

REPORTING & ASSESSMENT REVIEW

PRI FORMAL CONSULTATION - Phase II

January 2020

PRI MISSION AND PRINCIPLES

PRI'S MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

THE SIX PRINCIPLES

- 1** We will incorporate ESG issues into investment analysis and decision-making processes.
- 2** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4** We will promote acceptance and implementation of the Principles within the investment industry.
- 5** We will work together to enhance our effectiveness in implementing the Principles.
- 6** We will each report on our activities and progress towards implementing the Principles.





As part of our 10-year [Blueprint](#) for responsible investment – looking at how to take responsible investment forward over the next decade – we committed to undertake an extensive review of our Reporting Framework. This includes the reporting indicators themselves, our assessment methodology, the reporting outputs and the platforms to support this.

The aim of the review is to ensure that the PRI's reporting and assessment:

- has clear objectives of how it will contribute to driving change in the investment industry;
- is fit for purpose;
- remains relevant to evolving responsible investment practices;
- is useful for signatories and the responsible investment market.

This consultation paper covers:

- the steps taken in the **review process so far**;
- the PRI's **proposal**, based on feedback from the first phase of consultation;
- the process for this second phase of consultation, **seeking input** on the proposal being put forward;
- the consultation **survey questions**.

SUMMARY

PROPOSAL

To ensure that the Reporting Framework reflects signatory feedback and the overarching goal of driving positive change in the investment market (in line with the [PRI mission](#) and 10-year [Blueprint](#)), the PRI's proposal recommends that the new Reporting Framework:

- is more challenging to signatories;
- is simpler and more consistent;
- delivers improved and more flexible outputs.

THE 'CORE' AND 'PLUS' MODEL

The proposed approach would clarify and build on the current structure of having mandatory and voluntary indicators, by being grouped into two main components:

- a stable, process-focused 'core' section of closed-ended questions that will be mandatory to report on and will be assessed;
- an evolving, process- and outcome-focused 'plus' section of mostly open-ended questions that will be voluntary, and not part of assessment.

ASSESSMENT

Assessment will become more challenging in order to better reflect the current state of the responsible investment market, and to better showcase the range of responsible investment practices in the industry. Scores will continue to be confidential, and provided per module or asset class, with no overall score.

REPORTING AND ASSESSMENT OUTPUTS

The PRI will continue to ensure transparency of signatories' activities by publishing their reports (not including scores) on our website. In addition to this, the PRI is proposing that each signatory can extract a new, shorter and customisable summary Transparency Report, containing only the most crucial information from their reporting. We are also proposing a report which combines signatories' responses and scores so that both can be seen simultaneously.

We also propose that each signatories' reporting output be accompanied by a statement from a Chief-level staff member, to increase Chief-level awareness of, and accountability for, PRI reporting.

