

PRIVATE EQUITY DDQ

RESPONSIBLE INVESTMENT
FOR LIMITED PARTNERS



This due diligence questionnaire (DDQ) has been designed for limited partners (LPs) to evaluate general partners' (GPs) processes for incorporating sustainability and governance-related factors. The questions evaluate risks, opportunities and where the responsibility for investment practices lies.

Download documentation

This DDQ forms part of the [Institutional Limited Partners Association's \(ILPA\) DDQ](#). It is also designed to complement the PRI's Reporting Framework.

The DDQ is divided into six sections:

- **Policy**
- **Fundraising**
- **Pre-investment**
- **Post-investment**
- **Reporting and disclosure**
- **Additional information**

CLIMATE MODULE

The PRI's supplementary climate module was developed via engagement with over 100 LPs globally, the Institutional Limited Partners Association (ILPA), and Initiative Climat International (iCI).

The module, available in PDF and Excel formats, provides a set of additional questions covering climate-related governance and investment practices, designed to help LPs understand and evaluate a GP's approach to managing climate-related risks and opportunities.

The module has specifically been developed to streamline and harmonise climate due diligence. The PRI encourages LPs to adopt its use as standard.

View the climate module in PDF and Excel on [this](#) webpage.

Why use the due diligence questionnaire and climate module?

A questionnaire can never replace the dialogue between manager and investor: the DDQ and climate module are designed to act as a starting point for such dialogue by providing a baseline list of questions that LPs can ask GPs during the fundraising process.

LPs may consider supplementing the DDQ and climate module with additional questions. However, they should consider the importance of those questions versus the additional administrative burden placed on GPs. LPs are encouraged to:

- assess responses in the context of the GP's size, experience, and resources; and
- use any opportunities for improvement that they identify as the basis for engagement, either pre- or post-commitment.

Guidance for completing the DDQ and climate module

GPs are encouraged to complete the DDQ and climate module as part of their general preparations for launching a fundraise and include it in their data rooms as standard. They should make the scope of their responsible investment activities clear within their responses, for example, by specifying whether a response applies across all strategies, select strategies, or a select fund. GPs that are PRI signatories should provide their latest public PRI Transparency Report alongside their responses to the DDQ and climate module.

REVIEWING FUND DOCUMENTATION

During the initial stages of due diligence, an LP may review the GP's Private Placement Memorandum (PPM), Offering Memorandum, or any other introductory marketing materials to establish whether the fund addresses their sustainability considerations.

If the LP is undertaking due diligence on a PRI signatory, they are strongly encouraged to review the GP's latest public PRI Transparency Report on the PRI website. LPs are also encouraged to request permission from the GP to view their private PRI Transparency and Assessment Reports.

An LP may also wish to ask the following questions:

- Does the fund have a formal policy to exclude investments in any particular industries, geographies, or business models, based on any sustainability criteria?
- If the LP has an exclusions policy, does the fund's investment strategy potentially include investments that would conflict with this policy? If so, would the GP be willing to ensure that the LP's capital is not used for such investments?
- Does the fund target sectors or geographies that have specific sustainability risks and/or opportunities that the GP plans to pay particular attention to during the investment analysis and/or due diligence process?

INVESTMENT STRATEGIES

Private equity is a diverse asset class that includes venture capital, growth equity, and buyouts, as well as a range of indirect strategies such as fund of funds and secondaries. Different sub-asset classes and funds will have different exposures to sustainability-related risks and opportunities, while their approaches to responsible investment will also vary significantly.

An LP should analyse DDQ and climate module responses in the context of the GP's investment strategy and discuss how their incorporation of sustainability and governance-related factors is influenced by:

- whether they make minority or control investments;
- the growth stage of target companies;
- indirect investments such as fund of funds.

CONTROL INVESTORS

The entire DDQ and climate module are relevant to control investors.

MINORITY INVESTORS

Minority investors with board seats and larger shareholdings may be able to influence the strategy and operations of their underlying portfolio companies. Other minority investors may not be able to do this – those with smaller shareholdings, for example, or GPs that do not have a board seat or that only have observer rights.

This may impact the extent to which minority investors can address certain questions in the post-investment and reporting and disclosure sections of the DDQ and climate module, compared with control investors. However, the PRI encourages minority investors to provide all relevant information on how they ensure sustainability risks and opportunities are appropriately managed within the degree of influence they have over portfolio companies and lead investors in co-investment situations.

