental hazards before they lead to costly problems
- **Regulatory compliance.** Ensuring all relevant environmental laws and standards are met to avoid fines and penalties
- **Liability assessment.** Understanding potential legal and financial responsibilities tied to environmental issues.
- **Insurance and lender requirements.** Meeting criteria set by insurers or financiers to secure coverage or funding.



Key elements of an environmental due diligence checklist

A comprehensive environmental due diligence checklist typically includes key elements from both Phase I and, if needed, Phase II Environmental Site Assessments.

Phase I ESA components generally cover:

- **Conduct a site inspection**, to observe current conditions and identify potential environmental concerns.
- **Review records**, including permits, historical reports, and regulatory authority documents.
- **Interview key stakeholders**, such as current and former owners, occupants, and relevant local authorities.
- **Investigate historical land use**, to uncover past activities that may have contributed to contamination.
- **Assess risks from neighbouring properties**, that could impact the site's environmental status.

If Phase I identifies possible contamination, a Phase II ESA is conducted, involving:

- Soil and groundwater testing to detect possible pollutants
- Defined sampling methodologies to ensure reliable and representative data.
- Detailed lab reporting of test results to assess contamination levels.
- **Additional environmental considerations** may include screening for sensitive ecological features, such as areas of high conservation value, threatened species habitats, and culturally significant or heritage-listed sites, in accordance with the National Environment Protection (Assessment of Site Contamination) Measure (ASC NEPM) and relevant state planning requirements.



Air pollution



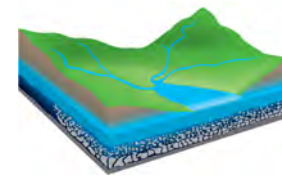
Environmental pollution



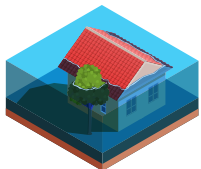
Geotechnical hazards



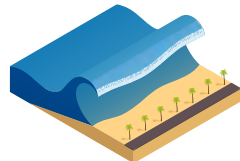
Bushfire hazards



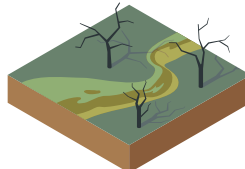
Groundwater conditions



Flood hazards



Coastal erosion



Water pollution



Subsidence



Soil conditions

Environmental due diligence checklist template

The following checklist outlines key areas to assess for environmental risks and compliance during due diligence.

Important:



This template is provided as a general guide and does not constitute legal advice. Always seek professional guidance to ensure it is tailored to your specific circumstances and regulatory requirements.



Section

What to review

Property information

- ☐ Complete property address, boundaries, and parcel identification numbers (Lot/DP) verification
- ☐ Current owner, operator, and occupant details
- ☐ Property size, zoning classification, and land use restrictions
- ☐ Site maps and layout plans

Historical use and ownership

- ☐ Detailed record of previous uses of the property (e.g. industrial, agricultural, commercial, residential)
- ☐ List of all past owners and operators with timelines
- ☐ Documentation of any past environmental incidents, spills, or cleanup activities
- ☐ Review of historical aerial photographs, maps, and historical trade directories to detect changes over time

Physical site inspection criteria

- ☐ Visual inspection for signs of contamination, such as soil staining, distressed vegetation, or chemical odours
- ☐ Condition and integrity of storage tanks, drums, or containers on-site
- ☐ Evidence of spills, leaks, improper waste disposal, or abandoned equipment
- ☐ Assessment of site drainage systems, presence of ponds, wetlands, or water bodies
- ☐ Identification of any nearby properties or activities that could contribute to off-site contamination (e.g. factories, landfills, gas stations)

Section

What to review

Environmental permits and non-compliance

- ☐ Collection and review of all environmental permits applicable to the property (air, water, waste management)
- ☐ Search for records of violations, enforcement actions, fines, audits, or notices of non-compliance from regulatory authorities
- ☐ Confirmation of compliance history and any outstanding remediation requirements
- ☐ Review of inspection reports or correspondence from environmental authorities

Known and suspected environmental concerns

- ☐ Identification of hazardous substances or wastes historically or currently present on-site
- ☐ Review of existing soil, groundwater, or vapor intrusion data for contamination
- ☐ Presence of regulated materials such as asbestos-containing materials (ACM), lead-based paint, polychlorinated biphenyls (PCBs) etc
- ☐ Proximity to environmentally sensitive areas such as wetlands, endangered species habitats, or cultural/historic constraints
- ☐ Potential risks from underground storage tanks (USTs) or pipelines

This checklist serves as a general template and should be customized to address the unique environmental risks of each sector.

