

LIMITED PARTNERS' RESPONSIBLE INVESTMENT DUE DILIGENCE QUESTIONNAIRE

ABOUT THIS DUE DILIGENCE QUESTIONNAIRE

The *LP Responsible Investment DDQ* aims to understand and evaluate a General Partner's (GP) processes for integrating material environmental, social and governance (ESG) factors into their investment practices and to understand where responsibility for doing so lies.

It builds upon Section 1 of the [ESG Disclosure Framework for Private Equity \(Disclosure Framework\)](#); where the *Disclosure Framework* provides high-level guidance and explains the rationale behind asking ESG-related questions, the *LP Responsible Investment DDQ* provides a detailed list of such questions that LPs can ask GPs pre-commitment.

The *LP Responsible Investment DDQ* acknowledges the core premise of the *Disclosure Framework*, that: "Due to both the diverse nature of the private equity asset class and differing LP and GP approaches to ESG management and disclosure, what constitutes effective and relevant disclosure can be defined only through discussions between a GP and its LPs."

The PRI encourages all LPs to use the *LP Responsible Investment DDQ* as a starting point for these discussions, to build a consistent industry approach from LPs on ESG due diligence and to facilitate more effective disclosure from GPs.

- The *LP Responsible Investment DDQ* is not intended to be used as a check-list, but as a tool to establish dialogue.
- Any opportunities for improvement that the LP identifies may form a basis for engagement, either pre- or post-commitment.
- LPs may consider tailoring the *LP Responsible Investment DDQ* according to the GP's strategy, size, experience and resources.
- LPs may want to supplement the *LP Responsible Investment DDQ* with additional questions that meet their own requirements (although an LP should only ask for information that is required for its due diligence).

Section 1 aims to establish the GP's approach towards ESG integration; Sections 2 and 3 aim to establish the GP's processes for ESG integration; Section 4 aims to establish the GP's communication practices on managing ESG factors.

The *LP Responsible Investment DDQ* is accompanied by a guidance document, [The Limited Partners' Responsible Investment Due Diligence Questionnaire and How To Use It](#), which guides both LPs and GPs on how to enhance discussions during due diligence.

LP RESPONSIBLE INVESTMENT DDQ

1. WHAT ARE YOUR ESG-RELATED POLICIES AND HOW DO ESG FACTORS INFLUENCE YOUR INVESTMENT BELIEFS?

POLICY

- 1.1 Do you have a policy that describes your approach to identifying and managing ESG factors within the investment and portfolio management processes? If so, please provide a copy. If not, please indicate whether you would consider adopting a responsible investment policy.
- 1.2 What is the current implementation status of your responsible investment policy? Do you have any firm plans to develop your approach towards the management of ESG factors?
- 1.3 Do you commit to any international standards, industry (association) guidelines, reporting frameworks, or initiatives that promote responsible investment practices?
- 1.4 Do you make formal commitments relating to ESG integration in fund formation contracts, Limited Partnership Agreements or in side letters when requested by investors?

2. HOW DO YOU IDENTIFY AND MANAGE MATERIAL ESG-RELATED RISKS AND USE ESG FACTORS TO CREATE VALUE?

PROCESS

- 2.1 How do you define the materiality of ESG factors? Please give 2-3 examples of ESG factors that you have identified as material to portfolio companies in your most recent fund.
- 2.2 Describe your process for identifying and understanding (i) potentially material ESG risks, and (ii) ESG-related opportunities during due diligence.
- 2.3 Once identified, how might (i) potentially material ESG risks, and (ii) ESG-related opportunities impact the investment decision?
- 2.4 How are ESG risks and/or ESG-related opportunities reported to, considered and documented by the ultimate decision making body, such as the Investment Committee?
- 2.5 During deal structuring, what is the process for integrating ESG-related considerations into the deal documentation and/or the post-investment action plan?

CAPACITY

- 2.6 Please describe how (i) oversight responsibilities, and (ii) implementation responsibilities for ESG integration are structured within your organisation. Please list the persons involved and describe their role, position within the organisation and how they are qualified for this role. Please also describe any external resources you may use.
- 2.7 Do you provide training, assistance and/or external resources to your staff to help them understand and identify the relevance and importance of ESG factors in investment activities? If so, please describe what level of training is provided.

3. HOW DO YOU CONTRIBUTE TO PORTFOLIO COMPANIES' MANAGEMENT OF ESG-RELATED RISKS AND OPPORTUNITIES?

PROCESS

- 3.1 Upon investing in a company, would you review existing compliance with sustainability or ethical business guidelines, or introduce new guidelines if necessary?
- 3.2 What monitoring processes would you have in place to assess portfolio companies' management of ESG factors?
- 3.3 Give 2-3 examples of how you have contributed to portfolio companies' management of ESG factors. Specify which initiative(s) you worked with management to identify and instigate, which you supported your portfolio company to achieve (and how) and/or what the portfolio company was already doing that you identified as existing good practice.

CAPACITY

- 3.4 How do you assess that adequate ESG-related competence exists at the portfolio company level? How do you ensure that portfolio company management devotes sufficient resources to manage ESG factors that have been identified?
- 3.5 How do you use your interaction with the board to influence the portfolio company's management of ESG factors?

IMPACT

- 3.6 Do you systematically incorporate ESG considerations into preparations for exit? If yes, please describe your approach. If not, please explain why.
- 3.7 Do you measure whether your approach to ESG factors has affected the financial and/or ESG performance of your investments? If yes, please describe how you are able to determine these outcomes.

4. HOW CAN LPS MONITOR AND, WHERE NECESSARY, ENSURE THAT THE FUND IS OPERATING CONSISTENTLY WITH AGREED-UPON ESG-RELATED POLICIES AND PRACTICES, INCLUDING DISCLOSURE OF ESG-RELATED INCIDENTS?

PROCESS

- 4.1 Which channels do you use to communicate ESG-related information to LPs? Can you provide samples of ESG-related disclosures from an earlier fund? If not, please indicate whether you would consider introducing ESG-related disclosures.
- 4.2 Is the management of ESG factors included on the agenda of the Limited Partners Advisory Committee and/or Annual General Meeting?
- 4.3 Describe your approach to disclosing and following up on material ESG incidents to your LPs.