DIVERSITY, EQUITY

AND INCLUSION DDQ FOR INSTITUTIONAL INVESTORS

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

# ABOUT THIS DDQ

This due diligence questionnaire (DDQ) is designed to help institutional investors understand how investment managers and investment consultants approach diversity, equity and inclusion (DEI) within their own organisations, through their investment activities or the manager research process.

These questions can be used as part of an RFP process, during manager reviews and monitoring, or incorporated into ongoing dialogue.

The DDQ should support wider information-gathering. Therefore, investors are encouraged to:

* seek additional information and clarification from investment managers and consultants after receiving the completed questionnaire, where necessary; and
* consider what additional resources are available to better understand and analyse investment managers’ and consultants’ answers.

The DDQ is divided into four sections, with questions relating to:

1. all organisations;
2. organisations investing in private markets;
3. organisations investing in public markets; and
4. investment consultants.

Investors incorporating questions from this document into their own DDQs should note that three out of four sections are not relevant to all organisations.

Responses to the questions in the second and third sections of the DDQ should cover specific investment strategies, vehicles or products being assessed, rather than provide highlights from a company-wide offering.

## WHICH ASSET CLASSES IS THIS DDQ APPLICABLE TO?

The questions in the investment sections of the DDQ are designed for asset managers investing across fixed income, listed equities, hedge funds, private equity, real estate

and infrastructure assets. Our position is that investors across all major asset classes can, and should, integrate DEI considerations into investment and ownership decisions.

This position is anchored in the [UN Guiding Principles on](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf)  [Business and Human Rights](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf).

## HOW DOES THIS DDQ WORK ALONGSIDE THE PRI’S ASSET CLASS DDQS?

This DEI-focused DDQ is designed to complement our existing asset class DDQs. However, there is an element of overlap between the questionnaires.

We encourage asset owners to review the questions in both the DEI-focused and asset class-specific DDQs and select questions they deem most relevant to include in their own DDQs, based on their objectives and operational contexts. To facilitate this, we have mapped out questions in this DDQ to those in related questionnaires in an appendix.

## WHAT IS THE PURPOSE OF THE GUIDANCE CONTAINED UNDER THE DUE DILIGENCE QUESTIONS?

The guidance helps respondents to understand what kind of detail should be provided. In some cases, the guidance references elements that may feature in a robust approach to DEI. However, the guidance is not comprehensive or exhaustive. Investment managers and consultants are encouraged to go beyond the direction provided in the guidance.

## HOW WAS THIS DDQ DEVELOPED?

The DDQ has been designed to reference existing DEI DDQs, as developed by industry groups, asset owners and asset owner initiatives, including the Office of the Illinois State Treasurer Michael Frerichs, the Los Angeles County Employee Retirement Association, the City of Chicago Treasurer’s Office, the Asset Owner Diversity Working Group, and the New York City Office of the Comptroller. The PRI would like to thank the investors that have shared their DEI questionnaires and have collaborated on the development of this DDQ.

## WHERE CAN WE FIND MORE INFORMATION ON KEY TERMS IN THIS DDQ?

The term ‘diversity characteristic’ is used in several questions. It refers to characteristics – including, but not limited to, gender, race, disability, age, sexual orientation and socio-economic background – that can classify an individual as belonging to an [underrepresented group](https://www.igi-global.com/dictionary/underrepresented-groups/65051) within a given context. This DDQ allows an organisation to set out the diversity characteristics it considers within its approach to DEI. For definitions of other terms used in this DDQ, please refer to the glossary in our [DEI discussion paper](https://www.unpri.org/download?ac=15712).

