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ESG Due Diligence Questionnaire for **Private Equity Investors** and their **Portfolio Companies**



Acknowledgements

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Disclaimer

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This questionnaire is designed to support General Partners (GPs) in their consideration of Environmental, Social and Governance (ESG) factors during the investment process, particularly at the due diligence stage. It is also envisaged that this guide can be used post transaction to help the transaction and management teams focus on developing and enhancing existing ESG processes. ESG stands for the environmental, social and governance factors that can impact the performance of a portfolio company and/or an investment, including the GP itself. It is a phrase commonly used alongside responsible investment and relates to an investment approach that integrates ESG factors into corporate conduct, investment decisions and ownership activities. Other terms to consider in conjunction with ESG are sustainability, corporate social responsibility (CSR), ethical responsibility, and environmental, health and safety (EHS).

OVERVIEW

Introduction

Invest Europe is committed to responsible investing and wishes to provide support to its members by providing guidance on good practice in ESG, to allow informed business decisions to be made in relation to ESG issues associated with potential investments and post-completion.

Guidance

The purpose of this questionnaire is to support the ESG and transaction teams of GPs conduct ESG due diligence on potential investments. This questionnaire provides a non-exhaustive list of ESG questions that can be used to assess how far progressed a company is in relation to management of ESG matters. The questionnaire is not supposed to be a tick box exercise. It is there to assist GPs to identify risks, improvement opportunities and good practices and should be regarded as a tool to facilitate investment and to identify and monitor ongoing ESG concerns.

The questions focus on ESG policies and reporting, and should be used to identify whether there may be any significant issues, and opportunities, that require either more detailed technical assessment or need to be managed post-investment. The questionnaire can also help identify relevant ESG factors that may be used to support ESG reporting during the ownership period.

The questions do not cover all ESG factors which will vary depending on the company's geographic location and sector, and therefore should complement a member's existing due diligence processes. It can be used in conjunction with Invest Europe's Professional Standards Handbook and Responsible Investment Bibliography, which provide sources of additional ESG guidance (**available here**). The questionnaire is split into two sections: Section 1 provides a set of generic questions, and Section 2 is aimed at addressing more specific ESG issues.

Some companies may be more advanced in their ESG thinking than others and the questionnaire is designed to elicit detailed information where possible. Companies are encouraged to answer all questions and not leave any blank, providing relevant details where possible. This questionnaire is one tool that can help companies to develop more formal and comprehensive systems to manage risk and leverage potential opportunities.

Invest Europe will welcome feedback from members. The aim is to update the questionnaire on a regular basis to keep it relevant and to ensure best practice standards are maintained. Any comments should be directed to professionalstandards@investeurope.eu.

SECTION



SECTION 1

GENERAL

Business overview

Describe the geographical location/key countries you operate in. Please provide details of operations in emerging markets.

Describe the type of operations associated with the business e.g. office, manufacturing/production, warehousing, logistics etc.

List the countries your key suppliers/distributors operate in.

Please provide details of the total number of employees (split by permanent/full-time equivalent (FTEs) and part-time). If your operations use a significant number of contractors, please also provide a breakdown.

What does the company consider to be the material risks and opportunities in relation to ESG for the business?

ESG/SUSTAINABILITY GOVERNANCE

Maturity of ESG systems and processes

What is management's view of the overall maturity status of its existing ESG policies, processes and systems, where 1 = mature (policy, procedures, systems are coordinated centrally, are well established and embedded, reviewed and continuously improved; management system certification e.g. ISO); 2 = partly developed and implemented at a departmental level (developed and implemented within departments but not centrally coordinated, and are not subject to regular review and improvement, and not consistently applied; 3 = immature (no formal policies and systems in place).

Resources (roles & responsibilities)

Have you assigned a designated point person for day-to-day ESG matters? Please provide details.

Competence and training

What relevant experience/qualifications do they have? Is this person specifically trained in ESG?

Do you provide ESG training to staff? If so please provide details of the type of training, how often, whether it includes senior management.

ESG committee/steering group

Have you established an ESG committee/steering committee to monitor performance and if so who is it chaired by and how often does it meet?

Corporate risk register

Please summarise the key ESG issues which are included within the corporate risk register.

Monitoring & reporting

Please describe arrangements in place for monitoring and reporting ESG issues and performance to senior management/the Board. In your response please confirm what KPIs are monitored (if any) and how frequently reporting is undertaken and how information is collated and stored (e.g. use of IT systems etc.?)

Do you publish an external ESG/CSR/Sustainability report or a designated section in your annual accounts? If yes, please provide a copy.

Memberships

Is the company a member of the PRI, UN Global Compact or the Institutional Investors Group on Climate Change, or any other relevant organisation?

