Investor Contribution 2.0 (IC 2.0) Consultation Document:
Investment Structures and Governance for Private Equity, Private Debt, and Venture Capital
Proposed Draft Disclosures for Use by Limited Partners (LPs) and their Consultants in Due Diligence, Monitoring, and Evaluation of General Partners (GPs)

Introduction and Instructions

The below draft disclosures were developed to support Limited Partners (LPs) in assessing General Partners’ (GPs) investor contributions relating to investment structures and governance, with a particular focus on private equity, private debt, and venture capital asset classes. Future phases of this project will assess other asset classes, as well as provide self-assessment tools for LPs internally.

The draft disclosures focus primarily on topics relating to distribution of risk and return based on their interest to stakeholders, including civil society, labor advocates, asset owners and allocators, academics, among others, as assessed through a preliminary literature review. The topics identified can be broken down into two categories:

1. **Investment Structure**: Investment structure issues of interest include:
   a. The capital structure of companies, which in private markets is often more heavily influenced by a company’s investors. Capital structure has been noted to affect companies’ ability to offer quality jobs and produce quality and affordable goods and services. Weak capital structures may also inhibit companies from having the resources to invest internally in other improvements, including those that affect the environment.
   b. The structure of funds and their management firms, including tax, waterfall, and fee and carried interest structures, as well as the term of the fund and holding periods.

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1 Please see the [IC 2.0 Research and Resources database](#) relating to investment structures and governance for further information. This dynamic and evolving database serves as a compendium of resources and literature on each topic, which has informed development of the Proposed Disclosures, as well as the Context and Rationale sections of this document.

2 While blended finance is also relevant to investment structure, it is covered in the complementary set of proposed disclosures covering “Direct Investment and Engagement,” and not in this set of proposed disclosures.
2. **Investment Governance**: Investment governance issues of interest include the incentive structures of funds, key performance indicators (KPIs), accountability mechanisms, responsible political conduct, and approaches to diversity, equity, and inclusion (DEI).³

Additionally, the topics have been selected since – based on a landscape review of environmental, social, and governance (ESG) and impact investing disclosure frameworks - they are not currently well-covered. Where some issues are covered by other frameworks (e.g., fees, DEI, responsible political conduct, and ESG or impact management systems), we shape the proposed disclosures to reference those frameworks, rather than propose new disclosures.

In total, the Investor Contribution 2.0 team is proposing eleven topics for disclosure relating to investment structures and investment governance. A separate consultation document prepared by Impact Frontiers is designed for feedback relating to investor contributions via capital allocation (i.e., investment / divestment) and engagement. Respondents are invited to provide feedback on all topics, or if preferred, select topics based on the respondent’s interests and areas of specialty.

In this document, each topic is structured to include an opening “Context and Rationale” section, followed by the “Proposed Disclosures,” and then the questions for this consultation period. Respondents can choose to answer the consultation questions directly and/or propose changes to the Context and Rationale or Proposed Disclosures sections via the “track changes” function in Microsoft Word. There are also overarching consultation questions covering this entire document on the last page.

The Context and Rationale sections are intentionally designed as a narrative to summarize findings from the literature review; specific evidence may be found in the Research and Resources database. Significantly more time, resources, and effort would be required to comprehensively build out the Research and Resources database and systematically conduct a meta-analysis to extract data. This work may be considered for a future phase of this project. In the meantime, the Investor Contribution 2.0 team welcomes recommended additions and suggested edits to the classifications.

The Proposed Disclosures are designed to cover various phases of the investment cycle, particularly due diligence, monitoring, and exit. For ease of use, we have grouped the monitoring and exit phases together in a single “Performance Phase,” to be completed by GPs annually. For each topic, there are therefore two sets of Proposed Disclosures including the version designed for a Due Diligence Questionnaire, and the version designed for a Performance Questionnaire.

³ Investment governance is different than corporate governance, the latter of which focuses on portfolio companies, and the former of which focuses on the governance of the investment institutions themselves.
Please note that while the IC 2.0 team recognizes the value of providing guidance on “what good looks like” for each of the topics below, developing consensus on such norms is a significant undertaking that reaches beyond the scope of this project. We anticipate that the outputs of this project will inspire other market actors and their stakeholders to consider and co-create such guidance over time.