## WHERE CAN INVESTORS LEARN MORE ABOUT APPROACHES TO DEI?

DOCUMENT CHECKLIST

A suggested checklist of documents for investors to request from investment managers / consultants during the due diligence process:

DEI policy / strategy Code of conduct / ethics Anti-discrimination policy Family leave policy Equitable pay policy Whistleblower policy Grievance policy

Data privacy policy Supplier diversity policy

Organisation-level disclosures of DEI metrics Responsible investment policy (if applicable) Stewardship policy (if applicable)

Voting policy / principles (if applicable)

Voting record on DEI-related AGM and EGM proposals (if applicable)

For more information on how investment organisations can develop their DEI strategies, please read our discussion paper, ‘[Diversity, equity and inclusion: Key action areas for](https://www.unpri.org/human-rights/diversity-equity-and-inclusion-key-action-areas-for-investors/9393.article)  [investors](https://www.unpri.org/human-rights/diversity-equity-and-inclusion-key-action-areas-for-investors/9393.article)’, and visit our [DEI resources page](https://www.unpri.org/sustainability-issues/environmental-social-and-governance-issues/social-issues/diversity-equity-and-inclusion).

## HOW WILL THIS DDQ EVOLVE?

Approaches to DEI are continually evolving. As such, we will regularly update this DDQ, first published in 2022, to ensure it reflects new standards and reporting requirements as they develop.

## HOW CAN I SHARE FEEDBACK ON THE DDQ?

Please contact assetowners@unpri.org with any questions or comments.

# DDQ QUESTIONS

Questions in this section are applicable to investment managers and consultants

## ALL ORGANISATIONS

### GOVERNANCE

* 1. **Which role / committee(s) within the organisation has ultimate responsibility for diversity, equity, and inclusion (DEI)?**

*Explain if your organisation has assigned ultimate responsibility for DEI to the CEO, or an equivalent role, or to a board-level committee. Mention the skills and experience that equip the individual / committee to exercise oversight of DEI. Mention any accountability systems that are in place.*

* 1. **Does the organisation have a DEI policy or strategy?**

*If so, please provide copies of the relevant documents. (The policies may be standalone or incorporated into a broader human rights policy or code of conduct, etc). State the diversity characteristics the policy or strategy covers (e.g., age, gender, ethnicity) and whether it is publicly available. Describe the process for reviewing and updating the policy / strategy and specify the organisation or committee member responsible for updating and approving it. Mention any DEI frameworks, laws or guidelines referenced in the policy / strategy.*

*Specify whether policies cover:*

* *Harassment, discrimination and violence*
* *Family leave (that exceeds any government mandated paid leave)*
* *Equitable pay*
* *Whistleblowing*
* *Grievances and remediation*
	1. **Does the organisation engage with stakeholders to inform its DEI policies / strategy?**

*If so, please provide details. Mention i) the stakeholders engaged (e.g., staff, clients) ii) what the stakeholder engagement consists of (e.g., conducting surveys, running forums) iii) how frequently the engagement takes place.*

* 1. **Does the organisation integrate DEI performance metrics into executives’ performance reviews and / or compensation mechanisms?**

*Describe how DEI performance metrics are defined, measured and to which positions they are applied (e.g., executive management).*

* 1. **Does the organisation offer DEI training?**

*If so, please describe the training offered. Specify i) the objectives of the training (e.g. to foster an inclusive culture within the organisation, to build awareness)*

* + 1. *who receives the training (e.g. all employees, senior management, the company board) iii) whether the training is mandatory or optional iv) what the training consists of (e.g. online tutorials, workshops) v) what the training covers vi) the frequency of the training vii) if / how the effectiveness of the training is assessed.*

### STRATEGY

* 1. **Does the organisation take action to ensure an inclusive recruitment process?**

*If so, please describe the actions taken. Examples include following an anonymous application process, offering a panel of interviewers that includes members of underrepresented groups and requiring candidate lists to include individuals from underrepresented groups.*

* 1. **Does the organisation support promoting and progressing employees from underrepresented groups?**

*If so, please describe the actions taken. Examples include providing career maps and competency frameworks that offer open and equal access to information on why and how employees are promoted, and instituting strategies to promote diverse representation on high-visibility projects.*

