

RESPONSIBLE INVESTMENT DDQ FOR INVESTORS IN HEDGE FUNDS

ABOUT THIS DDQ

This due diligence questionnaire (DDQ) has been developed to help investors better understand, evaluate and assess hedge fund managers’ approaches to responsible investment. Asset owners and fund selectors can use the questions during the RFP process, manager monitoring, in client meetings, or in ongoing dialogue with hedge fund managers. The DDQ should not be considered in isolation, but rather used to support a wider information-gathering process.

The PRI encourages investors to:

- tailor the questions to suit their broader objectives;
- consider what additional resources are available to enhance their understanding of hedge fund managers’ answers; and
- engage with hedge fund managers to seek additional information and clarification, where necessary.

We recognise there are a multitude of hedge fund strategies and this DDQ does not cover all approaches. Asset owners and hedge fund managers may prefer to use some of the questions from the other asset class DDQs, which can be found [here](#).

To promote consistency, this document is designed to complement the information gathered through the [PRI’s Reporting Framework](#) – particularly the hedge funds and policy, governance and strategy modules. It is also intended to be aligned with 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 responsible investment practices.

We invite investors to supplement these hedge fund-related questions with those in our [diversity, equity and inclusion](#) (DEI) DDQ. Please contact hedgefunds@unpri.org if you have questions or feedback.

USING THIS DDQ

Appendix 1 lists where questions in this DDQ map, either fully or partially, to indicators within the PRI 2024 Reporting and Assessment Framework.

Some questions in the DDQ focus on an organisation’s overarching approach to responsible investment, while others apply to the strategy level.

The DDQ provides guidance on the type of information each question is aiming to elicit. The PRI encourages investment managers to answer the question in a way that goes beyond these points.

Where relevant, we refer to the Reporting Framework glossary of key terms.

DOCUMENT CHECKLIST

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

Organisation / firm-level documentation	Fund-level documentation
<div><input type="checkbox"/> PRI transparency report</div> <div><input type="checkbox"/> Responsible investment policy</div> <div><input type="checkbox"/> Responsible investment reports</div> <div><input type="checkbox"/> Stewardship policy</div> <div><input type="checkbox"/> (Proxy) voting policy</div> <div><input type="checkbox"/> Impact investing report (relevant for allocators to impact strategies)</div> <div><input type="checkbox"/> Code of conduct</div> <div><input type="checkbox"/> Diversity, equity and inclusion policy</div> <div><input type="checkbox"/> Corporate social responsibility report (or similar)</div> <div><input type="checkbox"/> Whistleblower policy</div> <div><input type="checkbox"/> Other reports from voluntary initiatives such as Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD) report</div> <div><input type="checkbox"/> Relevant compliance policies covering – where relevant and available – market manipulation, treatment of material non-public information, use of expert networks and equal treatment of clients</div>	<div><input type="checkbox"/> Examples of sustainability disclosures from fund(s) / investment vehicle(s) (e.g., SFDR disclosures)</div> <div><input type="checkbox"/> Examples of investment memos / research that cover sustainability and governance factors</div> <div><input type="checkbox"/> Any additional policies relating to sustainability matters</div> <div><input type="checkbox"/> Fund / vehicle-specific responsible investment policy</div> <div><input type="checkbox"/> (Proxy) voting records over a specified period</div> <div><input type="checkbox"/> Exclusion policy and exclusion list</div>