HOW TO PARTICIPATE

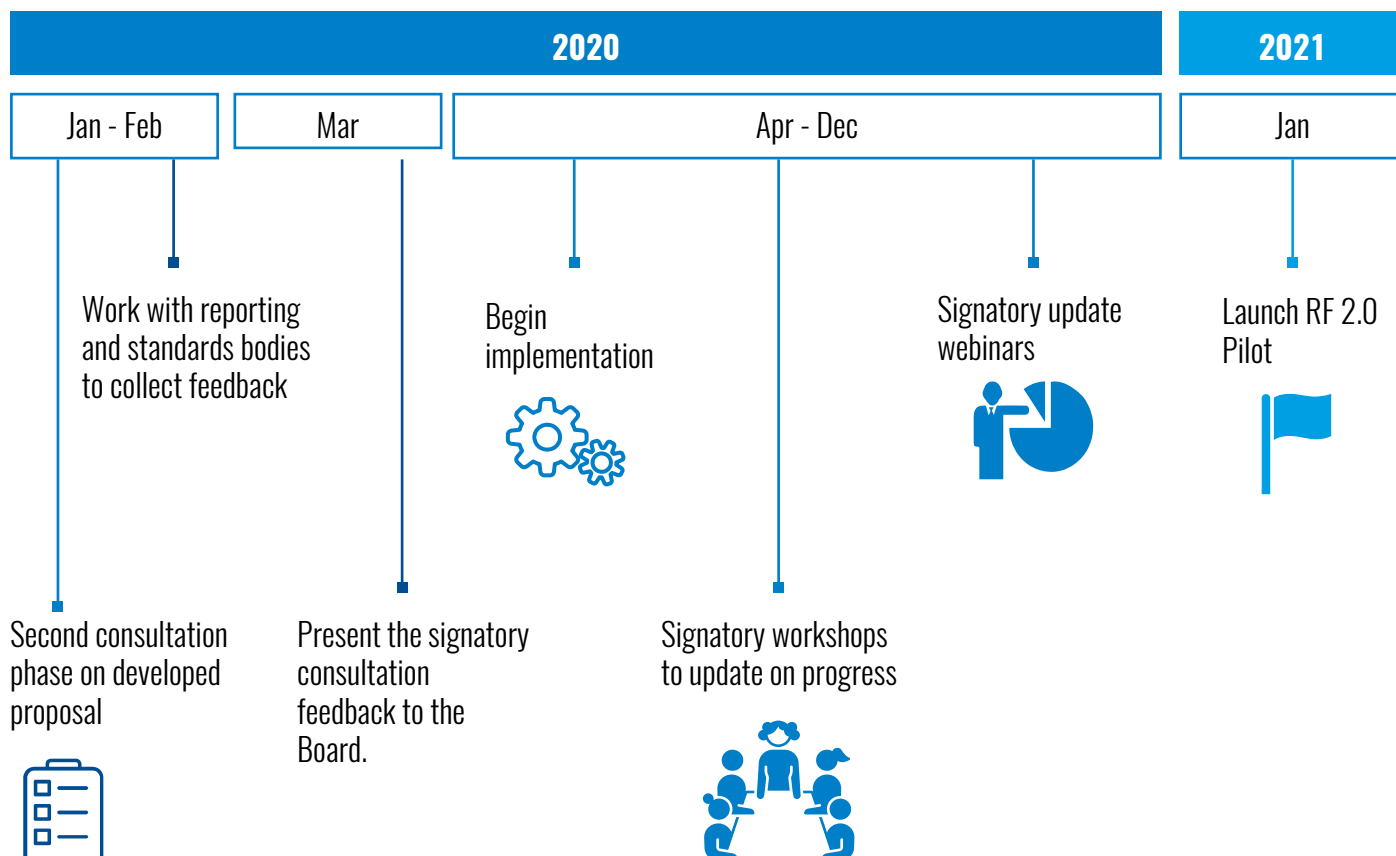
The survey is available [online](#) until Friday 28 February. It should only be completed once per signatory.

We will also organise webinars during January and February where signatories can provide further input. To register, please see:

- 29 January, 16:00 GMT – [Register](#)
- 24 February, 09:00 GMT – [Register](#)

We are asking all signatories to participate. We will also be inviting non-signatories such as other reporting bodies, standard setters and NGOs to comment on the proposal.

