

SHOWCASING LEADERSHIP

After extensive stakeholder consultation on strengthening accountability and recognising diversity PRI will be using the assessment scores and the combined scoring methodology to identify a diverse pool of signatories reporting RI implementation across all their asset classes and disclosing their responses publicly. The leadership resource will be focusing on particular areas for showcasing leadership, creating an opportunity for the signatories to demonstrate their efforts on climate change, active ownership and others.

Following feedback, the PRI will not be publishing a leadership board or a ranking nor the assessment scores of the signatories.

INTRODUCTION

In 2016, the PRI conducted an extensive stakeholder consultation on strengthening accountability and recognising diversity, which assessed signatory opinion on the potential of introducing accountability measures. Results of the consultation – including more than 500 written responses – showed overwhelming support for strengthening accountability measures. To do this, the PRI proposed using data from our Reporting Framework.

This paper summarises the findings from the 2017 consultation on "*strengthening signatory accountability*" in relation to showcasing leadership activity, in line with commitments in the [PRI's Blueprint](#) for responsible investment. It also sets out our plans for our work on showcasing leadership whereby we will highlight activities by signatories that are more advanced in responsible investment practices and are actively disclosing and sharing actions by reporting beyond what is mandatory. It is not intended to be a definitive answer as to how to invest responsibly, though it should enable learning and best practice sharing.

Stakeholder feedback has been captured through an online survey, the PRI in Person break-out session on accountability, a webinar explaining the accountability measures and individual interactions that PRI staff have had with signatories. In total this represents over 300 different organisations.

The consultation was focused on identification of leading practice through information reported via the PRI's Reporting Framework. This is a companion activity to proposed annual awards in responsible investment. Signatories will be able to self-nominate for an activity or project they have done in the last 12 months that demonstrates leadership or innovation in responsible investment. The awards will be judged by an independent panel.

OVERVIEW OF CONSULTATION FINDINGS

The consultation proposed a leadership report containing case studies highlighting good practices. The eligible signatories would be identified following a two-step process, combining quantitative and qualitative methods:

1. Create signatory scores from assessment data to identify a pool of candidates; and
2. Qualitative analysis of the pooled signatories' free text responses to develop the report content.

An overall score was proposed to be calculated by:

- Governance: 25% (assessment data for the Strategy & Governance module)
- Implementation: 50% (asset class specific module assessment); and
- Transparency: 25% (based on the number of voluntary indicators disclosed).

The majority of signatories supported the proposed methods to determine an initial leadership group. About 85% of respondents agreed with the three pillars proposed (Governance, Implementation and Transparency) and the weighting of each requirement.

Responses were divided on publishing an aggregate score; while the use of a score as an initial screen was accepted, the majority (52%) were against publishing the final score as a public leader board/table.

There was also mixed feedback on the way to reward voluntary reporting on modules that represent <10% of AUM as part of the transparency pillar. The rationale was to reward signatories doing "extra" reporting and to offset a possible drop in their responsible investment "implementation" score as smaller concentrations of AUM might not be an area of implementation strength.

There was also mixed feedback on qualitative analysis approach noting that this could be subjective and lacking in transparency.

SHOWCASING LEADERSHIP APPROACH

As a result of this input, we are revising the proposed model of delivery to ensure we are capturing the most appropriate signatory actions and that this is available as a resource supporting education. The PRI will use the combined score methodology to identify a diverse pool of signatories reporting RI implementation across all their asset classes and disclosing their responses publicly. As is standard with our methodology development, the PRI will review the results and adjust the weightings if necessary to ensure that the pool is reflective of our signatory base in terms of signatory type, asset class, size, region, strategy, etc.

In line with our commitments in our Blueprint for responsible investment, we will focus on particular areas of responsible investment activity. In 2018, this will include climate related activity by signatories, enabled by [reporting indicators aligned with the FSB Taskforce's recommendations on climate-related financial disclosure](#).

Using the data tools that we have developed, the PRI will create a resource pool from signatory responses, easily accessible to all signatories. This will enable learning and best practice sharing, in turn helping advance RI across the industry. The PRI will investigate the most useful format to bring the best practice data to signatories making access and learning quick and easy whilst using the existing tools and platforms.

The PRI will be focusing on particular areas for showcasing leadership, creating an opportunity for the signatories to demonstrate their efforts on climate change, active ownership and others. Following feedback, the PRI will not be publishing a leadership board or a ranking nor the assessment scores of the signatories.

The input we have received throughout 2017 has underscored the challenges associated with any approach that the PRI will decide to take. The process aims to recognise the diversity of our signatories and ways in which they apply RI practices as a way to share information and improve implementation, to maximise impact.

The resource is intended to be indicative rather than comprehensive, and will not replace due diligence processes and/ or investment or manager selection decision making processes.

The PRI will be communicating their leadership plans in more detail in April 2018. Signatories are welcome to contact reporting@unpri.org with additional feedback in the meantime.