When adapting it, keep in mind the following considerations:

- **Industrial sites.** Focus on chemicals, waste storage, air emissions, and underground tanks.
- **Retail and commercial properties.** Emphasis on underground storage tanks (USTs), tenant activities, and indoor air quality.
- **Undeveloped land.** Prioritise ecological surveys, wetlands, soil erosion, and cultural heritage assessments.



Best practices for using environmental due diligence checklists

To use an environmental due diligence checklist effectively, initiate the process as early as possible - ideally during the initial planning or acquisition phase. Early engagement helps identify potential risks before major financial or operational commitments are made.

Here are a couple of recommendations to follow:

- **Engage all relevant stakeholders** early in the process. Collaborate with environmental consultants, legal advisors, technical specialists, and property owners to ensure the assessment is comprehensive, accurate, and compliant with Australian standards such as the NEPM and applicable state regulations.
- **Maintain thorough documentation** throughout the process. Record site inspections, data reviews, stakeholder interviews, and all regulatory communications in a clear and organized manner. Prepare well-structured reports that highlight identified risks, compliance gaps, and actionable recommendations.

Common mistakes to avoid include the following:

- **Using outdated or incomplete checklist templates** can result in overlooking critical environmental risks or failing to meet current regulatory requirements. Always ensure templates are up to date and aligned with the latest guidelines to maintain compliance and protect against liability.
- **Insufficient historical research** can lead to missed contamination risks. Failing to review past site uses, incidents, and historical records may overlook legacy pollution or hazardous activities that could significantly impact compliance and remediation obligations. Ensure thorough investigation in line with NEPM guidelines and state requirements for contaminated land assessment.
- **Failing to involve relevant experts early** can compromise the quality and accuracy of the assessment. Without input from environmental consultants, legal advisors, and technical specialists, critical risks may be overlooked, leading to non-compliance with contaminated land requirements. Early collaboration ensures a thorough, defensible, and compliant due diligence process.
- **Overlooking regulatory updates** can expose projects to compliance risks. Environmental laws, NEPM guidelines, and site assessment standards are periodically revised, and site conditions may change over time. Staying current with national and state requirements is essential to ensure due diligence remains accurate, defensible, and compliant.

How EDH supports environmental due diligence

EDH's environmental due diligence reports are designed to identify environmental constraints, contamination risks, and regulatory obligations at the earliest stage of a transaction or project lifecycle, and translate them into practical, decision-ready insights. Through a combination of historical research, spatial analysis, and regulatory screening, EDH helps clients understand not only what the risks are, but why they matter.

These reports complement Phase I Environmental Site Assessments (ESAs) by undertaking detailed desktop and historical land-use analysis to identify potential areas of concern. This includes assessing past and current site and surrounding land uses, contamination indicators, heritage and biodiversity constraints, and relevant regulatory listings—reducing uncertainty, supporting compliant transactions, and protecting the long-term value of land and property assets.

Key ways EDH produces practical, decision-ready insights:

- **Early risk identification.** Identifies potential contamination, regulatory constraints, and environmental liabilities at the outset of a transaction or project.
- **Alignment with Australian regulatory frameworks.** Prepared with regard to the ASC NEPM, EPBC Act, and relevant state contaminated land and planning legislation. Provides a defensible basis for legal, lender, insurer, and regulator reliance.
- **Support for Phase 1 and Phase 2 ESAs.** Complements Phase 1 Environmental Site Assessments through historical land-use analysis and desktop screening.
- **Comprehensive environmental scope.** Considers contamination risk alongside broader environmental constraints, including: Heritage and archaeological considerations, biodiversity and ecological values, planning overlays and approval triggers and risks from surrounding land uses
- **Clear, commercially focused reporting.** Presents findings in a concise, structured format with mapped outputs which Enables non-technical stakeholders to quickly understand implications and next steps.
- **Practical decision support.** Assists clients to:
 1. Negotiate environmental risk allocation
 2. Meet lender and insurer due diligence requirements
 3. Plan further investigations or approvals with confidence

ENVIRONMENT
DESIGN &
HERITAGE