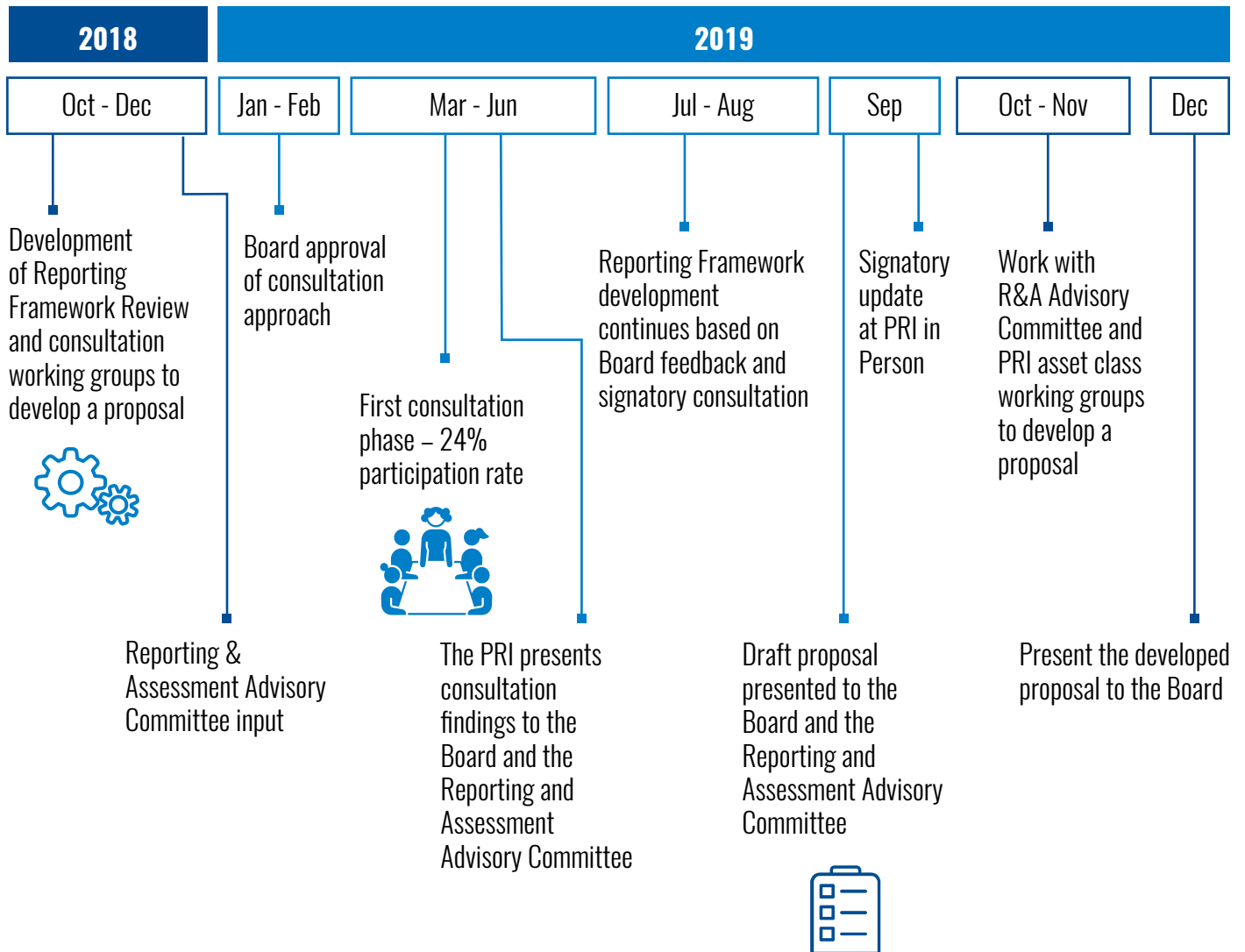
NEXT STEPS



For further questions, please email reporting@unpri.org or call the Reporting & Assessment team on +44 (0) 20 37143187.

1.

STEPS SO FAR



FIRST CONSULTATION PHASE

The Reporting Framework review began with a [first consultation phase](#) between March and July 2019. The consultation was extensive, covering a broad range of reporting and assessment themes. It consisted of an investor and service provider survey, four global webinars and workshops in 17 cities. More than 580 signatories participated – about a quarter of our signatory base.