DDQ QUESTIONS

DDQ question	Yes / No	Description
POLICY, GOVERNANCE, COMMITMENTS AND RESOURCING (AT FIRM LEVEL)		
<i>Questions in this section ask for information about the organisation or firm-level approach to responsible investment.</i>		
1.1 Do you have a responsible investment policy?	Yes <input type="checkbox"/> No <input type="checkbox"/>	<p><i>If yes, provide details below. State below whether it is publicly available; when it was published; the frequency of updates. Briefly describe what the policy covers, including details on the 1) scope 2) % of assets the policy covers, 3) and outline any commitments on topics such as climate change, human rights, biodiversity, or DEI.</i></p> <p><i>If your organisation does not have a responsible investment policy, or if the policy does not cover all investments, explain why not and state whether you plan to introduce one in future.</i></p> <p><i>Where you have approaches relevant to specific hedge fund strategies, please see question 2.1 to provide further details.</i></p> <p><i>Further PRI guidance on developing a comprehensive responsible investment policy is available here.</i></p>
Answer here		
1.2 Have you publicly committed to support international industry standards, guidelines or reporting frameworks that promote responsible investment practices?	Yes <input type="checkbox"/> No <input type="checkbox"/>	<p><i>If yes, provide details below. Examples include being a PRI signatory, adhering to the UN Guiding Principles on Business and Human Rights, committing to support the Sustainable Development Goals (SDGs), aligning with the objectives of the Paris Agreement, and implementing recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).</i></p>
Answer here		
1.3 Have you assigned responsibility for oversight and implementation of the responsible investment policy(ies)?	Yes <input type="checkbox"/> No <input type="checkbox"/>	<p><i>If yes, provide details. Describe which senior-level body(ies) or role(s) in your organisation has formal oversight over and accountability for responsible investment and which internal or external roles are responsible for implementing your approach to responsible investment.</i></p>
Answer here		
1.4 Does your organisation incorporate responsible investment-related key performance indicators (KPIs) into performance reviews and compensation mechanisms for employees?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p><i>If yes, provide details. Describe how KPIs are defined and measured and to which positions they apply, e.g., investment professionals, sustainability teams, senior management etc. If your organisations has ticked N/A please explain why.</i></p>
Answer here		

DDQ question	Yes / No	Description
1.5 Does your organisation ensure its investment professionals and other relevant staff are trained on responsible investment and stay up-to-date on relevant topics?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<i>If you provide training, assistance and / or additional resources, provide details. Describe what they cover, which staff receive them and how frequently they are delivered.</i>

Answer here

1.6 Do you make, or plan to make, formal responsible investment commitments in documents such as Limited Partnership Agreement(s), side letters, or other constitutive fund documents?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<i>If yes, describe these and, if helpful, share sections of other relevant materials such as investment management agreements. Examples might include net-zero commitments. The ICGN Model Mandate provides useful examples of clauses.</i>
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Answer here

INVESTMENT PROCESS AND STEWARDSHIP (AT STRATEGY LEVEL)

Questions in this section ask for information on the **hedge fund strategy** that's being assessed.

2.1 Have you developed responsible investment policies for specific internally-managed hedge fund strategies?	Multi-strategy Yes <input type="checkbox"/> No <input type="checkbox"/> Long / short equity Yes <input type="checkbox"/> No <input type="checkbox"/> Long / short credit Yes <input type="checkbox"/> No <input type="checkbox"/> Distressed, special situations, and event-driven fundamental Yes <input type="checkbox"/> No <input type="checkbox"/> Structured credit Yes <input type="checkbox"/> No <input type="checkbox"/> Global macro Yes <input type="checkbox"/> No <input type="checkbox"/> Commodity trading adviser Yes <input type="checkbox"/> No <input type="checkbox"/> Other strategies Yes <input type="checkbox"/> No <input type="checkbox"/>	<i>Please provide details of the strategy, including implications for investment strategy and referring to specific instances of engagement or stewardship.</i>
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Answer here