The IC 2.0 team will complement written feedback received via this form together with verbal feedback in virtual consultation “huddles” and other discussions which are scheduled to take place throughout March and April 2023. The team will not attribute consultation feedback to any respondents in communications with third parties without the respondent’s prior permission. All feedback will be internally aggregated by the IC 2.0 team to inform the development of project outputs, such as templates which can be used by LPs. We anticipate that these templates can be helpful to GPs in developing their own self-assessment tools.

For more detailed information on this project, including history, scope, and additional consultation materials, please visit the project website.

All completed consultation forms can be submitted to info@investorcontribution.org. Thank you for your time and interest in this important topic!

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1. Compensation Ratios

**Context and Rationale:** Concern is growing about high executive compensation exacerbating socio-economic inequality globally. When wealth aggregates disproportionately to few individuals, they are well-positioned to invest in assets such as real estate and equities, expanding valuation multiples to a point where barriers to entry for investment become higher for the less advantaged, and concentrating wealth further. Consolidated wealth can contribute to imbalanced power dynamics relating to societal influence and voice, via investment, philanthropic, and policy decisions. High pay ratios between executives and the average worker push SDG 10: Reduced Inequalities, further out of reach. In terms of systematic risk, there is rising evidence that socio-economic inequality can lead to secular stagnation, “debt traps,” polarization, and social instability.

Data suggests that fund manager compensation can be even higher than corporate executive compensation. ESG and impact investing strategies at the portfolio company level may include paying living wages to workers, narrowing executive-to-average-worker compensation ratios (including through distributions of equity ownership to non-executives), or investing in products and services for the underserved. However, if the rate of wealth of the fund manager grows at an exponentially faster rate than for workers in or beneficiaries of portfolio companies, the wealth gap can be expected to grow. Additionally, asset owners and allocators, as well as academic research, have highlighted how high fund manager compensation can lead to a significant transfer of wealth from pensioners to a few individuals in the private equity industry. As such, even when private capital funds are integrating ESG into their portfolio company operations, the largest of these funds, through their own compensation structures, may systemically be growing economic inequality.

**Proposed Due Diligence Disclosures:**

a. Please provide the GP’s policy(ies), including targeted thresholds applicable for:
   i. Portfolio company executives to the mean and median worker
   ii. GP top executive to the mean and median worker across portfolio companies

b. If the GP does not have a policy, please explain if the GP intends on developing a policy, including the anticipated:
   i. Standard(s) adopted
   ii. How oversight of the policy will be managed
   iii. The timeline for developing the policy
c. Please complete the below questions and table using data from your most recent vintage fund with a comparable strategy to the fund under diligence, using and specifying a single currency for compensation totals. If you do not have a previous fund with a comparable strategy, please complete the below based on your expectations for the fund under diligence. Data should be based on average portfolio company performance across the fund’s portfolio. Please include all forms of compensation for each type of role, including base salary and any performance-based compensation, specifying the valuation methodologies and estimates used for carry, option, and stock-based compensation in footnotes.

i. Please provide the name and vintage of the most recent fund referenced, or specify whether your responses refer to projections for a future fund: ________________________________

ii. Please specify which types of corporate executives are included in this calculation by title: __________________

iii. Please specify the mean and median compensation for the corporate executives (as a group) listed:
   1. Mean: __________
   2. Median: __________

iv. Please specify which types of GP executives are included in this calculation by title: __________________

v. Please specify the mean and median compensation for the GP executives (as a group) listed:
   1. Mean: __________
   2. Median: __________

vi. Table:

<table>
<thead>
<tr>
<th>Workforce Type*</th>
<th>Est. at Avg. Portfolio Company (total number)</th>
<th>Est. Mean Compensation</th>
<th>Est. Median Compensation</th>
<th>Est. Mean Corp. Exec. Comp. to Worker Ratio</th>
<th>Est. Mean GP Exec. Comp. to Worker Ratio</th>
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<td>At Acquisition</td>
<td>Currently or at Exit**</td>
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<td>Currently or at Exit**</td>
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<td>Contingent / Contracted / Gig workers</td>
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* Please exclude c-suite and comparable corporate executives from the Workforce Type.

** This wording is designed to accommodate GPs reporting for the most recently comparable fund, which may or may not still be currently invested OR for GPs completing the table for the prospective fund under due diligence, using projections.
d. Please provide any further commentary you believe would be helpful in assessing these questions on compensation, including information on any standards referenced, oversight, and implementation of the policy.

