

# STEWARDSHIP FOR SUSTAINABILITY

## RESPONSIBLE INVESTMENT DDQ

This document is part of our guidance on Evaluating manager stewardship for sustainability. For a full discussion of stewardship for sustainability outcomes and how it relates to investors' fiduciary duties, please refer to the [web article](#). Readers can evaluate and compare manager responses to this [DDQ](#) using the related [evaluation tool](#), [Stewardship for sustainability: Evaluation tool](#).

# ABOUT THIS DDQ

This due diligence questionnaire (DDQ) has been developed to help asset owners and other investors better understand and evaluate how investment managers approach sustainability outcomes stewardship, consistent with the PRI's [Active Ownership 2.0 programme](#).

The questions are aimed at managers that use stewardship to address sustainability-related financial risks and/or pursue positive sustainability outcomes more broadly.

Investors that have prioritised specific issues and outcomes can amend the questions to reflect these. For example, they can replace generic references to sustainability outcomes with specific outcomes they have committed to addressing in their position statements, responsible investment or stewardship policies, or which are aligned with their investment beliefs.

Equally, they can replace generic references to global goals and thresholds with specific references relevant for the sustainability outcomes they have prioritised. Where a generic term can be replaced, this is indicated with **orange text**.

Investors can use the DDQ when selecting an investment manager for a new mandate or when monitoring an existing investment manager. They can also refer to the [PRI's Stewardship for sustainability: Evaluation tool](#) to assess investment manager responses to the DDQ.

The DDQ should not be considered in isolation, but rather used to support a wider information-gathering process.

The PRI encourages investors to:

- consider what additional resources are available to enhance their understanding of investment managers' answers; and
- engage with investment managers to seek additional information and clarification, where necessary.

To promote consistency, the DDQ is designed to complement the information gathered through the PRI's Reporting Framework – particularly the Policy, Governance and Strategy (PGS) and Sustainability Outcomes (SO) modules – as well as investment disclosure standards and frameworks developed by external organisations. The DDQ will be updated periodically to align with future changes to the Reporting Framework and other relevant standards.

## NOTES ON USING THIS DDQ

The [Appendix](#) indicates whether and how DDQ questions map to an indicator in the PRI Reporting Framework, the PRI's guidance on [Stewardship for sustainability: Evaluation tool](#) or other standards or frameworks.

Some questions in the DDQ focus on an organisation's overarching approach to sustainability outcomes stewardship, while others are specific to the approach taken at a strategy level.

Where relevant, the DDQ provides guidance on the type of information each question is aiming to elicit. The PRI encourages investment managers to provide information that goes beyond these points when responding to questions.

Where relevant, we refer to the [Reporting Framework glossary](#) of key terms.

Please contact [stewardship@unpri.org](mailto:stewardship@unpri.org) if you have questions or feedback regarding this DDQ.

## DOCUMENT CHECKLIST

A suggested checklist of documents that investors can request from investment managers during the due diligence process.

- PRI transparency report
- Responsible investment policy
- Stewardship and (proxy) voting policy
- Any additional policies relating to sustainability or stewardship matters
- Stewardship code signatory status and/or reporting information
- Responsible investment and/or stewardship reports
- Fund prospectus
- Examples of sustainability and/ or stewardship disclosures from relevant strategy
- (Proxy) voting records, and 10 most significant votes (with an explanation of why they were selected)

# DDQ QUESTIONS

## 1. APPROACH TO SUSTAINABILITY OUTCOMES

- 1.1 Does the organisation have a firm-wide commitment to address system-level sustainability issues, including – at a minimum – climate change and human rights?**

*Specify whether this commitment explicitly supports the relevant global sustainability goals and thresholds for these issues – e.g., the Paris Agreement, the International Bill of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work.*

- 1.2 Is this commitment captured in the organisation's responsible investment policy, investment beliefs, or equivalent document?**

- 1.3 Is this commitment supported by a clear rationale aligned with fiduciary duties or equivalent obligations?**

*If so, specify how system-level sustainability issues are linked to financially material risks and opportunities for the organisation's investments, and how addressing these is aligned with the relevant fiduciary duties.*

- 1.4 Does the strategy have sustainability outcomes targets that are clear, verifiable, time-bound, and supported by intermediate milestones (where relevant)?**

*If so, specify (i) why the strategy prioritises those specific sustainability outcomes, and (ii) how the targets support the achievement of the strategy's investment objectives.*

- 1.5 Do these targets focus on aligning the sustainability outcomes addressed by the strategy with the relevant global sustainability goals and thresholds?**

- 1.6 Does the strategy report to clients on progress against these targets?**

- 1.7 Do the strategy's legal documentation, governance, processes and incentives support the achievement of the strategy's sustainability outcomes targets?**

*Describe how these elements incentivise a long-term approach to investing and stewardship. Specify whether and how they ensure that stewardship efforts and results feed into investment decision making, and vice versa.*

- 1.8 How does the organisation ensure that key investment personnel have the relevant sustainability skills/expertise?**