260

Survey:

11% of all signatories



350+

Workshops:

17 cities



145

Webinars:

Asia, Americas, service
providers and
Spanish language

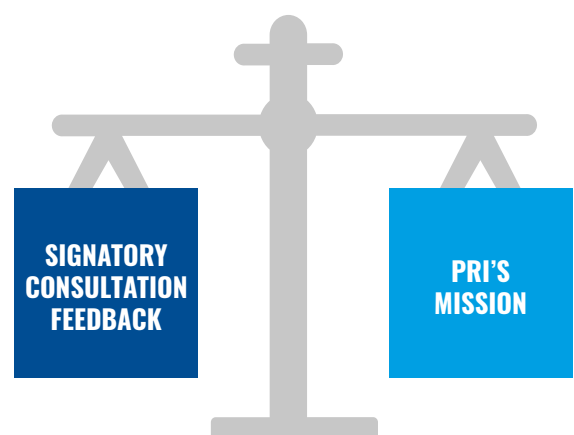
OBJECTIVES OF REPORTING AND ASSESSMENT

When evaluating potential objectives of the PRI's reporting and assessment process, the [consultation survey results](#) showed almost equal support for all objectives presented:

- Accountability and leadership
- Learning and progressing
- Driving change
- Providing data
- Empowering asset owners

Based on this, and in line with the [PRI mission](#) and 10-year [Blueprint](#), we decided that driving positive change in the investment market would be considered the ultimate underlying objective of reporting and assessment, with the other items seen as important means of achieving this.

From this, we were also able to develop a more robust understanding of the changes needed to the Reporting Framework, the assessment methodology, the reporting outputs and the platforms that support this process.



STRENGTHS AND WEAKNESS OF EXISTING PROCESS

The remaining signatory [feedback](#) can be categorised into strengths and areas for improvement of the current reporting and assessment process, summarised as:

Strengths	Areas for improvement
<ul style="list-style-type: none">• Provides accountability measure to the Principles• Useful for internal processes, e.g. learning about RI and getting buy-in from internal decision-makers• Communication tool for boards and other internal stakeholders to show RI progress• Enables benchmarking	<ul style="list-style-type: none">• Reporting Framework needs to be shorter and more intuitive• The outputs would benefit from being more user-friendly• Tool functionalities could be improved to make the system more reliable and easier to use• SDGs and outcomes-based reporting should be voluntary

ROLE OF THE PRI BOARD AND REPORTING & ASSESSMENT ADVISORY COMMITTEE

The PRI presented the consultation feedback to the Board in June 2019 and presented an initial proposal of how the feedback could be used to develop a new Reporting Framework in September 2019. The Board have been, and continue to be, deeply engaged in overseeing and guiding the Reporting Framework review. Throughout this time, the Reporting & Assessment Advisory Committee have also been invaluable in bringing a variety of regional and market perspectives.

To ensure that signatory feedback, and the overarching goal of driving positive change in the investment market (in line with the PRI mission and 10-year Blueprint) is embedded in an improved Reporting Framework, the PRI recommends that the following points serve as a guide to any new Reporting Framework development:

EVOLVED AND MORE CHALLENGING

- The Reporting Framework will consist of questions about investment practices that help drive the mission of the PRI and support the 10-year Blueprint.
- The Reporting Framework will consist of questions that are carefully developed to ensure robustness that allows for minimal misinterpretation or misrepresentation of signatories' practices.
- The Reporting Framework questions will be relevant to the quickly evolving responsible investment industry and will provide meaningful data while not adding to the time it takes to report.

SIMPLER AND MORE CONSISTENT

- The Reporting Framework will be less complex and have fewer dependencies between questions and modules.
- The approach will be consistent and there will be less repetition across the Reporting Framework.
- There will be fewer and clearer questions.

IMPROVED OUTPUTS

- The outputs will be easy to navigate and use, and their content should be customisable to the needs of the user.
- The outputs will provide useful data that can support investors in selecting, appointing and monitoring external managers.
- The outputs will clearly indicate the extent to which responsible investment has been implemented in investment processes, assets and outcomes, and the depth of that implementation.

THE 'CORE' AND 'PLUS' MODEL

With these guiding points in mind, the PRI is proposing a Reporting Framework that would clarify and build on the current structure of having mandatory and voluntary indicators. The proposal has two main components, 'core' and 'plus'.