VENTURE CAPITAL

Venture capital investors make minority investments in early-stage companies, from pre-seed to growth. As with other minority investors, their potential influence over portfolio companies will vary. Still, venture capital GPs are encouraged to tailor sustainability policies and practices to the risks and opportunities of the sector(s) they invest in and the stage of capital they typically provide.

FUNDS OF FUNDS (INCLUDING SECONDARIES)

When investing in a fund of funds, LPs should seek assurance that the GP has a thorough process to assess and monitor the responsible investment approach of the underlying funds.

An LP could ask the fund of funds GP to complete the DDQ and climate module during fundraising (noting that some questions might not be applicable, such as those in the post-investment sections). Fund of funds managers are encouraged to use this DDQ for their sustainability due diligence of underlying funds.

QUESTIONS

1. Policy

UNDERSTANDING YOUR SUSTAINABILITY-RELATED POLICIES, GOVERNANCE, AND OVERSIGHT.

1.1 Do you have a responsible investment policy?

If so, provide a copy or a link if publicly available, state when it was implemented, whether it has been fully implemented, what the process for reviewing and updating it is, and describe any changes you have recently made or plan to make. If you do not have a responsible investment policy, explain why not.

1.2 What international standards, industry (association) guidelines, reporting frameworks, or initiatives that promote responsible investment practices have you committed or contributed to?

1.3 How are (i) oversight responsibilities and (ii) implementation responsibilities for responsible investment structured within your organisation?

List the persons involved, describe their role, position within the organisation and how they are qualified for this role. Describe any external resources you may use.

1.4 To what extent, if any, are responsible investment objectives incorporated into performance reviews and compensation mechanisms at your firm?

Describe how responsible investment objectives are defined and measured and to which positions they apply, e.g. investment professionals/sustainability teams.

1.5 How do you equip your investment professionals and other staff to understand and identify the relevance and importance of sustainability risks and opportunities in investment activities?

If you provide training, assistance and/or additional resources, please describe them. This should include how often these are delivered, by whom, and to whom.

2. Fundraising

ESTABLISHING YOUR RESPONSIBLE INVESTMENT COMMITMENTS WITHIN FUND DOCUMENTATION.

2.1 What formal responsible investment commitments have you made or do you plan to make in the Limited Partnership Agreement (LPA), side-letters, or other constitutive fund documents?

Describe any formal responsible investment commitments you have made or plan to make related to this fundraise. Please also share sections of your PPM or other marketing materials relevant to responsible investment commitments.

3. Pre-investment

UNDERSTANDING HOW YOU IDENTIFY MATERIAL SUSTAINABILITY RISKS AND OPPORTUNITIES IN YOUR INVESTMENTS.

3.1 How do you conduct (i) sustainability factor materiality analysis for potential investments and (ii) due diligence on potentially material sustainability risks and opportunities?

- (i) *Explain your process, give two to three examples of sustainability risks and opportunities identified during screening as material to portfolio companies in your most recent fund, and disclose any tools, standards and data you use to determine which sustainability and governance-related risks and opportunities are material.*
- (ii) *Please illustrate your sustainability due diligence process using one to two examples from a recent fund.*

3.2 How do sustainability risks and opportunities affect the selection of your investments?

Explain using one to two examples from a recent fund. Did they help identify risk management or value creation opportunities, lead to the abandonment of certain investments, impact the valuation of investments, or affect other deal terms?

3.3 How are sustainability risks and opportunities reported to, considered, and documented by the ultimate decision-making body, such as the investment committee?

Describe the process you have in place and illustrate this with a recent fund example.

3.4 How are sustainability-related considerations integrated into deal documentation such as Shareholders' Agreements during deal structuring?

Describe the process you have in place and illustrate this with a recent fund example.

4. Post-investment

UNDERSTANDING HOW YOU CONTRIBUTE TO YOUR PORTFOLIO COMPANIES' SUSTAINABILITY RISK MITIGATION AND VALUE CREATION EFFORTS.

4.1 Do you create sustainability-specific value creation plans or incorporate sustainability issues into regular value creation and/or 100-day plans?

If so, describe how those are defined, implemented, and monitored and provide an example from a recent fund.

4.2 How do you ensure that adequate sustainability-related competence and resources exist at the portfolio company level?

Describe one or two initiatives taken as part of your sustainability competence-building efforts in prior funds, and indicate which function, position, or role is generally given sustainability responsibilities at portfolio companies.