* 1. **Does the organisation support employees that have parental and other caring responsibilities?**

*If so, please describe the actions taken. Examples include offering flexible working hours and a gender- neutral family leave allowance that exceeds the statutory minimum.*

* 1. **Does the organisation make its workplace inclusive?**

*If so, please describe the actions taken. Examples include providing office facilities that are accessible to individuals with disabilities and establishing employee resources groups.*

* 1. **Does the organisation promote DEI among its suppliers / service providers?**

*If so, please provide details. Examples of relevant actions include running a supplier diversity programme and assessing suppliers’ / service providers’ DEI policies and practices during due diligence.*

* 1. **Does the organisation seek to shape DEI-related outcomes1?**

*If so, provide details. Mention i) where the organisation’s approach to shaping outcomes is set out (e.g. in its mission statement, responsible investment policy, etc) ii) the frameworks that are used to identify outcomes (e.g. the Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights)*

* + 1. *the outcomes the organisation is seeking to shape*
		2. *any steps that are being taken to contribute to positive outcomes (e.g. engaging with policy makers on DEI issues) v) any steps that are being taken to prevent and / or mitigate unintended, negative outcomes vi) how progress towards outcomes is measured and evaluated.*

### RISK MANAGEMENT

* 1. **Does the organisation have procedures to respond to reported breaches of its DEI policies?**

*If so, please describe the procedures. Mention whether there are whistleblowing and / or grievance procedures and whether they are operated by an independent third party. Explain how stakeholders (e.g., employees, contractors) are informed of any whistleblowing / grievance procedures. Specify whether there is a procedure for tracking the resolution of reported breaches and providing remedy in cases where policies are proved to have been breached.*

* 1. **Does the organisation track / disclose information on the number and nature of any judicial, regulatory, or other legal findings, formal actions, or claims relating to DEI that are made against it?**

*If so, provide details. If the information is publicly available, please provide a copy of the disclosures.*

### METRICS AND TARGETS

* 1. **Does the organisation track and / or disclose DEI metrics?**

*If so, please provide details. If the organisation discloses DEI metrics, provide a copy of the most recent disclosures and state whether they are publicly available. Where possible (and if not already contained in the organisation’s public DEI disclosures) please provide a breakdown of data, covering the prior*

*12-month period, on the diversity characteristics of the organisation’s:*

* *Total workforce*
* *Executive leadership team*
* *Investment decisionmakers (if applicable)*
* *Investment committee (if applicable)*
* *Board of directors (if applicable)*
* *Owners (applicable to privately owned managers)*
* *Staff that were hired, promoted and departed over the reporting period*

*And provide data on:*

* Wage gaps for members of underrepresented groups
* The average number of weeks of parental leave taken
* The retention rate (e.g., the percentage of staff that remained employed by the organisation) one year post parental leave

*If data is available covering multiple years, please provide historical data. If the organisation faces legal restrictions or potential confidentiality issues which prevent it from collecting information on the diversity characteristics of its workforce and / or owners, please provide an overview of the restrictions.*

* 1. **How does the organisation use the DEI metrics it tracks?**

*Describe if / how diversity metrics inform the organisation’s DEI strategy.*

* 1. **Does the organisation set targets on DEI?**

*If so, please provide details on the targets. Specify whether the targets i) are quantified ii) have a specific start and end date iii) are disclosed publicly. Please reference any benchmarks or frameworks that have been used to set the targets. Also explain how targets are tracked.*

1 In this context, the term ‘outcomes’ refers to the real-world impacts that result from a particular activity. Examples of DEI-related outcomes an organisation may seek to shape include enhancing gender equality and reducing inequalities. An organisation can shape outcomes at a global, country or company level. See our report, [Investing with SDG outcomes: A five-](https://www.unpri.org/sustainable-development-goals/investing-with-sdg-outcomes-a-five-part-framework/5895.article) [part framework](https://www.unpri.org/sustainable-development-goals/investing-with-sdg-outcomes-a-five-part-framework/5895.article).