**Proposed Performance Disclosures:**

a. Please complete questions “c” and “d” above for the current invested fund.
b. Please provide any changes to and violations of policies during the reporting period in the below table:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description of Exception, Material Change, or Violation</th>
<th>Rationale (if applicable)</th>
<th>Potential Risks</th>
<th>Mitigating Actions Taken</th>
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**Compensation Ratio Consultation Questions – please provide explanations for your answers where applicable:**

- Is this question relevant to all three sub-asset classes in focus (private equity, private debt, and venture capital)? If not, which asset classes are not applicable and why?
- Recognizing that fees and carried interest scale with assets under management (AUM), and that smaller fund managers often do not have sufficient resources from a traditional fee and carried interest structure, should there be a firm-level or fund-level AUM threshold under which this topic is not considered material?
- Average performance across companies is proposed to produce more efficient data. Should data instead be produced per portfolio company, where applicable? Should the median also be requested?
- Should reporting for the top executives of portfolio companies and GPs be limited to the top one, two, three, or four executives?
- Should the median ratio also be requested in the table?
- For first-time fund managers and strategies, is it realistic or practical to request completion of question d based on estimates or goals? If not, do you have alternative suggestions?
- Are there resources on best practices at the company level that you feel are best suited for analysis that includes a fund manager? We are particularly interested in methodologies that take geographic differentials relating to cost of living into account.
• Are there other compensation questions we should ask, such as around tying ESG or impact performance to carried interest, or instituting clawbacks for negative impacts? Please note that a future phase of this project is expected to cover topics relating to worker ownership, so this sub-topic is not included in the Proposed Disclosures.
• Do you recommend any additional resources or other adjustments to the Context and Rationale or Proposed Disclosures sections?
• Are you aware of any guidance or efforts underway to establish normative performance thresholds for executive to average worker compensation ratios? If yes, please describe.
2. Fees

**Context and Rationale:** Stakeholders, including companies, workers, communities, and LPs have expressed experiences of negative impacts from fees charged by GPs that are not explicitly disclosed at the time of a transaction. Evidence in the Resources and Research database point to the shifting of uncompensated risk and return to GPs' stakeholders due to this practice. A review of case studies and academic literature highlights concerns about high fees charged to portfolio companies, which when combined with high leverage and asset stripping practices, can leave companies with weak capital structures and lack of ability to offer quality jobs and quality and affordable goods and services. A lack of financial resources may also inhibit companies from operating in environmentally responsible ways, although research to substantiate this possibility is not as well-developed as social impacts. Unexpected fees are also noted to be of concern to LPs, given implications for reduced net returns, which can negatively impact asset owners such as pensioners. Weak capital structures across companies can contribute to systemic and systematic risks related to social inequality and financial instability.

**Proposed Due Diligence Disclosures:**
  a. Please provide the fund’s reporting templates and policies on fees charged to:
     i. Portfolio companies
     ii. LPs
    Reporting policies may cover the frequency of reporting, scope, and any principles adhered to in the practices of charging fees.
  b. If the GP does not have templates or a policy, please explain if the GP intends on developing them, including the anticipated:
     i. Standard(s) adopted
     ii. How oversight will be managed
     iii. The timeline for developing the templates and policy
  c. Please provide the last completed reporting templates for your most recent vintage fund with a comparable strategy.

**Proposed Performance Disclosures:**
  a. Please provide the completed fee template for the reporting period (to assess reported fees against portfolio company financials and (projected) returns).
b. Please provide any changes to and violations of policies during the reporting period in the below table:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description of Exception, Material Change, or Violation</th>
<th>Rationale (if applicable)</th>
<th>Potential Risks</th>
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**Fees Consultation Questions - please provide explanations for your answers where applicable:**

- Is this question relevant to all three sub-asset classes in focus (private equity, private debt, and venture capital)? If not, which asset classes are not applicable and why?
- This question requests templates as opposed to providing them, assuming many LPs are already using the Institutional Limited Partners Association (ILPA) template or versions based on ILPA. This reduces the reporting burden and enhances interoperability. Do you agree with this decision? Do you recommend any additional resources or questions relating to best practices?
- Fee transparency is often requested for LPs to be able to assess their net returns. Do you believe additional guidance is required for LPs to assess potential negative impacts of certain fee practices on other stakeholders, using this data? If so, do you have any suggestions?
- Do you recommend any additional resources or other adjustments to the Context and Rationale or Proposed Disclosures sections?
- Are you aware of any guidance or efforts underway to establish normative performance thresholds for practices relating to fees? If yes, please describe.
3. Asset Stripping

*Context and Rationale:* Stakeholders, including companies, workers, communities, and LPs have expressed experiences of negative impacts from asset stripping. A review of case studies and academic literature highlights concerns about asset stripping, which when combined with high fees charged to portfolio companies and leverage, can leave companies with weak capital structures and lack of ability to offer quality jobs and quality and affordable goods and services. A lack of financial resources may also inhibit companies from operating in environmentally responsible ways, although research to substantiate this possibility is not as well-developed as social impacts. Weak capital structures across companies can contribute to systemic and systematic risks related to social inequality and financial instability.