4.3 How do you use your board seats or interaction with the board to monitor, influence, and incentivise the portfolio company's management of sustainability risks and opportunities?

This could include how sustainability objectives are linked to compensation mechanisms at the portfolio company level.

4.4 How do you contribute to the management of material sustainability risks and opportunities during the holding period of your investments?

Provide two to three examples from a recent fund highlighting how you directly contributed to any initiatives. For example, those where you worked with management to identify issues and instigated further action such as implementing relevant policies, or those you supported your portfolio company to achieve.

4.5 Do you monitor and track sustainability key performance indicators (KPIs) for your investments?

If so, how do you identify material KPIs, and which frameworks do you use, if any? Provide details of the KPIs you have tracked in prior funds.

4.6 How do you use the identified sustainability KPIs?

Please indicate if you set targets for them or benchmark performance against comparable companies. If so, how do you do this, and how do you support portfolio companies to meet the targets?

4.7 How do you incorporate sustainability considerations into preparations for exit?

If you do not incorporate sustainability considerations into preparations for an exit, explain why.

4.8 How do you seek to determine whether your approach to sustainability risks and opportunities has affected your investments' financial performance?

Provide one or two examples from a recent fund, describing how you assess financial outcomes in the investment lifecycle related to responsible investment. If you do not measure the financial implications of your responsible investment activity, please explain the expected added value associated with your responsible investment approach.

4.9 Do you identify sustainability outcomes¹ (the positive and negative real world outcomes) related to investees' operations, products and services?

If so, disclose any frameworks or tools you use to identify these (e.g. SDGs, Impact Management Project (IMP), [The United Nations Guiding Principles on Business and Human Rights](#) (UNGPs), OECD guidelines on multinational enterprises).

¹ Sustainability outcomes are the intended and unintended, positive and negative effects that the businesses in which you invest have on the world around them. Examples of negative outcomes include biodiversity loss resulting from construction in an open space, human rights violations linked to dual-use technology, stress on water systems due to high water consumption. Examples of positive outcomes include reduction of waste through circular economy initiatives, upskilling programmes successfully retraining employees for the digital economy, development of green products or services (with evidence of positive sustainability impact), inclusive products and services that address issues of systemic racism

5. Reporting and disclosure

UNDERSTANDING HOW LPS CAN MONITOR YOUR RESPONSIBLE INVESTMENT PERFORMANCE AND ENSURE THE FUND IS OPERATING WITHIN AGREED-UPON POLICIES AND PRACTICES, INCLUDING DISCLOSING MATERIAL SUSTAINABILITY-RELATED INCIDENTS.

5.1 How do you report and evidence progress on responsible investment performance, including data and targets, to LPs?

Provide examples of sustainability-related disclosures from an earlier fund. If past disclosures are not available, please state whether you would consider introducing sustainability-related disclosures for your next fund.

5.2 Is the management of sustainability risks and opportunities included on your Limited Partners Advisory Committee and Annual Investor Meeting agenda?

If so, provide one or two examples of included issues at the portfolio company or fund level. If not, explain why not.

5.3 What is your approach to managing material sustainability-related incidents and disclosing them to your LPs?

Provide your definition of what constitutes a material sustainability-related incident and, through an example, explain the steps you have taken to manage any incidents and prevent future occurrences. Please also state whether there have been any incidents at your firm or portfolio companies within the last three years.

6. Additional information

6.1 If applicable, describe how your approach to responsible investment addresses specific sustainability topics or practices not otherwise covered in this document.

This could include issues such as human rights and related frameworks such as the UNGPs, diversity, equity and inclusion, or biodiversity, how you link sustainability outcomes to loan facilities, incorporating sustainability outcomes into staff carry incentives, or development of an industry-wide sustainability initiative, etc.

6.2 How do you manage your management company's (i.e. your own business') internal sustainability risks and opportunities?

Describe the initiatives you have developed and/or will develop to improve your firm's internal sustainability performance e.g. to improve investment team diversity.

If you are completing this PRI DDQ as a standalone document outside of the ILPA DDQ, please include a separate response to the Diversity, Equity and Inclusion section of the ILPA DDQ and the ILPA's Diversity Metrics Template.

These can be found at <https://ilpa.org/due-diligence-questionnaire/>.

This DDQ for was first published in 2021. It was updated in 2023 and 2025.

The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org



The PRI is an investor initiative in partnership with
UNEP Finance Initiative and the **UN Global Compact**.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org



United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

