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Environmental due diligence checklist



Introduction

Environmental risks significantly impact the value, safety, and compliance status of real estate and corporate assets. That's why environmental due diligence (EDD) is a critical part of investments, transactions, developments, and long-term operations.

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 Ideals supports the EDD process.

What is environmental due diligence and why does it matter?

Environmental due diligence is the process of identifying potential environmental liabilities and compliance risks before acquiring, developing, or investing in a property or business. It helps stakeholders make informed decisions by evaluating the environmental condition of an asset and anticipating any cleanup or compliance 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.** Investors or developers assess cleanup needs and liability protections – e.g. under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) – to safely and legally repurpose brownfield sites.

By uncovering environmental risks early, parties can negotiate responsibility for remediation, factor in cleanup costs, and avoid legal or financial surprises.

From a legal standpoint, EDD supports compliance with key regulations such as CERCLA, a U.S. law that holds parties responsible for cleaning up hazardous waste sites. It also helps meet the requirements of the National Environmental Policy Act (NEPA), which mandates that federal agencies evaluate the environmental impact of their projects before granting approval.

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 testing and sampling if contamination is suspected.

These assessments follow the American Society for Testing and Materials (ASTM) standards (such as ASTM E1527), ensuring a consistent and defensible approach.

In short, EDD is a proactive strategy that reduces risk, ensures legal compliance, and protects the long-term value of an investment.



Use cases and goals of environmental due diligence checklists

An environmental due diligence checklist is a structured guide used to systematically evaluate a property or business for potential environmental risks and compliance issues. It helps identify contamination, hazardous materials, regulatory gaps, and past land uses that could pose legal, financial, or health risks.

Various stakeholders widely use EDD checklists, including buyers, investors, developers, environmental consultants, and legal teams.

By providing a clear and structured approach to environmental evaluation, these checklists help stakeholders make informed decisions, reduce uncertainty, and safeguard investments against unexpected 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:

- **Site inspection** to observe current conditions and potential environmental concerns.
- **Records review**, including permits, past reports, and regulatory filings.
- **Interviews** with current and former owners, occupants, or local authorities.
- Investigation of **historical land use** to identify previous activities that may have caused contamination.
- Assessment of **neighboring property risks** that could impact the site.

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

- **Soil and groundwater testing** to detect pollutants.
- Defined **sampling methodologies** to ensure reliable and representative data.
- Detailed **lab reporting** of test results to assess contamination levels.
- Additional compliance and sustainability screenings, such as evaluating wetlands, endangered species habitats, and cultural or historic resources.

Environmental due diligence checklist template

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

Important:



This is a general template and not legal advice. Always consult professionals to tailor it to your specific needs.