Questions in this section are applicable to investment managers operating in private markets. Responses should cover specific investment strategies, vehicles or products being assessed

## INVESTMENT MANAGERS: PRIVATE MARKETS

* 1. **Are DEI-related issues considered as part of pre- investment due diligence?**

*If they are, outline i) any DEI metrics that are analysed*

*ii) any standards / frameworks that inform the DEI metrics analysed iii) how the data on DEI is sourced (e.g., through questionnaires) iv) how analysis of DEI issues is fed into the investment decision-making process.*

* 1. **Is there an action plan / strategy for managing material DEI risks and opportunities during the holding period of investments?**

*If so, explain the steps taken as part of the action plan*

*/ strategy (e.g., setting and monitoring DEI-related targets).*

* 1. **Are there procedures for managing DEI incidents / controversies relating to investments?**

*If so, clarify whether the procedures cover i) how potential involvement in DEI-related incidents / controversies is monitored (e.g., media reports that a company / asset is negatively impacting members of underrepresented communities) ii) actions typically taken in response to DEI incidents / controversies (e.g., running stakeholder consultations) iii) how involvement in DEI incidents / controversies is communicated to clients.*

* 1. **Are DEI considerations incorporated into preparations for exiting / selling assets?**

*If so, please provide details. Mention any actions taken to ensure DEI standards are maintained under new ownership (an example of a relevant action is assessing whether prospective buyers of an asset have made a commitment to DEI).*

* 1. **Is information regarding investments’ DEI profile / performance disclosed in regular reporting to clients?**

*If so, explain i) the metrics disclosed ii) whether information on DEI action plans is disclosed iii) whether data on the diversity characteristics of the organisation’s staff that sit on investee boards is disclosed (if applicable) iv) the frequency of the disclosures.*

Questions in this section are applicable to investment managers operating in public markets only. Responses should cover specific investment strategies, vehicles or products being assessed

## INVESTMENT MANAGERS: PUBLIC EQUITY AND DEBT MARKETS

* 1. **Are DEI factors incorporated into investment decisions?**

*If they are, provide details on i) the DEI metrics analysed*

*ii) any standards / frameworks that inform the DEI metrics analysed iii) how the data on DEI is sourced iv) any risks and limitations associated with the data on DEI and how these risks and limitations are managed*

*v) how data on DEI is used in the investment process vi) any investment screens relating to DEI that are applied.*

* 1. **Is DEI-focused stewardship conducted with investee entities?**

*If so, detail i) whether the organisation’s stewardship policy – or if applicable, voting policy, guidelines or principles – cover DEI ii) how investees are selected for engagement on DEI issues iii) the specific DEI issues that are typically focused on through stewardship (e.g., board diversity, procedures for addressing*

*sexual harassment) iv) the stewardship methods that are used (e.g., filing shareholder proposals, joining collaborative stewardship initiatives) v) the basis on which stewardship efforts are escalated (e.g., owing to a lack of responsiveness or progress from the investee entity) vi) how the stewardship activity is integrated into the investment process vii) how the effectiveness of stewardship activity is assessed.*

* 1. **Are there procedures for monitoring and managing DEI incidents / controversies involving investee entities?**

*If so, explain i) how the involvement of investee entities in DEI-related incidents / controversies is monitored ii) the actions typically taken in response to DEI incidents*

*/ controversies (e.g., engaging with the issuer involved)*

*iii) how investee involvement in DEI-related incidents / controversies is communicated to clients.*

* 1. **Is information on investments’ DEI profile / performance disclosed in regular reporting to clients?**

*If so, outline i) the metrics disclosed (e.g., the percentage of investee company board members that are from underrepresented groups) ii) if information on DEI-focused stewardship activity is disclosed iii) the frequency of the disclosures.*