2.2 Does the hedge fund strategy have any public screens or exclusions incorporated in the fund mandate or investment process?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<i>If yes, provide details. Describe any positive, norms-based or exclusionary screens that are applied, including why and how they are used in combination with other responsible investment activities (such as stewardship). Describe what % of assets / funds these cover, any thresholds and other relevant implementation practices.</i>
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DDQ question	Yes / No	Description
		<p>If relevant, please state whether these restrictions apply to:</p> <p>(A) Both long and short positions;</p> <p>(B) Long positions only;</p> <p>(C) Short positions only</p>
Answer here		
2.3 Do material sustainability and governance factors affect portfolio construction and security selection for this hedge fund strategy?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p>If yes, mention how these factors influence portfolio construction and security selection. Disclose the roles / committees that are responsible for incorporating these factors in this strategy. Provide examples from the past 12 months of how these factors have influenced security selection and / or portfolio construction for this strategy. State whether you conduct scenario analysis in relation to these factors.</p> <p>For quantitative strategies, mention the use of any back-testing or simulations that are applied to the strategy, and how they are incorporated and / or positioned alongside traditional factors.</p>
Answer here		
2.4 Does the hedge fund strategy engage in short selling as part of the relevant responsible investment strategy?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p>If yes, provide details. Describe how sustainability and governance factors influence short positions. Are there relevant considerations you apply to the way in which the short book is managed and traded?</p> <p>Please explain practices in this area and any implications for client reporting (i.e., measuring portfolio GHG emissions). Where this is covered in question 4.1, please refer to this response.</p>
Answer here		
2.5 Does the hedge fund strategy use leverage as part of the relevant responsible investment strategy?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p>If yes, provide details. Describe how leverage relates to your responsible investment approach. Is leverage in relation to sustainability risks treated differently from leverage in relation to any other risks?</p> <p>Please explain practices in this area and any implications for client reporting (e.g., measuring portfolio GHG emissions).</p>
Answer here		
2.6 Does the hedge fund strategy use derivatives as part of the relevant responsible investment strategy?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p>If yes, provide details. Describe how responsible investment considerations influence how derivatives are used (e.g., to hedge climate-related risks). Describe how you treat derivatives when reporting RI-related data (e.g., carbon emissions, exposure to certain industries, etc).</p> <p>Please explain practices in this area and any implications for client reporting (e.g., measuring portfolio GHG emissions). Where this is covered in 4.1, please refer to this response.</p>
Answer here		
2.7 Do you have a specific policy on stewardship practices that is relevant for this hedge fund strategy?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p>If yes, describe the stewardship approach.</p> <p>Stewardship activities with investees or other entities</p>

DDQ question	Yes / No	Description
		<p>Explain how you prioritise and escalate stewardship with the investees or other entities. Describe how often / to what extent escalation methods have been used over the past 12 months. Mention whether and how you track stewardship.</p> <p>Stewardship activities with other stakeholders</p> <p>Explain your approach to collaborative engagement. State if collaborative engagement is the only stewardship tool used. If so, state whether this is due to individual engagement or voting not being feasible due to the nature of the strategy.</p> <p>If you do not have a specific policy, please explain why.</p>

Answer here

<p>2.8 For hedge fund strategies that allocate to listed equities, do you have a proxy voting policy?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>N/A <input type="checkbox"/></p>	<p>If yes, describe this policy, including how clients are made aware of voting decisions, if / how you use recommendations from external service providers, and whether voting rationales are disclosed.</p> <p>You should clarify whether the proxy voting policy covers approaches to voting where the hedge fund lends listed securities, or the listed securities are held by prime brokers.</p> <p>If prime brokers do not commit to undertaking proxy voting on your behalf, please state whether you are engaging with them.</p> <p>Provide any recent examples of how you have voted on shareholder proposals.</p>
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Answer here

<p>2.9 Does the stewardship policy encourage better practices at investee companies which have experienced sustainability and governance-related incidents and/or risks?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>N/A <input type="checkbox"/></p>	<p>If yes, provide details. Mention whether you have a formal process for identifying, assessing and reporting sustainability and governance-related incidents and/or risks</p> <p>Outline how you promote better practices with investees, how they may be escalated and actions communicated to clients.</p>
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Answer here

SUSTAINABILITY OUTCOMES (AT STRATEGY LEVEL)

Questions in this section ask for information on the **hedge fund strategy** that's being assessed.

<p>3.1 Do you identify sustainability outcomes (both intended and unintended) related to this hedge fund strategy?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>N/A <input type="checkbox"/></p>	<p>If yes, describe the approach. Disclose any frameworks or tools you use to do so (e.g., the SDGs, the Paris Agreement, the Global Biodiversity Framework). Provide recent examples of the positive or negative outcomes that you have identified (e.g., the impact of the investments on sustainability issues such as climate change, biodiversity and human rights).</p> <p>If you do not identify sustainability outcomes or this question does not apply, please explain why.</p> <p>Note: See the PRI reporting framework definition of 'sustainability outcomes'.</p>
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Answer here