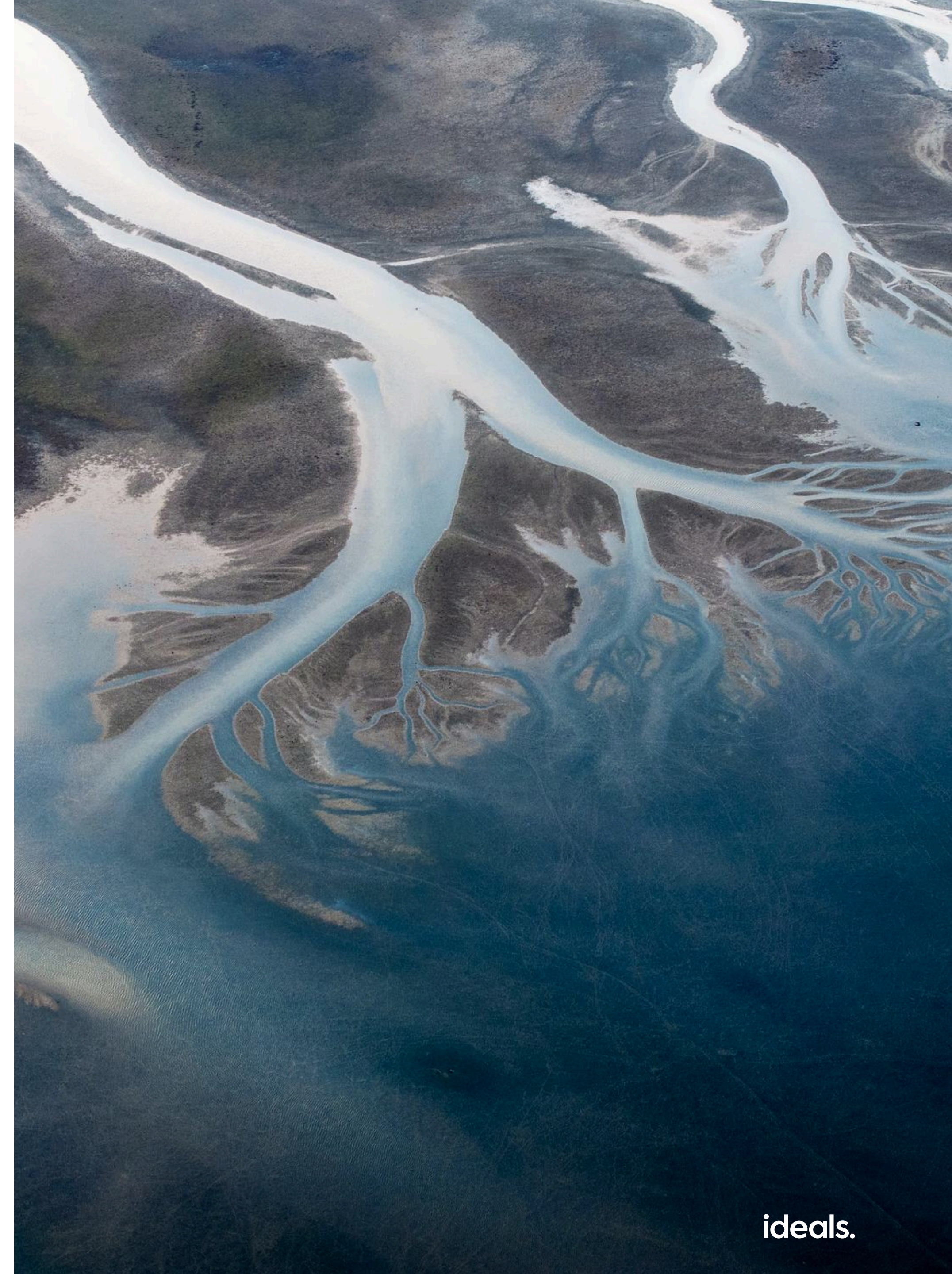
Section	What to review
Property information	<div><input type="checkbox"/> Complete property address, boundaries, and parcel identification numbers</div> <div><input type="checkbox"/> Current owner, operator, and occupant details</div> <div><input type="checkbox"/> Property size, zoning classification, and land use restrictions</div> <div><input type="checkbox"/> Site maps and layout plans</div>
Historical use and ownership	<div><input type="checkbox"/> Detailed record of previous uses of the property (e.g. industrial, agricultural, commercial, residential)</div> <div><input type="checkbox"/> List of all past owners and operators with timelines</div> <div><input type="checkbox"/> Documentation of any past environmental incidents, spills, or cleanup activities</div> <div><input type="checkbox"/> Review of historical aerial photographs, maps, and city directories to detect changes over time</div>
Physical site inspection criteria	<div><input type="checkbox"/> Visual inspection for signs of contamination, such as soil staining, distressed vegetation, or chemical odors</div> <div><input type="checkbox"/> Condition and integrity of storage tanks, drums, or containers on-site</div> <div><input type="checkbox"/> Evidence of spills, leaks, improper waste disposal, or abandoned equipment</div> <div><input type="checkbox"/> Assessment of site drainage systems, presence of ponds, wetlands, or water bodies</div> <div><input type="checkbox"/> Identification of any nearby properties or activities that could contribute to off-site contamination (e.g. factories, landfills, gas stations)</div>