'CORE'

- Questions will be process-focused, closed-ended and assessed
- Covers practices that the PRI deem to be relevant and applicable to most signatories
- Focuses mostly on processes in investment decision-making and stewardship, but includes a limited set of questions about processes for how signatories may be tracking real-world outcomes
- Includes questions about responsible investment practices on both firm-level and asset-class aspects that the PRI would reasonably expect most signatories to have a position on
- Mandatory to complete by all signatories
- All responses disclosed by default
- The PRI would strive to maintain the 'core' section as a stable component in the Reporting Framework, whilst allowing incremental change to reflect the rapidly moving industry

'PLUS'

- As well as more advanced questions on processes, includes questions on the real-world outcomes themselves
- Covers practices that may be pioneering or new to the responsible investment market, advanced and/or not relevant to all signatories
- Provides space for more granular explanations of practices
- Voluntary to complete
- Mostly open-ended questions
- Not assessed

- Will support the identification of signatories for the annual [PRI Leaders' Group](#)
- Responses are voluntary to disclose
- Dynamic section that may change more often than the 'core' section
- Includes groups of questions exploring particular ESG themes

The real-world outcomes aspects of the 'core' and 'plus' model are long-term ambitions and will grow incrementally. Real-world outcomes questions will be limited in the 2021 pilot year of the new Reporting Framework and will mainly be found in the 'plus' section. There will be a few initial questions in the 'core' section that relate to the processes used for tracking outcomes, and the PRI is considering how some of the TCFD-aligned climate change indicators may be incorporated here.

Over time, the outcomes questions will develop, and some will move from 'plus' to 'core' as the industry matures.

ASSESSMENT RECALIBRATING SCORES

- Assessment for investment manager and asset owner signatories will evolve to align with the changes to the Reporting Framework. It will become more challenging in order to better reflect the current state of the responsible investment market and to better showcase the range of responsible investment practices in the industry.
- The PRI will therefore recalibrate the scoring methodology. This will affect the comparability between the current signatory scores and those of the new scoring methodology.

You can see an example of the existing Assessment Reports [here](#). Read more about the current assessment methodology [here](#).

- Service provider scoring will be explored after the launch of the new Reporting Framework.

ASSESSMENT STILL PRIVATE – SCORES STILL PER MODULE/ASSET CLASS

- The PRI will continue providing signatories with confidential Assessment Reports that assess signatories on their responsible investment approach
- The PRI will continue to provide a separate score per module or asset class. There will continue to be no overall score of signatories, as the first consultation phase showed little appetite for this option and highlighted issues with introducing it.

SCORES WILL CONTINUE TO BE ABSOLUTE, BUT RELATIVE SCORING WILL BE EXPLORED

- The assessment will continue to be absolute and based on performance against an assessment methodology.
- In addition to an absolute score, the PRI will explore the possibility to provide a relative score or a percentile, allowing benchmarking against peers.

REPORTING AND ASSESSMENT OUTPUTS

The PRI will continue to provide signatories with reporting outputs, such as Transparency Reports and Assessment Reports, as these are the main tools that signatories use for learning and internal communication, as well as benchmarking.

Signatories currently receive a number of different reporting outputs when they report to the PRI. Signatories use these outputs for different purposes such as external communication, internal decision-making or to learn from other signatories. The reporting outputs include Assessment Reports, Transparency Reports and other outputs that can be found in the [Data Portal](#). More information about the reporting outputs is available [here](#).

Signatories will still have both private and public versions of their Transparency Reports, while Assessment Reports will continue to be completely confidential and shareable at the signatory's discretion.

The PRI will continue to publish signatories' Transparency Reports on our platforms, including publicly on our website. In addition to this, the PRI is recommending several improvements to the reporting outputs in order to address signatory feedback that the outputs should be more user-friendly.