SECTION 1 (CONTINUED)

ENVIRONMENT

Environmental Policy	<p>Does the company have an environmental policy which sets out clear commitments and targets to improve the company's environmental footprint? Does this also cover climate change issues that could be relevant to the company? Please provide details and indicate who in the organisation signs off the policy e.g. CEO or equivalent.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div> <p>How often is the policy reviewed and updated?</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Organisational arrangements/resources	<p>Please provide details of who is responsible for environmental management on a day-to-day basis including key roles and responsibilities, if different to the above (e.g. Board member responsibility, ESG/Sustainability manager).</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Training	<p>Please provide detail of any environmental induction/training provided to staff and senior management.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Certification/standards	<p>Has the company implemented an environmental management system to manage environmental matters and has this been externally certified e.g. to ISO 14001 or equivalent standard?</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Environmental improvements	<p>Provide details of any significant projects/initiatives that have been implemented to improve environmental performance/standards/compliance at the company; for example: waste/energy projects that have resulted in carbon/consumption reductions as well as cost savings; enhanced communications to improve environmental awareness.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Permits/licences/consents	<p>Please confirm that the company is fully compliant with all relevant environmental permits/licences/consents and that there have been no regulatory issues/cases of non-compliance/enforcement action in the last three years.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Incidents/breaches	<p>Provide details of any serious incidents/regulatory breaches in the last 3 years. In your answer, provide details of the nature of the incident, what improvements were made/lessons learnt and whether there was any regulatory action (enforcement/prosecution/quantity of fine).</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Carbon emissions/climate change	<p>Does the company monitor and report its carbon and/or other greenhouse gas (GHG) emissions such as methane, nitrous oxide etc.? Are you legally required to do so and how is this done? Investors are also encouraged to consider the IIGCC/PRI "A Guide on Climate Change for PE Investors" when assessing climate change issues.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div> <p>Has the company conducted a climate change risk assessment to ascertain whether its operations could be at risk from current/evolving climate change regulation and/or physical changes brought about by climate change (including increased flooding, drought or other severe weather events), for example: business disruption or damage to assets and production? If yes, please provide key outcomes/actions from the assessments.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Resource efficiency/management	<p>What are the company's primary energy (e.g. gas, coal, diesel, heating oil, electricity) and water sources (river/lake or groundwater extraction, public mains) and what initiatives/plans (if any) have been put in place to monitor, reduce consumption and improve efficiencies?</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Waste management	<p>Provide details of key waste streams generated and how these are managed/disposed of, including any particular waste management initiatives that have been implemented to minimise or reuse/recycle wastes. In your response, please provide tonnages (if available) and confirm the method of data collection.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>

SECTION 1 (CONTINUED)

Chemicals/hazardous substances handling & supply chain

Describe any chemicals/hazardous substances used or present on site, including storage and handling arrangements (drums, tanks, aboveground/underground storage etc.). Is management aware of any potential disruption to the supply of these e.g. through regulatory phase-out? Have there been any spills/leaks in excess of 200 litres?

Is the company considering the use of more environmentally friendly and safer raw materials/chemicals in the production process? How is this being addressed? Please provide details. In your answer please provide details of any work you have done in relation to engaging with your suppliers on this topic.

Soil and groundwater contamination

Is the company aware of any former or current soil/groundwater contamination issues at the site(s) and is there a need to conduct remediation and inform the local regulator? In your response please provide details of the type of contamination and the associated costs for clean up, including status on any remedial plans.

Please explain how the company assesses contaminated land risks in the acquisition of new assets.

SOCIAL

Health and Safety (H&S) Policy

Does the company have a H&S policy which is signed off by the CEO or equivalent?

Does the company have a H&S risk register and is this reviewed on a regular basis? If yes state how often it is reviewed and by whom.

Has the company implemented a formalised H&S management system, which sets out clear organisational responsibilities and management arrangements for implementing the H&S policy? Has the management system been certified by a third party? Please provide a high-level overview of the key elements of the management system.

Does the company have formal processes for undertaking workplace risk assessments, providing communication and training to employees, and conducting audits? How often are these risk assessments reviewed/updated?

Accidents/incidents

Does the company monitor incidents/accidents? If so please provide a breakdown of statistics for the last three years, including near misses, number of lost days, frequency rates etc.

Enforcement

Has the company been subject to enforcement action by the regulators for breaches of relevant H&S legislation in the last three years? If so please provide details of the nature of the incident, enforcement action, fines, remedial actions and lessons learnt.

Social related claims

Have you had any serious social related complaints/claims/enforcement actions over the last three years, associated with employees or key stakeholders such as customers or suppliers? If so, please provide details.

SECTION 1 (CONTINUED)

Human Resources

Do all employees have a formal contract of employment?