Questions in this section are applicable to investment managers and consultants

## INVESTMENT CONSULTANTS: MANAGER RESEARCH PROCESS

* 1. **Does the organisation assess investment managers on DEI as part of its standard manager research process?**

*If so, please provide details.*

* 1. **Does the organisation track and / or disclose DEI metrics in relation to the manager searches it conducts?**

*If so, please provide copies of its most recent disclosures. State whether the disclosures are publicly available. Where possible (and if not already contained in the organisation’s public DEI disclosures) please provide data on the proportion of searches in the past 12 months that:*

* + - *included managers owned or led by members of underrepresented groups;*
		- *recommended the selection of a manager owned or led by members of underrepresented groups; and*
		- *resulted in the selection of a manager owned or led by members of underrepresented groups.*
	1. **Does the organisation track and / or disclose the proportion of its total assets under advisement managed by investment managers that are owned or led by members of underrepresented groups?**

*If so, please provide details and copies of its most recent disclosures. State whether the disclosures are publicly available.*

## ADDITIONAL INFORMATION

* 1. **Is there any additional information regarding the organisation’s approach to DEI not covered in this questionnaire that you would like to share?**

# APPENDIX 1: INDICATOR MAPPING

Below we outline how the questions in this DDQ correspond, either fully or partially, to indicators in the [ILPA Due Diligence](https://ilpa.org/due-diligence-questionnaire/)  [Questionnaire 2.0](https://ilpa.org/due-diligence-questionnaire/), the [AIMA & Albourne Diversity and Inclusion Questionnaire](https://www.aima.org/resource/aima-albourne-diversity-and-inclusion-questionnaire.html) and the [Asset Owner Diversity Working Group](https://diversityproject.com/resource/asset-owner-diversity-inclusion-questionnaire)  [Diversity and Inclusion Questionnaire](https://diversityproject.com/resource/asset-owner-diversity-inclusion-questionnaire).

|  |  |  |  |
| --- | --- | --- | --- |
| DDQ question | ILPA | Due Diligence Questionnaire 2.0 | AIMA & Albourne| Diversity and Inclusion Questionnaire | Asset Owner Diversity Working Group | Diversity and Inclusion Questionnaire |
| ALL ORGANISATIONS |
| GOVERNANCE |
| 1.1 Which role / committee(s) within the organisation has ultimate responsibility for diversity, equity, and inclusion (DEI)? | 1.5, 2.13, 20.17 | - | 4.1, 4.2, 4.3, 5.1 |
| 1.2 Does the organisation have a DEI policy or strategy | 1.29. 20.15, 20.4, 20.5,20.6 | A.1, A.2, B.1, B.4, B.9, C.1, E.1 | 1.1, 1.2, 1.4, 17.2, 17.3,17.4, 17.5, 18.1, 19.1,19.2, 19.3, 19.4, 24.1 |
| 1.3 Does the organisation engage with stakeholders to inform its DEI policies / strategy? | 9.6, 20.4, 20.10, 20.11 | - | 3, 13.1, 13.2, 13.3, 23.1,23.2 |
| 1.4 Does the organisation integrate DEI performance metrics into executives’ performance reviews and / or compensation mechanisms? | 20.14, 20.15 | - | 6.1. 6.2, 6.2.1, 6.2.2,6.2.3, 6.2.4, 6.2.5,6.2.6, 6.2.7, 6.3, 6.4,6.5, 6.6 |
| 1.5 Does the organisation offer DEI training? | 9.8, 9.8.1, 20.16 | E.3 | 14.1 |
| STRATEGY |
| 2.1 Does the organisation take action to ensure an inclusive recruitment process? | 20.7, 20.8 | B.3, B.4 | 22.1, 22.4, 22.5, 22.6,22.8, 22.10, 22.12,22.13, 22.15, 22.19,22.20, 22.22 |
| 2.2 Does the organisation support promoting and progressing employees from underrepresented groups? | 20.9, 20.10, 20.11 | B.2, B.9 | 7.1, 7.4, 7.5, 8.1, 8.2, 9,20.1 |
| 2.3 Does the organisation support employees that have parental and other caring responsibilities? | 20.6, 20.13 | - | 17.1 |
| 2.4 Does the organisation make its workplace inclusive? | 20.11, 20.13 | B.1 | 10.1, 10.2, 11.1-11., 11.5,12.1, 12.2, 12.3, 12.4 |
| 2.5 Does the organisation promote DEI among its suppliers / service providers? | 20.4, 20.19 | B.10 |  |
| 2.6 Does the organisation seek to shape DEI- related outcomes? | - | - | - |