SHORT SUMMARY REPORTS

The PRI is proposing that each signatory can extract a new, shorter summary Transparency Report, containing only the most crucial information from their reporting to the PRI. Parts of the report would be pre-determined by the PRI, while other portions could be selected by signatories. It could serve as a snapshot of who they are as an organisation and what they wish to highlight externally or internally about their responsible investment practices.

COMBINED REPORTS

We are also proposing a report which combines signatories' responses and scores so that both can be seen simultaneously. This would help avoid a situation where signatories or other stakeholders must view the Assessment Reports and Transparency Reports in parallel to understand the context of a score.

VISUALISATION AND CUSTOMISATION

The reporting outputs would also display information in more visual ways, using graphs wherever possible, e.g. presenting module scores as a proportion of a signatory's total AUM. We will also explore options to make outputs customisable to different user's needs.

CHIEF-LEVEL STATEMENT

During the first consultation phase, signatories expressed concern that PRI reporting had become a box-ticking exercise for some and that it sometimes lacked the credibility, accountability and endorsement needed to ensure the reporting outputs are used internally and externally as tools for decision-making and learning.

- We propose that each signatories' reporting output is accompanied by a statement from a Chief-level staff member, similar to what is found in organisations' sustainability or integrated reports.
- The statement would frame the signatory's PRI reporting by introducing the organisation and cover themes such as the responsible investment achievements of the signatory for the reported year, the organisations' general responsible investment beliefs and its responsible investment approach. We would also ask that the statement addresses a specific ESG theme each year that links to developments in what the signatory is reporting, e.g. the TCFD recommendations, or stewardship.
- This would increase awareness and accountability, at the Chief-level, of the organisation's responsible investment processes as described through PRI reporting.

IT SYSTEMS REVIEW

To support all the above proposals, and in order to address some of the feedback from the first consultation phase, the PRI is also conducting an IT system review in parallel to the Reporting Framework review. The work is technical and highly specialised, and we have enlisted the help of external consultants in order to ensure that our internal processes and IT platforms can support an improved reporting experience for signatories, and a Reporting Framework that is fit for purpose.

WHO SHOULD PARTICIPATE?

We are asking all signatories to participate in this consultation. We will also be inviting non-signatories such as other reporting bodies, standard setters and NGOs to comment on the proposal.

HOW TO PARTICIPATE

SURVEY

The survey is available [online](#). It should take no more than 30 minutes to complete and consists of 22 questions, of which half are optional descriptive fields. The survey should only be completed once per signatory. Please note that the online survey has to be completed in one session.

You have until Friday 28 February to participate.

This is a [formal consultation](#) and as part of its commitment to transparency, the PRI will publish a summary of the feedback received from signatories.

WEBINARS

The PRI will organise a series of webinars during January and February where signatories can provide further input on the consultation, in addition to completing the [survey](#).