*Proposed Due Diligence Disclosures:*

a. Does the fund anticipate engaging in sale leasebacks of any portfolio company assets? If yes:
   i. What estimated percentage of the portfolio, in terms of both:
      1. Number of investments
      2. AUM

b. Please provide any policies and thresholds related to risk management of sale leasebacks, including reference to any protections for portfolio companies in place.

c. If the GP does not have a policy or estimates, please explain if the GP intends on developing a policy, including the anticipated:
   i. Standard(s) adopted
   ii. How oversight of the policy will be managed
   iii. The timeline for developing the policy

d. For each portfolio company in your most recent vintage fund with a comparable strategy as the fund under due diligence, please complete the following table. For companies without sale-leaseback agreements, please complete the fields as “Not Applicable”: 
<table>
<thead>
<tr>
<th>Portfolio Company</th>
<th>Value of Sale-leaseback agreements to PPE* at acquisition</th>
<th>Value of Sale-leaseback agreements to PPE at current time (or exit)</th>
<th>Total debt: PPE at the current time (or exit)</th>
<th>Percentage increase in expenditures as a result of the sale-leaseback agreement</th>
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*PPE refers to property, plant, and equipment.

**Proposed Performance Disclosures:**

a. Please complete the same table from the Due Diligence Disclosures for each company in the current fund with figures from the reporting period.

b. Please provide any changes to and violations of policies during the reporting period in the below table:

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<tr>
<th>Policy</th>
<th>Description of Exception, Material Change, or Violation</th>
<th>Rationale (if applicable)</th>
<th>Potential Risks</th>
<th>Mitigating Actions Taken</th>
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**Asset Stripping Consultation Questions - please provide explanations for your answers where applicable:**

- Please confirm whether you believe this question is only applicable to the leveraged buyout private equity asset class, and not growth private equity, private debt, and venture capital.
- Do you recommend any changes to the questions or tables?
- Do you recommend any additional resources or other adjustments to the Context and Rationale or Proposed Disclosures sections?
- Are there resources on best practices or normative thresholds that you are aware of on this topic? If yes, please provide them below.
4. Leverage:

**Context and Rationale:** Stakeholders, including companies, workers, communities, and LPs have expressed experiences of negative impacts from high leverage ratios, such as deterioration of quality jobs and quality and affordable goods and services, as well as bankruptcies and other restructurings that can shift uncompensated risk to GPs’ stakeholders. High leverage used for dividend recapitalizations can result in depriving a portfolio company of necessary resources to offer quality jobs and quality and affordable goods and services.

**Proposed Due Diligence Disclosures:**

a. Does the GP have a stated policy and approach to leverage at the portfolio company level? If yes, please provide the policy, including:
   i. Leverage ratios that serve as thresholds (e.g., pre- versus post-closing debt to EBITDA) not to be breached except for special, specified circumstances
   ii. Protections for workers’ pensions in bankruptcies
   iii. The procedure for approving exceptions to the defined thresholds, including an assessment on the portfolio company’s ability to continue to offer quality jobs and quality and affordable goods and services
   iv. The procedure for calculating adjustments to EBITDA
   v. Restrictions on the uses of funds from debt financing
   vi. Whether carried interest is only charged on unlevered returns
   vii. How oversight of the policy is managed
   viii. If the GP does not have a policy, procedures, or estimates, please explain if the GP intends on developing them, including the anticipated:
       1. Standard(s) adopted
       2. How oversight of the policy will be managed
       3. The timeline for developing the policy

b. For the most recent vintage fund with a comparable strategy, please complete the following table:
<table>
<thead>
<tr>
<th>Portfolio Company</th>
<th>Debt-to-equity Ratio</th>
<th>Debt-to-EBITDA Ratio</th>
<th>Dividend Recapitalizations</th>
<th>Credit Ratings</th>
<th>Has the company filed for bankruptcy or engaged in out-of-court restructurings during the holding period?</th>
<th>Number of defaults, covenant breaches, and/or equity cures*</th>
<th>Percentage of staff laid off or terminated during the investment period (adjusted for acquisitions)</th>
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* Please include a brief summary (one paragraph) of each instance below the table.