|  |  |  |  |
| --- | --- | --- | --- |
| DDQ question | ILPA | Due Diligence Questionnaire 2.0 | AIMA & Albourne| Diversity and Inclusion Questionnaire | Asset Owner Diversity Working Group | Diversity and Inclusion Questionnaire |
| ALL ORGANISATIONS |
| RISK MANAGEMENT |
| 3.1 Does the organisation have procedures to respond to reported breaches of its DEI policies? | 20.4 | E.2 | - |
| 3.2 Does the organisation track / disclose information on the number and nature of any judicial, regulatory, or other legal findings, formal actions, or claims relating to DEI that are made against it? | 1.27, 1.28 | - | - |
| METRICS AND TARGETS |
| 4.1 Does the organisation track and / or disclose DEI metrics? | 20.2, 20.2.1 | A.4.1, A.4.2, A.4.3,A.4.4, A.4.5, A.4.6, A.6,A.13, A.14, A.15, A.16,A.17, A.18, B.6, B.7, D.1 | 7.2, 7.3, 15.1, 15.2, 15.3,15.4, 15.5, 15.6, 15.7,16.1, 16.2, 16.3, 16.4,16.5, 17.7, 18.4 |
| 4.2 How does the organisation use the DEI metrics it tracks? | 20.11 | - | 5.2, 5.4, 15.8, 15.11,15.12, 16.7 |
| 4.3 Does the organisation set targets on DEI? | 20.7, 20.10, 20.19,20.20 | B.5 | 2.1, 2.2, 2.3, 2.4, 2.7,15.9, 15.10, 16.8, 16.9 |
| INVESTMENT MANAGERS: PRIVATE MARKETS |
| 5.1 Are DEI-related issues considered as part of pre-investment due diligence? | 20.18 | - | - |
| 5.2 Is there an action plan / strategy for managing material DEI risks and opportunities during the holding period of investments? | 20.18, 20.20 | - | - |
| 5.3 Are there procedures for managing DEI incidents / controversies relating to investments? | 20.18, 1.27, 1.28 | - | - |
| 5.4 Are DEI considerations incorporated into preparations for exiting / selling assets? | 20.18 | - | - |
| 5.5 Is information regarding investments’ DEI profile / performance disclosed in regular reporting to clients? | 20.3, 20.3.1, 20.18 | - | - |

# APPENDIX 2: ACKNOWLEDGEMENTS

The PRI would like to thank members of the Asset Owner Technical Advisory Committee and others for their contribution to this questionnaire:

* + - CBRE, Tsilah Burman
		- CFA Institute, Sarah Maynard
		- Commonfund, Caroline Greer
		- Office of the City Treasurer, City of Chicago, Craig Slack
		- ILPA, Neal Prunier
		- Los Angeles City Employees’ Retirement System (LACERS), Ellen Chen
		- Nordea Life & Pensions, Peter Sandahl
		- Office of the Illinois State Treasurer Michael Frerichs, Max Dulberger
		- Saint Paul Minnesota Foundation, Shannon O’Leary
		- SBAI, Maria Long
		- The Westly Group, Shaun Chaudhuri

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](http://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](http://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](http://www.unglobalcompact.org/)