DDQ question	Yes / No	Description
3.2 Do you take action to improve the sustainability outcomes connected to investments?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p><i>If yes, provide details and recent examples. Mention the sustainability outcomes objectives targeted and the actions taken to intentionally increase positive and / or decrease negative sustainability outcomes. Please provide details of activities which may include capital allocation and stewardship with investees, policy makers and other key stakeholders.</i></p> <p><i>If you do not take action to improve sustainability outcomes or this question does not apply to you, please explain why.</i></p> <p><i>Note: See the he PRI reporting glossary definition of 'Taking action on sustainability outcomes'.</i></p>

Answer here

CLIMATE (AT STRATEGY LEVEL)

Questions in this section ask for information on the **hedge fund strategy** that's being assessed.

4.1 Do you measure and report the greenhouse gas (GHG) emissions associated with your hedge fund strategy?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p><i>If yes, describe the methodology used and (where available) provide details of the GHG emissions related to this strategy. Explain the approach to reporting scope 1, 2 & 3 emissions. Explain the approach to GHG disclosure where financial instruments (such as derivatives) and investment strategies (such as short positions) are part of the hedge fund strategy.</i></p> <p><i>If you do not measure and report GHG emissions, please explain why, and if you intend to do so. If measuring GHG emissions is difficult due to portfolio structure or a specific hedge fund strategy, please provide details.</i></p>
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Answer here

4.2 Have you set climate / emissions-related targets for this hedge fund strategy?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p><i>If yes, provide details. Details may include net-zero commitments, GHG emission reduction targets (at a strategy / portfolio level) and climate stewardship programmes. These details should also include how strategies (such as long / short) are integrated into these commitments.</i></p> <p><i>If setting strategy targets for GHG emission reduction or Net Zero is difficult due to portfolio structure or a specific hedge fund strategy, please provide details.</i></p>
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Answer here

DISCLOSURE (AT STRATEGY LEVEL)

Questions in this section ask for information on the **hedge fund strategy** that's being assessed.

5.1 Do you disclose information on your responsible investment activities and performance to investors?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p><i>If yes, describe the details of regulatory and voluntary disclosures and specify if the disclosures are public or private.</i></p> <p><i>Explain the disclosure method (e.g., investor meetings, written reports), the frequency, and the adherence to specific frameworks (e.g., PRI, TCFD). Provide examples of specific metrics disclosed (e.g., weighted average carbon intensity).</i></p> <p><i>If relevant, state whether responsible investment information associated with the strategy's short positions are disclosed, and</i></p>
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DDQ question	Yes / No	Description
		<i>whether any responsible investment considerations contributed to the shorting rational.</i>
Answer here		
5.2 Do you disclose breaches in your responsible investment policy?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<i>If yes, please detail the procedure for disclosing and communicating breaches. Include descriptions of the incident's nature, the tracking process, remediation actions taken, and the manager's decisions.</i>
Answer here		
ADDITIONAL INFORMATION		
6.1 Is there any information on your organisation's responsible investment approach not otherwise covered in the DDQ that you would like to share?		
Answer here		

APPENDIX 1: INDICATOR MAPPING

The questions in this DDQ map, either fully or partially, to the following indicators within the PRI 2024 Reporting and Assessment Framework, CFA Global ESG Disclosure Standards for Investment Products, and SFDR.