Section	What to review
Environmental permits and violations	<div><input type="checkbox"/> Collection and review of all environmental permits applicable to the property (air, water, waste management)</div> <div><input type="checkbox"/> Search for records of violations, enforcement actions, fines, or notices of non-compliance from regulatory agencies</div> <div><input type="checkbox"/> Confirmation of compliance history and any outstanding remediation requirements</div> <div><input type="checkbox"/> Review of inspection reports or correspondence from environmental regulators</div>
Known and suspected environmental concerns	<div><input type="checkbox"/> Identification of hazardous substances or wastes historically or currently present on-site</div> <div><input type="checkbox"/> Review of existing soil, groundwater, or vapor intrusion data for contamination</div> <div><input type="checkbox"/> Presence of regulated materials such as asbestos-containing materials (ACM), lead-based paint, polychlorinated biphenyls (PCBs), or radon</div> <div><input type="checkbox"/> Proximity to environmentally sensitive areas such as wetlands, endangered species habitats, or cultural/historic resources</div> <div><input type="checkbox"/> Potential risks from underground storage tanks (USTs) or pipelines</div>

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:

1. **Industrial sites.** Focus on chemicals, waste storage, air emissions, and underground tanks.
2. **Retail and commercial properties.** Emphasize underground storage tanks, tenant activities, and indoor air quality.
3. **Undeveloped land.** Prioritize ecological surveys, wetlands, soil erosion, and cultural resource assessments.



Best practices for using environmental due diligence checklists

To use an environmental due diligence checklist effectively, begin the process as early as possible. Ideally, start during initial planning or acquisition to identify risks before making major commitments.

Here are the recommendations to follow:

- **Collaborate with stakeholders.** Involve environmental consultants, legal advisors, technical experts, and property owners to ensure a comprehensive and compliant assessment.
- **Document thoroughly.** Record site inspections, data reviews, interviews, and regulatory communications in a clear, organized manner. Use well-structured reports to highlight risks, compliance gaps, and recommendations.
- **Leverage technology.** Integrate checklists with virtual data rooms (VDRs) or document management platforms to centralize documents, improve version control, and provide secure access for all participants.

Common mistakes to avoid include the following:

- **Using outdated or incomplete checklist templates.** This leads to missing critical environmental risks or regulatory requirements.
- **Conducting insufficient historical research.** Failing to review past site uses and incidents may overlook hidden contamination.
- **Neglecting to involve relevant experts early.** Without input from all stakeholders, assessments may be incomplete or inaccurate.
- **Overlooking regulatory updates.** Environmental laws and site conditions can change, so staying current is essential.

How Ideals supports environmental due diligence

Ideals is a virtual data room (VDR) platform designed to manage and share sensitive documents securely during complex transactions and due diligence processes.

Effective environmental due diligence is essential to managing risks and ensuring regulatory compliance, and using Ideals empowers organizations to conduct this process securely, efficiently, and with greater confidence.

To find out more, [visit the Ideals website](#).

It offers several key benefits to streamline and strengthen environmental due diligence.

- **Secure document storage** for ESA reports, maps, and lab data, protecting sensitive environmental information from unauthorized access.
- **Role-based permissions** that control who can view or edit findings, ensuring confidentiality and compliance with data security policies.
- **Centralized collaboration tools** that facilitate efficient communication and document sharing among consultants, legal teams, and other stakeholders.
- **Seamless integration of environmental due diligence checklists** into workflows via a virtual data room, improving organization and accelerating decision-making.
- **Audit trails** that track document access and changes, enhancing transparency and accountability during the due diligence process.
- **Automated notifications and reminders** to keep stakeholders informed and deadlines on track.

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