**Proposed Performance Disclosures:**

a. Please complete the above table for each portfolio company acquisition in the current invested fund.

b. Please provide any changes to and violations of policies during the reporting period in the below table:

<table>
<thead>
<tr>
<th>Policy</th>
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draft for public consultation
Leverage Consultation Questions - please provide explanations for your answers where applicable:

- Should this question only apply to leveraged buyout private equity transactions, and not growth private equity or venture capital?
- Can this question be easily modified for private debt transactions? Please provide any suggested changes for that purpose here.
- Are there other leverage-related questions we should ask?
- Do you recommend any additional resources or other adjustments to the Context and Rationale or Proposed Disclosures sections?
- Are you aware of any guidance or efforts underway to establish normative performance thresholds for leverage ratios? If yes, please describe.
- In the literature reviewed for this project, cost cutting relating to quality jobs and quality and affordable goods and services is often attributed to high leverage levels, sometimes complemented by high fees charged to portfolio companies and asset stripping. However, cost cutting can also be a product of overpaying for an asset. Should the questionnaires also include questions on cost cutting related to overpaying for an asset?
5. Tax

*Context and Rationale:* Globally, governments and stakeholders are growing concerned about tax avoidance. Taxes provide essential resources needed for governments to function, as well as to provide services and infrastructure shared by the commons. Particularly in developing countries, taxes are critical inputs to sustainable development. While significant progress has been made to measure and manage corporate tax responsibility, little exists in terms of tools and guidance for investor-level activity.

*Proposed Due Diligence Disclosures:*

a. Does the GP have a stated policy and approach to responsible tax structuring of funds and portfolio companies?
   i. If yes, please provide the policy, which should include:
      1. The standard(s) adopted, or whether the fund has a stated objective to enhance the profitability of portfolio companies by engineering lower tax payments
      2. Any blacklisted countries in which the fund, special purpose vehicles, and portfolio companies may not be domiciled
      3. The approach to fee and carry waivers
      4. How oversight of the policy is managed
   ii. If no, please explain if the GP intends on developing a policy, including the anticipated:
      1. Standard(s) adopted, or whether the fund has a stated objective to enhance the profitability of portfolio companies by engineering lower tax payments.
      2. Any blacklisted countries in which the fund, special purpose vehicles, and portfolio companies may not be domiciled
      3. Approach to fee and carry waivers
      4. How oversight of the policy will be managed
      5. Timeline for developing the policy

b. Please list any entities under the GP’s control, including GP entities, which are domiciled in jurisdictions which have been defined as tax havens.
Proposed Performance Disclosures:

a. Please list any entities under the GP’s control, including GP entities, which are domiciled in jurisdictions which have been defined as tax havens.

b. Please provide any changes to and violations of policies during the reporting period in the below table:

<table>
<thead>
<tr>
<th>Policy</th>
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Tax Consultation Questions - please provide explanations for your answers where applicable:

- If the presence of fee and/or carry waivers is evident to the LP from other documentation, should this be an explicit due diligence disclosure, as well?
- Is the European Union’s guidance on “non-cooperative jurisdictions for tax purposes“ an appropriate reference?
- What other tax avoidance topics should this section cover?
- Do you recommend any additional resources or other adjustments to the Context and Rationale or Proposed Disclosures sections?
- Are there additional resources or guidance on normative best practices that we can include in the database?
6. Anti-competitive Practices

**Context and Rationale:** Several areas of anti-competitive practices and negative impacts from industry consolidation have been identified in the literature review. At the top of the “capital markets value chain,” capital is concentrating with the largest fund managers, which can leave a dearth of capital available for smaller and emerging managers (we note that this is a topic particularly relevant to practices at the LP level – perhaps more than at the GP level – as such, we anticipate covering this more extensively in a future phase of this project). In terms of transactions, deal sizes have also grown significantly. Among smaller deals, roll-ups comprise a larger share of portfolio company acquisitions, which can lead to geographic market concentration. While a certain degree of industry consolidation is natural and can be beneficial, numerous studies cite negative systemic impacts from excess market concentration, including consumer welfare, monopsony dynamics in labor markets, lack of diversification in financial markets, procyclical market behavior that can result in inflated asset prices and credit crises, and reduced innovation and dynamism in the economy. Finally, various practices at the GP firm-level and portfolio company-level can contribute to anti-competitive behavior, including the use of non-competes and the existence of interlocking directorates.