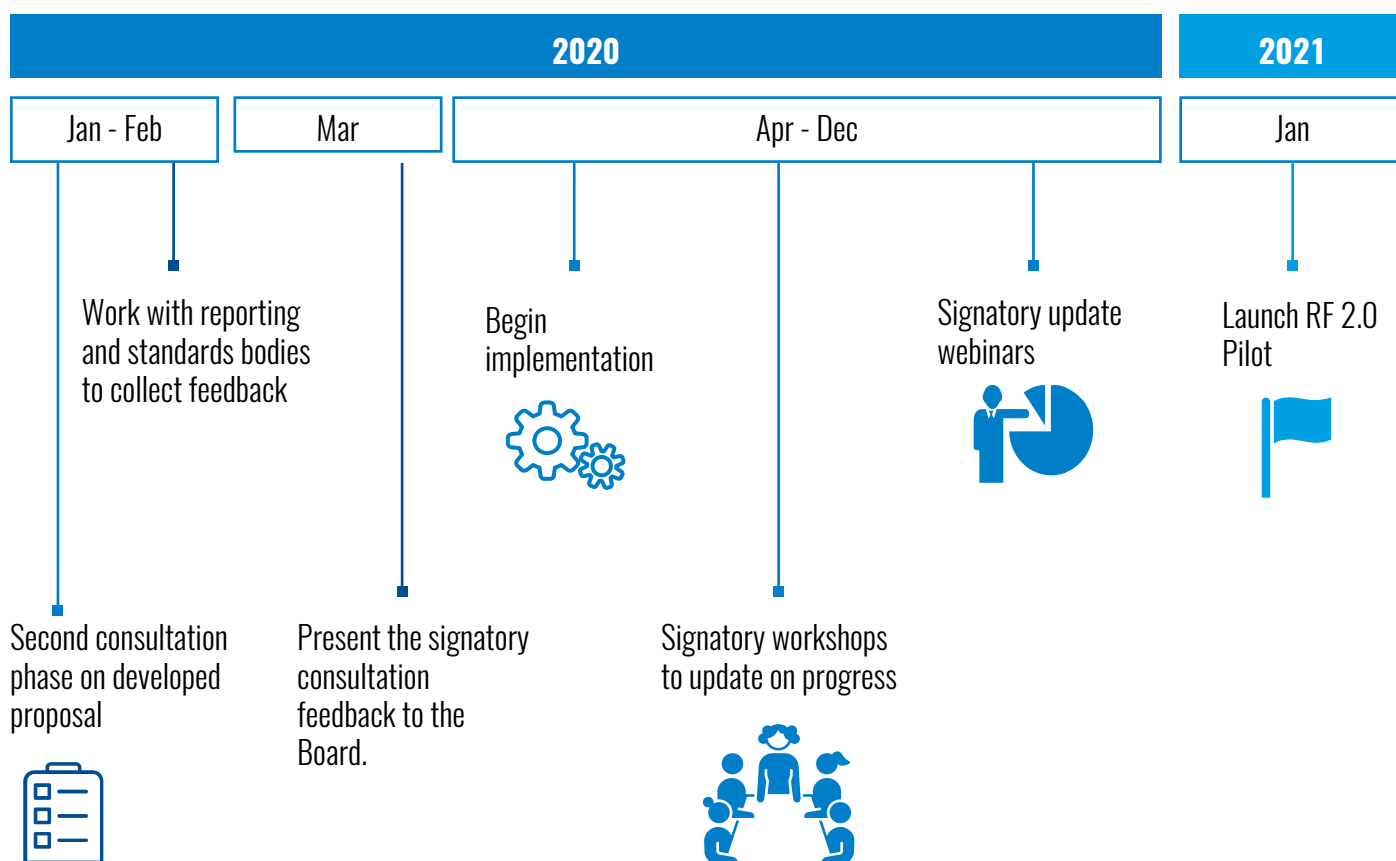
To register for the webinars, please see:

- 29 January, 16:00 GMT – [Register](#)
- 24 February, 09:00 GMT – [Register](#)

TIMELINE

Once this second consultation phase has been completed, we will collate the feedback and provide a summary to the PRI Board in March 2020, along with a recommendation of our proposed next steps.

More detailed development work will begin in April 2020. We will update signatories on our progress, through workshops and webinars. We aim to pilot the new Reporting Framework in January 2021, with the expectation that the Framework may be further modified after the first year.



For further questions, please email reporting@unpri.org or call the Reporting & Assessment team on +44 (0) 20 37143187.

4.

CONSULTATION SURVEY QUESTIONS

ABOUT YOUR ORGANISATION

Name of your organisation:

Signatory Category:

- ☐ Asset Owner ☐ Investment Manager
☐ Service Provider ☐ Non-signatory

THE 'CORE' & 'PLUS' MODEL

[single choice]

1.1 The PRI is proposing a Reporting Framework that would build on the current mandatory and voluntary indicators with the aim to clarify and simplify reporting and assessment. The proposal has two main components, 'core' and 'plus'.