What is the minimum age of workers and contractors?

Provide details of the company's grievance mechanism for its employees and contractors.

Please provide evidence that the company adheres to local minimum wage standards.

Does the company have any involvement in employment practices of sub-contractors? What is done to ensure their fair and ethical treatment; are any minimum standards applied?

Does the company employ migrant workers and if so, please describe details of the processes used to ensure minimum standards of human rights are adhered to. In your response, please detail any associations/NGOs you are associated with in relation to migrant workers e.g. Migrants' Rights Network (UK).

Anti-discrimination Policy

Do you have a policy that supports anti-discrimination? If so, please provide details of your key commitments/control measures.

Diversity Policy

Does the company have a policy that supports diversity and equal opportunity? If so, please provide details of your key commitments/control measures.

Data privacy and security

Please provide details of the company's data security policy. Have there been any breaches in cyber security within the last three years?

Certification/ standards

Has the company implemented an IT security management system? Is it certified to the international standard ISO 27001 for information security?

Responsible Purchasing Policy

Does the company have a responsible purchasing policy/Code of Conduct for suppliers? If so, please provide details of this and evidence of how this is being applied/monitored.

Supply Chain Risk Management

Does the company conduct supply chain risk assessments involving its procurement, supply chain and logistics departments? Please provide further details and examples of the risk assessments/strategy implemented. Please provide examples of key issues identified and dealt with.

SECTION 1 (CONTINUED)

GOVERNANCE

Corporate governance	How is corporate governance managed across the company and its operations? Please provide details of any associated key policies.
	<input type="text"/>
Board structure and role	How is the composition of the Board determined? Please provide details.
	<input type="text"/>
	How is diversity taken into consideration when appointing members?
	<input type="text"/>
	Are shareholders consulted in relation to Board composition? If so, how?
	<input type="text"/>
	Is a member of the Board assigned responsibility for ESG/sustainability/CSR matters within the company? If yes, please state the individual responsible and details of any relevant training.
	<input type="text"/>
	How many of the Board are Executive Directors and Non-Executive? Please provide names/positions of each individual.
	<input type="text"/>
	Is there an independent Chairman of the Board?
	<input type="text"/>
	How are issues raised by the Board communicated with management?
	<input type="text"/>
	How many women are on the Board?
	<input type="text"/>
	Is ESG discussed at the Board level? If so, how often does this take place and does this follow a set agenda/terms of reference? Provide details of the key issues regularly discussed.
	<input type="text"/>
	Is there a remuneration committee in place? Does this committee engage with the Board?
	<input type="text"/>
	What other committees are in place e.g. Risk, Audit, ESG/sustainability/CSR? Are these championed by a dedicated person? Please provide details.
	<input type="text"/>
Corruption/ fraud detection	What does the organisation currently do to safeguard against illegal practices? Has the organisation had any issues in relation to illegal practices (i.e. corruption/fraud) in the past? How has this been detected and resolved?
	<input type="text"/>
Breaches/ enforcement	Please provide details of any corporate governance and/or ethical related employee claims/breaches/enforcement/litigation action relating to issues such as anti-bribery and corruption, cases of unfair labour practices, human rights abuses, and other malpractices. Please provide details of any prosecution (fines, imprisonment) and corrective/improvement action post the event(s).
	<input type="text"/>

SECTION



SECTION 2

ESG/SUSTAINABILITY GOVERNANCE

ESG Policy

Does the company have a separate standalone ESG policy (i.e. in addition to an environmental or safety policy) which provides details of your approach and commitments to management of key ESG risks and opportunities? Please provide details.

Please describe the key commitments included within the policy e.g. compliance with regulations, continuous improvement, training, monitoring etc.

Improvement programme

Has the company developed an ESG improvement programme? How is this implemented?

Materiality assessment

Please detail the process you have been through to determine what key ESG topics are relevant to your business and have therefore formed the basis of your policies. What stakeholders were engaged in this process?

ESG Risk register

Does the company have a separate ESG risk register? If yes, please provide details of key risks and control measures.

Are specific KPIs used to monitor performance and if so please provide details of these e.g. carbon emission, safety statistics, cases of ABC?

Standards, certifications and member associations

Please provide details of any additional ESG relevant standards applied and certifications and/or memberships held such as the application of the IFC Environmental, Health and Safety Guidelines; International Labour Standards; G4 Sustainability Reporting Guidelines; members of the Carbon Disclosure Project.

ESG audit and review

Are ESG processes and systems reviewed/audited either internally or externally on a regular basis and are the results reported back to the Board? If yes, please provide details of the types/frequency of these audits, who they are conducted by and key issues identified in the last audit.

Reputation risk assessment

Has the company conducted an ESG risk assessment of media, stakeholders and other public sources external to the company?