- 1.9 How does the organisation ensure that the strategy's stewardship activities are sufficiently resourced to meet its sustainability outcomes targets?**

### GLOBAL GOALS AND THRESHOLDS LINKED TO SUSTAINABILITY OUTCOMES

- the Paris Agreement
- the UN Guiding Principles on Business and Human Rights (UNGPs)
- the International Bill of Human Rights
- the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the core conventions
- the Kunming-Montreal Global Biodiversity Framework
- the UN Sustainable Development Goals (SDGs) and targets
- OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors, and/ or
- other international, regional, sector-based or issue-specific framework(s)

## 2. GOVERNANCE OF POLITICAL ENGAGEMENT ACTIVITIES

- 2.1** Does the organisation disclose details of its membership in and/or support for trade associations, think tanks or similar bodies that conduct any form of political engagement publicly and/or to clients? If so, how frequently?
- 2.2** How does the organisation's governance structure ensure oversight of its **overall political engagement activities** and their alignment with the strategy's **sustainability outcomes** targets?
- Specify whether the organisation assigns oversight and accountability to its board (or an equivalent governance body) to ensure alignment, and whether it has a clear framework to identify and address any misalignments.*
- 2.3** Does the organisation review how aligned its direct and indirect political engagement activities are with the strategy's **sustainability outcomes** targets? If so, how frequently, and are the results disclosed publicly and/or to clients?
- 2.4** Does the organisation disclose how it has addressed any misalignment between the strategy's **sustainability outcomes** targets and its overall political engagement activities? If so, how frequently?

## 3. ENGAGEMENT WITH POLICY MAKERS

- 3.1** If the organisation engages with policy makers, does it publicly disclose the sustainability outcomes policy positions it promotes during those engagements?
- 3.2** Is the organisation's engagement with policy makers aligned with the strategy's sustainability outcomes targets?
- Specify whether the organisation advocates for (and not against) laws, regulations and policies that are aligned with the strategy's sustainability outcomes targets.*
- 3.3** How does the organisation engage with policy makers?
- This may include responding to policy consultations, participating in sign-on letters, providing technical input via government- or regulator-backed working groups, and/or formulating requests and recommendations directly to policy makers in bilateral meetings.*

## 4. INVESTEE STEWARDSHIP

- 4.1** Do the strategy's investee stewardship activities support the achievement of its **sustainability outcomes** targets?
- 4.2** Does the strategy have a public stewardship policy (and, if applicable, voting policy) setting out how it will use investee stewardship, including escalation, to advance its **sustainability outcomes** targets?
- 4.3** Does the strategy communicate clear expectations that are aligned with its **sustainability outcomes** targets to investees?
- For example, does the strategy communicate that investee companies should align their i) direct and indirect political engagement activities, ii) capital expenditures and iii) internal operations (as relevant) with the strategy's **sustainability outcomes** targets?*
- 4.4** Does the strategy identify priority investees to focus its stewardship efforts on?
- If so, specify the criteria it uses to do so. Explain whether, for priority investees, the strategy communicates time-bound milestones aligned with its **sustainability outcomes** targets.*
- 4.5** Does the strategy review the progress of priority investees against milestones? What measures does it take if progress is insufficient?
- Specify how frequently the strategy assesses progress. Provide a recent example of an investee that i) has made progress, indicating whether the strategy engaged in stewardship activities to contribute to this or ii) has not made sufficient progress, and the escalation measures taken as a result, if any.*

## LISTED EQUITY ONLY

### 4.6 Does the strategy's voting policy support the achievement of its **sustainability outcomes** targets?

*Disclose whether the strategy's voting policy clearly (i) allocates responsibility for identifying and evaluating votes where the consideration of **sustainability outcomes** should affect voting decisions, (ii) commits to advancing its **sustainability outcomes** targets via shareholder proposals and other relevant votes, and (iii) commits to holding investee board members accountable if they are unresponsive to communicated expectations.*

### 4.7 Does the strategy publish its voting record?

*Specify how often it is published, and whether it includes the rationale for specific votes.*

### 4.8 Is the strategy's voting record consistent with its stewardship and voting policy across all the holdings where it has discretion to vote?

*Specify if any of the votes were inconsistent with the stewardship or voting policy, and if so, explain why.*

## 5. COLLABORATION WITH OTHER INVESTORS OR KEY STAKEHOLDERS

### 5.1 Does the organisation participate in collaborative engagement initiatives – where available – that support the achievement of the strategy's **sustainability outcomes** targets?