Due diligence questions	2024 PRI Reporting and Assessment Framework indicator(s)	CFA Global ESG Disclosure Standards for Investment Products	EU SFDR
POLICY, GOVERNANCE, COMMITMENTS AND RESOURCING			
1.1 Do you have a responsible investment policy ?	PGS 1, 3, 8 HF 1	-	Yes
1.2 Have you publicly committed to support international industry standards, guidelines or reporting frameworks that promote responsible investment practices?	PGS 17, 18 SLS 1	-	Yes
1.3 Have you assigned responsibility for oversight and implementation of the responsible investment policy(ies)?	PGS 11, 11.1, 12	-	Yes
1.4 Does your organisation incorporate responsible investment related key performance indicators (KPIs) into performance reviews and compensation mechanisms for employees?	PGS 13, 14	-	
1.5 Does your organisation ensure its investment professionals and other relevant staff are trained on responsible investment and stay up-to-date on relevant topics?	PGS 15	-	
1.5 Does your organisation incorporate RI-related key performance indicators (KPIs) into performance reviews and compensation mechanisms for employees?		-	
1.6 Do you make, or plan to make, formal responsible investment commitments in documents such as Limited Partnership Agreement(s), side letters, or other constitutive fund documents?			
INVESTMENT PROCESS			
2.1 Have you developed responsible investment policies for specific internally managed hedge fund strategies?			
2.2 Does the hedge fund strategy have any public screens or exclusions incorporated in the fund mandate or investment process?		2.A.9.a, 2.A.9.b, 2.A.9.c, 2.A.9.d, 2.A.10.a, 2.A.10.b	
2.3 Do material sustainability and governance factors affect portfolio construction and security selection for this hedge fund strategy?	HF 2, HF 3, HF 4	2.A.6.a, 2.A.7.b Y	Yes
2.4 Does the hedge fund strategy engage in short selling as part of the relevant responsible investment strategy?			
2.5 Does the hedge fund strategy use leverage as part of the relevant responsible investment strategy?			
2.6 Does the hedge fund strategy use derivatives as part of the relevant responsible investment strategy?		2.A.6.a	
2.7 Do you have a specific policy on stewardship practices that is relevant for this hedge fund strategy?	PGS 23, 24, 24.1	2.A.16, 2.A.17.b, 2.A.17.a, 2.A.17.c	Yes
2.8 For hedge fund strategies that allocate to listed equities, do you have a proxy voting policy?	PGS 29	2.A.16, 2.A.17.b, 2.A.17.a, 2.A.17.c	Yes
2.9 Does the stewardship policy encourage better practices at investee companies which have experienced sustainability and governance-related incidents and/or risks?			
SUSTAINABILITY OUTCOMES / IMPACT			
3.1 Do you identify sustainability outcomes (both intended and unintended) related to this hedge fund strategy?	PGS 47, 47.1, 47.2		
3.2 Do you take action to improve the sustainability outcomes connected to investments?	PGS 48, 48.1 SO 1, 2, 2.1, 3.3, 4, 4.1, 5, 6, 7		

CLIMATE			
4.1 Do you measure and report the greenhouse gas (GHG) emissions associated with your hedge fund strategy?	PGS 46	2.A.19.a, 2.A.19.b, 2.A.19.c, 2.A.19.d, 2.A.19.e, 2.A.19.f, 2.A.19.g, 2.A.19.h, 2.A.19.i, 2.A.19.j, 2.A.19.k	Yes
4.2 Have you set climate / emissions-related targets for this hedge fund strategy?	SO 1, 2, 2.1, 3	2.A.19.a, 2.A.19.b, 2.A.19.c, 2.A.19.d, 2.A.19.e, 2.A.19.f, 2.A.19.g, 2.A.19.h, 2.A.19.i, 2.A.19.j, 2.A.19.k	Yes
DISCLOSURE			
5.1 Do you disclose information on your responsible investment activities and performance to investors?	PGS 16, 17, 18, 19	2.A.13 2.A.15 2.A.18 2.A.19.j, 2.A.5	
5.2 Do you disclose breaches in your responsible investment policy?	HF 9		

APPENDIX 2: ACKNOWLEDGEMENTS

The PRI would like to thank members of the Hedge Funds Advisory Committee for their contribution to this questionnaire:

- David Gulkowitz (Chair), DSC Meridian Capital, LP
- Marlene Doury, ABC Arbitrage Asset Management
- Filbert Cua, Aetos
- Reinoud van Ieperen Bokhorst, Anthos Fund & Asset Management B.V.
- Nicolas Gauthey, AXA Investment Managers
- Ilya Grosh, Blackrock
- Ann-Sofie Odenberg, Brummer & Partners AB
- Anne-Sophie d'Andlau, CIAM
- Daniella Woolf, Danesmead ESG
- Ilaria Calabresi, Marshall Wace
- William Bryant, NorthPeak Advisory
- Christophe L'Ahelec, University Pension Plan Ontario
- Marie de Muizon, Atlas Responsible Investors
- Nasrine Ghozali, Oasis Management Company

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

