

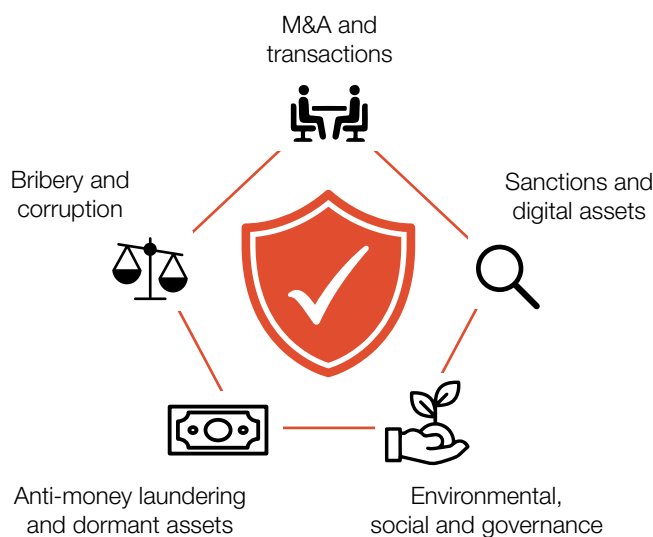
ARENDT IS BY YOUR SIDE

Due diligence: the right mindset

Due diligence refers to the **comprehensive process of investigation, analysis and assessment** to understand the risks and benefits of a particular transaction or business decision. It is a critical step. Arendt's due diligence approach allows you to make informed decisions, thoroughly document them, align with regulatory requirements and safeguard your reputation in an increasingly complex environment. It goes beyond mere information repositories or box-ticking exercises.

As regulations emerge and evolve (CS3D, CSRD, the 2023 proposal for an EU directive on combating corruption), the stakes have never been higher and requirements have shifted from a checklist approach to a "true" diligence mindset. Our team understands the intricacies of compliance, possesses extensive industry knowledge and can expertly navigate the nuances of due diligence to safeguard your business interests.

Due diligence: understand risks, uncover value



1. M&A and transactions:

In any transaction, conducting preliminary risk assessments and risk-based due diligence on ESG, corruption, sanctions, AML and business practices is essential to informed decision-making. Deal-driven intelligence is useful for market entry, divestment, integrity assessment for management, stakeholder mapping, etc.

2. Bribery and corruption:

Bribery and corruption are significant threats to reputation and operations. Identifying politically exposed persons (PEPs), state-owned enterprises (SOEs) and red flags among third parties and supply chains helps align with anti-corruption laws and standards (FCPA, UKBA, Sapin II, etc.) and mitigate potential liabilities.

3. Anti-money laundering (AML) and dormant assets:

With increasing regulatory scrutiny (AMLDs), financial institutions must stay vigilant against money laundering activities, particularly in structures with hidden Ultimate Beneficial Ownership (UBO) and concealed illicit activities. Most compliance requirements now go beyond self-disclosed information.

4. Environmental, social and governance (ESG):

ESG regulations (CS3D, CSRD, etc.) are shifting from being voluntary to being mandatory, thus requiring integration into risk management. Understanding and mitigating ESG risks is crucial before onboarding a party or financing a transaction. ESG due diligence provides data-based insights and is crucial to having documented decisions when faced with greenwashing accusations.

5. Sanctions and digital assets:

Compliance with international sanctions, including secondary sanctions, is vital. Moreover, the rise of digital assets requires tracing and monitoring ownership and blockchain transactions to uncover hidden stakeholders and align with regulatory standards.

How can Arendt help?

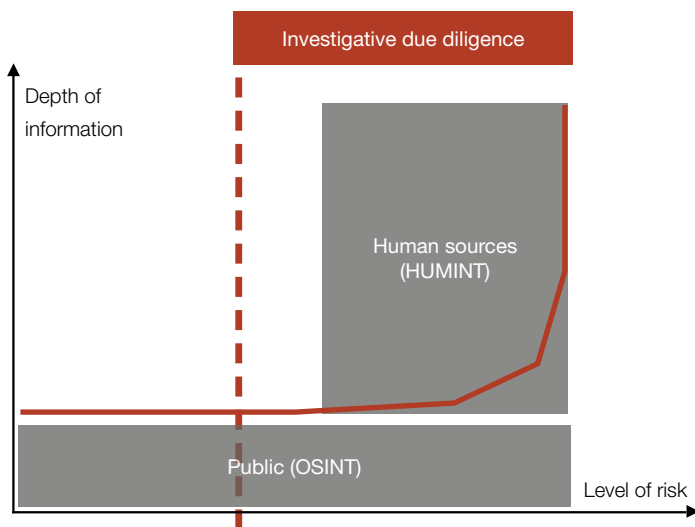
Our experts and services provide a structured and comprehensive approach to risk assessment (risk mapping) and provide tailored and proportionate investigative due diligence (OSINT/HUMINT). By leveraging open-source intelligence (OSINT) and human intelligence (HUMINT) and the use of technologies, we identify and address critical concerns in areas such as corruption, money laundering, sanctions, export control and ESG.

Our risk assessment-based due diligence approach

Level 1: Red flag screening

Our initial level leverages public sources and specialised databases to identify potential risks by:

- Analysing public sources (proprietary databases, regional and national datasets, media archives, corporate records and other online resources) to identify potential red flags such as political exposure, sanctions risks, ethical violations and negative media coverage, etc.



Level 2: Enhanced Due Diligence (EDD)

For a deeper understanding of risks, our EDD services build on the Level 1 approach, adding:

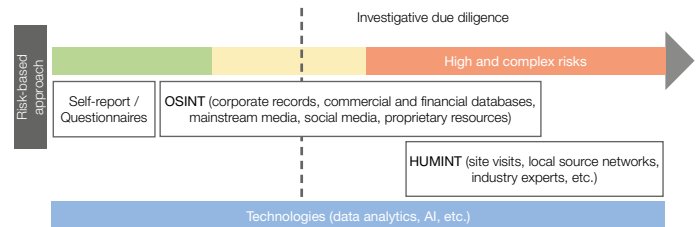
- Comprehensive analysis of profiles, reputation and business practices, using additional sources such as public information that is not accessible online.
- Conducting preliminary geopolitical assessments to uncover risks, such as political instability, regulatory changes and socio-political disruptions.

Level 3: Enhanced Due Diligence Plus (EDD+)

For complex transactions or high-stakes partnerships, our EDD+ service provides a deeper layer of scrutiny by leveraging proportionate, discreet (and confidential) human sources and field intelligence, as well as cutting-edge technologies, to:

- Map business relationships and interests, understand reputations and identify any possible political connections or PEP- related connections or corporate affiliations and related parties.
- Identify or verify allegations of poor business practices (governance failure, fraud, corruption, ESG-related risks).

EDD+ goes beyond public and disclosed information, delivering nuanced, hard-to-obtain insights that are critical for informed decision-making.



arendt is by your side

Your experts



Stéphanie Lhomme
Partner - Arendt Regulatory
& Consulting SA
Stephanie.lhomme@arendt.com
+352 621 966 564



Edouard Delfosse
Director - Arendt Regulatory
& Consulting SA
Edouard.Delfosse@arendt.com
+352 621 791 713



Elbouabidi Boularas
Manager - Arendt Regulatory
& Consulting SA
Elbouabidi.boularas@arendt.com
+352 40 78 78 7603