*If so, specify whether these are informal collaborations or formal collaborative engagement initiatives, and the role the organisation plays in these.*

# APPENDIX: INDICATOR MAPPING

DDQ question	Organisation level or product/strategy level?	2023 PRI Reporting Framework indicator	Other
<b>1.1 Does the organisation have a firm-wide commitment to address system-level sustainability issues, including – at a minimum – climate change and human rights?</b>	Organisation level	PGS 1, PGS 2, PGS 4, PGS 9, PGS 48.1	SFDR, Article 3  2020 UK Stewardship Code, Principles 1 and 4
<b>1.2 Is this commitment captured in the organisation’s responsible investment policy, investment beliefs, or equivalent document?</b>	Organisation level		ICAPs Expectations Ladder (ICAPs), Governance  IIGCC Asset Owner Stewardship Questionnaire (IIGCC Questionnaire), Question 1
<b>1.3 Is this commitment supported by a clear rationale aligned with fiduciary duties or equivalent obligations?</b>	Organisation level		
<b>1.4 Does the strategy have sustainability outcomes targets that are clear, verifiable, time-bound, and supported by intermediate milestones (where relevant)?</b>	Strategy level	PGS 16, SO 1, SO 2-SO 4.1 <sup>1</sup> , SO 5-SO 13	SFDR, Articles 6.1(a) and 9  2020 UK Stewardship Code, Principle 9
<b>1.5 Do these targets focus on aligning the sustainability outcomes addressed by the strategy with the relevant global sustainability goals and thresholds?</b>	Strategy level		ICAPs, Investment, Investor disclosure
<b>1.6 Does the strategy report to clients on progress against these targets?</b>	Strategy level		
<b>1.7 Do the strategy’s legal documentation, governance, processes and incentives support the achievement of the strategy’s sustainability outcomes targets?</b>	Strategy level	PGS 5, PGS 14, PGS 15, PGS 27	2020 UK Stewardship Code, Principles 1, 2, 5, 6 and 7  ICAPs, Governance
<b>1.8 How does the organisation ensure that key investment personnel have the relevant sustainability skills/ expertise?</b>	Strategy level		
<b>1.9 How does the organisation ensure that the strategy’s stewardship activities are sufficiently resourced to meet its sustainability outcomes targets?</b>	Strategy level		

<sup>1</sup> The targets reported in the Sustainability outcomes (SO) module may be firm-wide or refer to other strategies.



DDQ question	Organisation level or product/strategy level?	2023 PRI Reporting Framework indicator	Other
<b>2.1</b> Does the organisation disclose details of its membership in and/or support for trade associations, think tanks or similar bodies that conduct any form of political engagement publicly and/or to clients? If so, how frequently?	Organisation level	PGS 11.1, PGS 19	2020 UK Stewardship Code, Principle 2  ICAPs, Policy Advocacy
<b>2.2</b> How does the organisation's governance structure ensure oversight of its <a href="#">overall political engagement</a> activities and their alignment with the strategy's <b>sustainability outcomes</b> targets?	Organisation level		
<b>2.3</b> Does the organisation review how aligned its direct and indirect political engagement activities are with the strategy's <b>sustainability outcomes</b> targets? If so, how frequently, and are the results disclosed publicly and/or to clients?	Organisation level		
<b>2.4</b> Does the organisation disclose how it has addressed any misalignment between the strategy's <b>sustainability outcomes</b> targets and its overall political engagement activities? If so, how frequently?	Organisation level		
<b>3.1</b> If the organisation engages with policy makers, does it publicly disclose the <b>sustainability outcomes</b> policy positions it promotes during those engagements?	Organisation level	PGS 39.1, PGS 39.2, SO 11	ICAPs, Policy Advocacy  IIGCC Questionnaire, Question 7
<b>3.2</b> Is the organisation's engagement with policy makers aligned with the strategy's <b>sustainability outcomes</b> targets?	Organisation level		
<b>3.3</b> How does the organisation engage with policy makers?	Organisation level		

DDQ question	Organisation level or product/strategy level?	2023 PRI Reporting Framework indicator	Other
4.1 Do the strategy's investee stewardship activities support the achievement of its <b>sustainability outcomes</b> targets?	Strategy level	PGS 1, PGS 3, PGS 23, SO 8, SO 9	2020 UK Stewardship Code Principles 9, 11 and 12  ICAPs, Corporate engagement  IIGCC Questionnaire, Questions 2, 4, 5, 6 and 8
4.2 Does the strategy have a public stewardship policy (and, if applicable, voting policy) setting out how it will use investee stewardship to advance its <b>sustainability outcomes</b> targets?	Strategy level		
4.3 Does the strategy communicate clear expectations that are aligned with its <b>sustainability outcomes</b> targets to investees?	Strategy level		
4.4 Does the strategy identify priority investees to focus its stewardship efforts on?	Strategy level		
4.5 Does the strategy review the progress of priority investees against milestones? What measures does it take if progress is insufficient?	Strategy level		
<b>Listed equity only</b>			
4.6 Do the strategy's voting policy support the achievement of its <b>sustainability outcomes</b> targets?	Strategy level	PGS 31, PGS 33, PGS 34	
4.7 Does the strategy publish its voting record?	Strategy level		
4.8 Is the strategy's voting record consistent with its stewardship and voting policy across all the holdings where it has discretion to vote?	Strategy level		
5.1 Does the organisation participate in collaborative engagement initiatives – where available – that support the achievement of the strategy's <b>sustainability outcomes</b> targets?	Organisation level	SO 13	2020 UK Stewardship Code, Principles 4 and 10  ICAPs, Corporate Engagement  IIGCC Questionnaire, Question 9



## 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)