**Proposed Due Diligence Disclosures:**

a. Has the GP or its controlled entities been subject to a prior regulatory anti-trust investigation?
   i. If so, under what circumstances?
   ii. Is the entity (are the entities) subject to a consent decree (subject to consent decrees)?

b. Does the GP have a stated policy and approach to add-ons or roll-ups that limits market concentration to a certain threshold for a given region?
   i. If so, please provide the policy, including definition of regions details on implementation, oversight, and enforcement.
   ii. If other parameters are used to limit market concentration, please list here.

c. Does the GP have a policy for non-competes at the firm and portfolio company levels?
   i. If so, please provide the policy, including details on its implementation, oversight, and enforcement.

d. Does the GP have a policy on its approach to avoiding anti-competitive practices from interlocking directorates at the portfolio company level?
   i. If so, please provide the policy, including details on its implementation, oversight, and enforcement.

e. If the GP does not have the above policies and procedures please explain if the GP intends on developing them, including the anticipated:
Draft for public consultation

i. Standard(s) adopted
ii. How oversight of the policy will be managed
iii. The timeline for developing the policy
f. In the GP’s most recent vintage fund with a comparable strategy, please provide the average, median, and maximum number of acquisitions that portfolio companies made.

Proposed Performance Disclosures:

a. Please provide the average, median, and maximum number of acquisitions that portfolio companies have made to date.
b. Please provide any changes to and violations of policies during the reporting period in the below table:

<table>
<thead>
<tr>
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Anti-competitive Practices Consultation Questions - please provide explanations for your answers where applicable:

- Should this topic only apply for private equity and venture capital asset classes (and not private debt)?
- Should there be a firm-level or fund-level AUM threshold under which this topic is not considered material?
- What other anti-competitive practice topics should this project cover?
- Do you have any other feedback on the resources, Context & Rationale, or Proposed Disclosures sections?
- Are there additional resources or guidance on normative best practices that we can include in the database?
7. Lobbying and Political Spend

*Context and Rationale:* Scrutiny is growing over private sector lobbying and political spend practices. Companies and investors can engage in lobbying and political spending that conflicts with their stated ESG or impact goals, and in ways that result in negative impacts or systemic and systematic risks. Emerging best practices are calling for transparency on lobbying and political spend.

*Proposed Due Diligence Disclosures:*

a. Does the GP have a stated policy and approach to responsible lobbying and political spend that does not conflict with the firm’s stated goals relating to management of impact and systemic/systematic risk, as well as public statements on mission, goals, and objectives?
   i. If yes, please provide the policy, including information on any standards adopted (e.g., CPA-Wharton Zicklin Code of Conduct), scope (e.g., inclusion of trade associations of which the GP or its controlled entities may be a member), implementation, oversight, and enforcement.
   ii. If the GP does not have a policy, procedures, or estimates, please explain if the GP intends on developing them, including the anticipated:
      1. Standard(s) adopted and scope, covering details as described above
      2. How oversight of the policy will be managed
      3. The timeline for developing the policy

b. Please include a report detailing the GP’s, its controlled entities’, and trade associations’ (of which the GP and its controlled entities may be a member) lobbying and political spend activities for the prior year.

*Proposed Performance Disclosures:*

a. Please include a report detailing the GP’s, its controlled entities’, and trade associations’ (of which the GP and its controlled entities may be a member) lobbying and political spend activities for the prior year.

b. Please provide any changes to and violations of policies during the reporting period using the below table:
<table>
<thead>
<tr>
<th>Policy</th>
<th>Description of Exception, Material Change, or Violation</th>
<th>Rationale (if applicable)</th>
<th>Potential Risks</th>
<th>Mitigating Actions Taken</th>
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**Lobbying and Political Spend Consultation Questions - please provide explanations for your answers where applicable:**

- What other aspects of lobbying and political activity should this project cover?
- Do you have any other feedback on the resources, Context & Rationale, or Proposed Disclosures sections?
- Are there additional resources or guidance on normative best practices that we can include in the database?
8. Interventions to Support Long-term Sustainability

**Context and Rationale:** In private equity and venture capital, ten-year closed-end funds may restrict sustainable investment strategies for opportunities that take longer to mature or materialize. For instance, certain new innovations may require longer investment periods, investments in a company's workforce may take a longer period to pay off, or investments in less developed markets may have a slower growth trajectory. In both asset classes, valuation methodologies can be prioritized that emphasize time-value-of-money elements, such as internal rate of return (IRR), which may have inherent tensions with long-term sustainability. In venture capital, the expected growth trajectory may push companies to grow too quickly, to the point where they cannot fulfil commitments to long-term sustainability.