Please indicate your level of support for the overall proposal of having a 'core' and 'plus' model:

- ☐ Strongly support
☐ Somewhat support
☐ Neither
☐ Somewhat oppose
☐ Strongly oppose

1.2 Additional comments [optional]

2.1 In the proposal for the 'core' and 'plus' model, the PRI outlines key characteristics for the 'core' component.

Please indicate your level of support for the 'core' characteristics:

- ☐ Strongly support
☐ Somewhat support
☐ Neither
☐ Somewhat oppose
☐ Strongly oppose

2.2 Please comment on any of the 'core' characteristics that you feel particularly strongly against or for, or where you have doubts or concerns. [optional]

3.1 In the proposal for the 'core' and 'plus' model, the PRI outlines key characteristics for the 'plus' component.

Please indicate your level of support for the 'plus' characteristics:

- ☐ Strongly support
☐ Somewhat support
☐ Neither
☐ Somewhat oppose
☐ Strongly oppose

3.2 Please comment on any of the ‘plus’ characteristics that you feel particularly strongly against or for, or where you have doubts or concerns. [optional]

ASSESSMENT

4.1 The PRI wishes to continue providing signatories with confidential Assessment Reports which assess signatories on their RI-approach. Scoring will remain at asset class or module level.

Please indicate your level of support for this proposal:

- ☐ Strongly support
- ☐ Somewhat support
- ☐ Neither
- ☐ Somewhat oppose
- ☐ Strongly oppose

4.2 Additional comments [optional]

5.1 The PRI proposes that the scoring methodology is recalibrated to ensure that it reflects a more challenging Reporting Framework and to better showcase the range of responsible investment practices in the industry.

Please indicate your level of support for this proposal:

- ☐ Strongly support
- ☐ Somewhat support
- ☐ Neither
- ☐ Somewhat oppose
- ☐ Strongly oppose

5.2 Additional comments [optional]

REPORTING OUTPUTS

6.1 The PRI is proposing that each signatory can extract a new, shorter summary transparency report, containing only the most crucial information from their reporting to the PRI. Signatories will be able to customise portions of this output.

Please indicate your level of support for this proposal:

- ☐ Strongly support
- ☐ Somewhat support
- ☐ Neither
- ☐ Somewhat oppose
- ☐ Strongly oppose

6.2 Additional comments [optional]

Only applicable for investor signatories.

7.1 The PRI is proposing that signatories receive ‘combined’ reports which contain both assessment scores and reported information. When your organisation looks at your own reporting, which of these items would you normally review:

- ☐ both our scores and our reported information
- ☐ only our scores
- ☐ only our reported information

7.2 Additional comments [optional]

8.1 The PRI is proposing that signatories receive ‘combined’ reports which contain both assessment scores and reported information. When your organisation looks at another signatory’s reporting, which of these items would you wish to review:

- ☐ both their scores (if shared) and their reported information
- ☐ only their scores (if shared)
- ☐ only their reported information

8.2 Additional comments [optional]

9.1 The PRI would like to allow signatories to customise some of their reports, to only include information that is important or useful to them or their stakeholders. For example, the inclusion of different types of contents and graphs can be tailored according to the user’s needs.

Please indicate your level of support for this proposal:

- ☐ Strongly support
- ☐ Somewhat support
- ☐ Neither
- ☐ Somewhat oppose
- ☐ Strongly oppose

9.2 Describe whether you have any suggestions on the type of customisation you would like and for what purpose. [optional]

10.1 The PRI is proposing that each signatory's transparency report is accompanied by a statement from a Chief-level staff.

Please indicate your level of support for this proposal:

- ☐ Strongly support
- ☐ Somewhat support
- ☐ Neither
- ☐ Somewhat oppose
- ☐ Strongly oppose

10.2 Additional comments [optional]

ADDITIONAL COMMENTS

11.1 Please add any final comments to your survey response that have not been addressed so far, and that can add further insight into how the PRI could develop Reporting and Assessment. [optional]

The Principles for Responsible Investment (PRI) Initiative

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



UN 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