ENVIRONMENT

Risk & opportunity assessment

Has an environmental risk and opportunity assessment of the company's activities been completed? If yes, please provide details of the key risk(s)/opportunities, control measure(s) and improvements.

Environmental permits

Please provide a list of the key environmental permits/licences/consents which you are required to comply with and provide an overview of what data is collected to evidence compliance.

Carbon and other GHG emissions

Has the company conducted a baseline assessment of its carbon/GHG footprint and has it implemented any measures to make any reductions? If yes please provide details of the emissions and any targets/initiatives implemented.

Organisational arrangements/resources

Do you regularly engage third-party specialists to support you manage your environmental (broader sustainability) requirements and performance? How are these contractors selected?

SECTION 2 (CONTINUED)

Resource efficiency/ management	<p>Has management considered the opportunities to generate its own sources of energy/power at its sites? If so, please provide details of the source of energy (e.g. solar, wind) and associated energy, carbon and cost savings.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div> <p>Provide details of key findings/recommendations from any resource efficiency (e.g. energy, waste, waster) audits completed within the last three years. Please summarise any improvement measures implemented.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Emergency preparedness and response	<p>Please provide details of what arrangements are in place to respond to/manage any environmental and safety incidents such as oil/chemical spills, gas leak/explosive atmospheres and other environmental nuisances. Please indicate whether scenario testing is undertaken as part of these and if environmental insurance cover is in place.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Product Stewardship	<p>Do you take responsibility for the environmental impacts of your products throughout their lifecycle? For example, do you take into consideration at the end of life, the disposal options available for the product? Are these considerations considered at product design stages? If so please provide details.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Supply Chain	<p>Is the organisation's choice of suppliers influenced by their sustainability performance? What factors are considered?</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Financial provisions	<p>Has the company recognised any financial provisions in the accounts to address any environmental liabilities such as contaminated land/environmental restoration and aftercare requirements/removal of asbestos etc.? Please provide further details.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>

SOCIAL

Safety Culture	<p>Has management conducted a safety culture review across the organisation? Provide details of key findings and associated improvement actions identified from the assessment.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Modern Slavery/ Human Rights/ Child Labour	<p>What policies and processes do you have in place to identify, assess and address risks across the company and its supply chain with respect to human rights, labour standards and modern slavery? Are you compliant with any local regulations relating to modern slavery, for example the Modern Slavery Act 2015 in the UK?</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Insurance/ Compensation Policy	<p>Please confirm the insurance policies in place and the extent of cover with regards to employee industrial injury claims. Please confirm the total number of open and potentially pending claims including details of claim reserves and potential financial/legal implications.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Community investment and stakeholder engagement programmes	<p>Are you involved in any community investment/stakeholder engagement activities (including engagement with the NGO sector, if any)? If so please provide detail of the NGOs involved, type of activities, amount of time/resources invested, level of engagement etc.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>
Freedom of Association and Collective Bargaining	<p>What form of worker representation is there at the company? Are all staff able to share their views and concerns?</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div> <p>Are workers free to join a union and engage in collective bargaining? Please provide details of the associated unions.</p> <div style="border: 1px solid #ccc; height: 20px; margin-bottom: 5px;"></div>

SECTION 2 (CONTINUED)

Human resources and International Labour Organisation (ILO) standards	Does the organisation comply with ILO standards? Is this stated in associated HR policies etc.?
Supply Chain	For suppliers in countries/regions that have experienced labour issues, is a policy in place to identify such issues? Please provide details.
Consumer Health and Safety	What steps are taken to ensure the health and safety of consumers?
Community Involvement	Please describe any formal programmes in place to promote company involvement with the community (volunteering, philanthropic activity, etc.). How much is invested in these projects?

GOVERNANCE

Ethics in Business Activity	Does the company have a code of ethics? Please provide details and confirmation of how this is delivered to staff within the company.
Executive Compensation	How is compensation between individuals within the company aligned to take into consideration performance and pay ratio?
Code of Conduct	Please provide details of the company's corporate code of conduct. How is this delivered to staff within the company?
Gifts policy	Please provide details of the company's gifts/corporate entertaining policy. How is this regulated? Have there been any recorded breaches? Please provide details.
Audit Committee	Does the company have an audit committee? Please provide details of its composition, Terms of Reference and policies.
Whistle-blowing Policy	Does the company have a whistle-blowing policy? Is this service independently managed, and is it anonymous? Is it available at all times of the year?
Anti-bribery or anti-corruption (ABC) Policy	Please provide details of the company's ABC policy? How many employees have received ABC training to date?
	Does the company have a process in place to conduct ABC due diligence on new suppliers, contractors etc.? Please provide details of the process and how it is implemented.