**Proposed Due Diligence Disclosures:**

a. Please list and describe any interventions the GP is taking to promote long-term sustainability. Descriptions should also include any efforts undertaken to avoid unintended negative consequences of certain interventions.

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Implementing? Yes/No</th>
<th>How the Intervention Supports Long-term Sustainability</th>
<th>Potential Risks or Unintended Negative Consequences of the Intervention</th>
<th>Controls Implemented to Manage Risks and Unintended Negative Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding periods of investments are planned to be longer than industry average</td>
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<td>Promoting use of valuation methodologies that do not include time value of money (e.g., TVPI or MOIC) in addition to IRR</td>
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<td>Carry is tied to long-term outcomes</td>
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<tr>
<td>Investment structure allows for more balanced pace of growth (e.g., revenue-based financing, redeemable equity)</td>
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<td>Other...</td>
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Proposed Performance Disclosures:

a. Please complete the following table for any relevant interventions undertaken, reflecting:

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Description of the Intervention</th>
<th>Whether the Intervention was at the Fund-level or PortCo-level (and number of PortCos)</th>
<th>Positive Impacts, Including Evidence of the Causal Relationship</th>
<th>Unintended Negative Consequences, Causal Relationship, and Response Taken</th>
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<tbody>
<tr>
<td>Holding periods of investments are planned to be longer than industry average</td>
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<td>Other...</td>
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b. Please complete the below table to summarize changes or exceptions to the policy(ies), as well as known violations of the policy(ies) during the reporting period:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description of Exception, Material Change, or Violation</th>
<th>Rationale (if applicable)</th>
<th>Potential Risks</th>
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Interventions to Support Long-term Sustainability Consultation Questions - please provide explanations for your answers where applicable:

• Is this question relevant to all three sub-asset classes in focus (private equity, private debt, and venture capital)? If not, which asset classes are not applicable, or should be customized, and why/how?
• For venture capital, should there be a question about emphasis on profitability versus revenue growth, or other metrics versus revenue growth?
• Do you have any other feedback on the resources, Context & Rationale, or Proposed Disclosures sections?
• Are there additional resources or guidance on normative best practices that we can include in the database?
9. Stakeholder Engagement

**Context and Rationale:** There is mounting evidence that stakeholder engagement can be an effective tool for investors and companies to understand risks associated with potential and current investments. Stakeholder engagement is a best practice referenced by the International Finance Corporation’s (IFC) Performance Standards on Environmental and Social Sustainability, as well as the OECD Guidelines for Multinational Corporations and the United Nations Guiding Principles (UNGPs). Effective stakeholder engagement can help investors and companies stay ahead of the curve on issues that, through the concept of “dynamic materiality,” are becoming risks to enterprise value, or that could aggregate to the point of contributing to systemic or systematic risks in the economy/markets. Many of the topics covered in the IC 2.0 project have been sourced through stakeholder engagement.

**Proposed Due Diligence Disclosures:**

- a. Does the GP have:
  - i. A policy on stakeholder engagement to assess positive and negative impacts prior to undertaking an investment, communicate impacts and systemic/systematic risks publicly, and to integrate stakeholder feedback into investment decision making?
  - ii. A policy committing to public transparency on the beneficial ownership of all controlled entities, including at the GP and portfolio company levels?
  - iii. A policy against use of forced arbitration in contracts?
  - iv. A grievance mechanism available to all stakeholders, including those of portfolio companies, designed according to best practices?

- b. If yes, please provide a copy of each, including information on any standards adopted, implementation, oversight, and enforcement.

- c. If the GP does not have these policies and mechanisms, please explain if the GP intends on developing them, including the anticipated:
  - i. Standard(s) adopted
  - ii. How oversight of the policy will be managed
  - iii. The timeline for developing them
**Proposed Performance Disclosures:**

a. Please provide the grievance log for this reporting period.

b. Please complete the below table to summarize changes or exceptions to the policies, as well as known violations of the policies during the reporting period:

<table>
<thead>
<tr>
<th>Policy</th>
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**Stakeholder Engagement Consultation Questions - please provide explanations for your answers where applicable:**

- Do you have any other feedback on the resources, Context & Rationale, or Proposed Disclosures sections?
- Are there additional resources or guidance on normative best practices that we can include in the database?
10. Diversity, Equity, and Inclusion (DEI)

**Context and Rationale:** DEI is a highly covered topic by ESG and impact frameworks. Within an organization, data shows that DEI supports more informed decision making, leading to improved financial performance and impacts on people. Across markets, inclusive and equitable allocation of capital and opportunity to diverse businesses, entrepreneurs, and fund managers can contribute to a more dynamic, innovative, and productive economy.

**Proposed Due Diligence Disclosures:**

a. Does the GP have a stated policy and approach to DEI?
   i. If yes, please provide the policy, including information on any standards adopted, implementation, oversight, and enforcement.
   ii. If the GP does not have a policy or procedures, please explain if the GP intends on developing them, including the anticipated:
      1. Standard(s) adopted
      2. How oversight of the policy will be managed
      3. The timeline for developing the policy

b. Please provide your reporting on DEI for the most recent vintage fund with a comparable strategy.

**Proposed Performance Disclosures:**

a. Please report on DEI using the standards in your policy for the reporting period.

b. Please complete the below table to summarize changes or exceptions to the policy, as well as known violations of the policy during the reporting period:
<table>
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DEI Consultation Questions - please provide explanations for your answers where applicable:

- Do you have any other feedback on the resources, Context & Rationale, or Proposed Disclosures sections?
- Are there additional resources or guidance on normative best practices that we can include in the database?
11. ESG and/or Impact Management System

**Context and Rationale:** An ESG or impact management system provides evidence of how a GP implements its commitment to asset allocation and stewardship practices at the portfolio company level. Numerous resources have been developed to guide investors on effective ESG and impact practices. Please see the Resources and Research database for more information.

**Proposed Due Diligence Disclosures:**

a. Does the GP have a stated policy and approach to measuring and managing ESG and/or impact in the portfolio throughout the investment process?
   i. If yes, please provide the policy, including information on any standards adopted, implementation, and oversight.
   ii. If the GP does not have a policy, procedures, or estimates, please explain if the GP intends on developing them, including the anticipated:
      1. Standard(s) adopted
      2. How oversight of the policy will be managed
      3. The timeline for developing the policy

**Proposed Performance Disclosures:**

a. Please report on ESG and/or Impact Management at the portfolio-company level using the standards in your policy for the reporting period.

b. Please complete the below table to summarize changes or exceptions to the policy, as well as known violations of the policy during the reporting period:

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<thead>
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ESG and/or Impact Management System Consultation Questions - please provide explanations for your answers where applicable:

- Do you have any other feedback on the resources, Context & Rationale, or Proposed Disclosures sections?
- Are there additional resources or guidance on normative best practices that we can include in the database?
Overarching Consultation Questions (not specific to any particular topic)

Proposed Disclosures, Context, and Rationale:

1) What topics, if any, do you feel are missing from the Proposed Disclosures?
2) Do you think the proposed reporting requirements are manageable? If not, which topics or questions should we consider deprioritizing?
3) Are there other frameworks not referenced throughout the project materials that already cover any of the topics?
4) Should the private equity, private debt, and venture capital asset classes be broken down further (e.g., growth equity, leveraged buyout, pre-seed, seed, series C, and post-series-C)?
5) Are there resources on best practices for any of the topics that you feel are best suited for performance benchmarks?
6) Would you be interested in collaborating with the Predistribution Initiative to further develop the Research and Resources database, including filling in gaps, fine-tuning criteria for an entry’s inclusion, standardizing entries, etc?
7) Would you be interested in collaborating with the Predistribution Initiative on producing research to further explore the issues covered in this project and their relevance to real-world impacts and systematic risks?
8) Should any of the disclosures be modified to be industry specific?

Consultation Process:

1) Outreach for this consultation has focused heavily on investors, labor advocates, and civil society. Are there corporate networks that you recommend we engage?
2) Outreach on ESG and impact standards has historically been led primarily by individuals in the financial services community and from more developed regions of the world. Are there networks or individuals outside of these categories that you recommend we engage?

Uptake of Project Outputs:

1) Once the disclosures are published, what standard setting bodies could take responsibility for managing their refinement and implementation?
2) Do asset owners and allocators have the tools they need to perform well against these metrics? If not, should more emphasis be placed on their field building efforts?