Evolving PRI Reporting: progress update and Q&A

May 2020
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Agenda

- The Reporting and Assessment review
- Second consultation phase
- ‘Core’ and ‘Plus’ model
- New Reporting Framework
- Next steps
- Resources
- Q&A
PRI’s Principles and mission

Designed with investors, for investors

PRI’s 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.

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 Reporting and Assessment Review
Reporting and Assessment review
First time since 2012.

Aim of the review
Ensure that reporting and assessment....

- Clear objective
- Fit for purpose
- Relevant to RI-practices
- Useful for signatories
## The review: steps so far

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct - Dec</td>
<td>Jan - Feb</td>
<td>Apr - Jun</td>
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<tr>
<td></td>
<td>Jul - Aug</td>
<td>May</td>
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<td></td>
<td>Sep</td>
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<td></td>
<td>Oct - Nov</td>
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<td>Dec</td>
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</table>

### Development of the Reporting Framework Review and consultation

- Board approval of consultation approach
- Reporting Framework development continues based on Board feedback and signatory consultation
- Work with RAAC* and PRI asset class working groups to develop proposal
- Development began

### Signatory consultation

- Signatory consultation: phase I - 24% participation rate
- Signatory update at PRI in Person
- Signatory consultation: phase II
- Signatory webinars to update on progress

* Reporting and Assessment Advisory Committee
First consultation phase

Engaging with signatories

Extensive and detailed

Broad range of reporting and assessment themes

What works and what needs improving

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Survey responses:
260
11% of all signatories

Workshops:
350+
17 cities

Webinars:
145
Asia, Americas, service providers and Spanish language
Framework must balance several perspectives

The future Reporting Framework should consider PRI’s mission, signatory feedback and feasibility.
Second consultation phase

Signatory feedback
A guide to Reporting Framework development

To ensure that signatory feedback and the overarching goal of driving positive change (in line with PRI mission and 10-year Blueprint) in the investment market is embedded in an improved Reporting Framework.

Evolved and more challenging

Simpler, shorter and more consistent

Improved and more flexible outputs

DRIVING POSITIVE CHANGE IN THE INDUSTRY
Second consultation phase
The proposal of what a new Reporting and Assessment framework could look like

- ‘Core’ and ‘Plus’ model
- Assessment
- Outputs

267
Survey: 9% of all signatories

The survey included 10 closed questions and 10 optional, open-ended responses

See here for a summary of the consultation results
Overall feedback

Signatories who responded to the consultation survey are positive about the proposed changes

- Positive about the proposed changes
- Open to a revamp
- Clearer, simpler and more consistent reporting process
- Recognise improvements to the process
- High level support for all propositions
Signatory feedback

We are mindful of the varying impacts the proposed changes could have on signatories.

Many are still **uncertain** about what the ‘core’ and ‘plus’ model looks like.

Many require more **clarity** on the inclusion of real-world outcomes in the ‘core’ and ‘plus’ model.

Some signatories expressed concern that the proposed changes may impact the **identification of leading practices**.
Signatory feedback

We are mindful of the varying impacts the proposed changes could have on signatories

A sense that the new framework might require more **time and effort** to fulfil the PRI reporting requirement

Resources

Signatories require more detail on how the **recalibration** would work in practice

Assessment

Points were raised about the varying levels of **transparency** and **accountability** that the shorter, customisable reports would allow for

Transparency
The ‘Core’ and ‘Plus’ model
‘Core’ and ‘Plus’

Indicator characteristics

The new Reporting Framework has mandatory and voluntary indicators, grouped into two components – ‘core’ and ‘plus’.

<table>
<thead>
<tr>
<th><strong>CORE</strong></th>
<th><strong>PLUS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Mandatory</td>
<td>- Voluntary</td>
</tr>
<tr>
<td>- Public</td>
<td>- Public or private (signatories’ choice)</td>
</tr>
<tr>
<td>- Relatively stable</td>
<td>- Evolving</td>
</tr>
<tr>
<td>- Process-focussed</td>
<td>- Process- and outcomes focussed</td>
</tr>
<tr>
<td>- Closed-ended questions</td>
<td>- Mostly open-ended questions</td>
</tr>
<tr>
<td>- Assessed</td>
<td>- Not assessed</td>
</tr>
</tbody>
</table>
Level of support for the core/plus model

The majority of survey responders were in favour of the proposed transition to a ‘core’ and ‘plus’ model for reporting.

Level of support for the overall proposal of having a ‘core’ and ‘plus’ model

- Overall
  - Strongly support: 46%
  - Somewhat support: 45%
  - Neither: 5%
  - Somewhat oppose: 1%
  - Strongly oppose: 3%

Level of support for the ‘core’ characteristics

- Core
  - Strongly support: 44%
  - Somewhat support: 46%
  - Neither: 4%
  - Somewhat oppose: 5%
  - Strongly oppose: 1%

Level of support for the ‘plus’ characteristics

- Plus
  - Strongly support: 35%
  - Somewhat support: 48%
  - Neither: 10%
  - Somewhat oppose: 3%
  - Strongly oppose: 4%

Base: All respondents (267) Q1. Please indicate your level of support for the overall proposal of having a ‘core’ and ‘plus’ model. Q2. Please indicate your level of support for the ‘core’ characteristics. Q3. Please indicate your level of support for the ‘plus’ characteristics.
New Reporting Framework

Structure and flow
The PRI’s 10-year strategy, developed with and for signatories, calls for a focus on tracking outcomes and measuring real-world outcomes. As outlined in the Blueprint, the Sustainable Development Goals can be used to measure how responsible investment contributes to tangible ESG improvements in the real world.
Reporting Framework structure

The ‘core’ and ‘plus’ characteristics will be integrated throughout the Reporting Framework.

**C-level statement**

**Basic organisational information**

Organisational approach to Responsible investment

- ESG incorporation
- Identifying outcomes

Manager selection, appointment and monitoring (SAM)*

- ESG incorporation

**Asset class specific modules (relevant modules only)**

- ESG incorporation
- Additional information

- Listed Equity (LE)
- Real Estate (RE)
- Infrastructure (INF)
- Fixed income (FI)
- Private Equity (PE)
- Hedge Funds (HF)

Real-world outcomes

- Outcomes targets and actions taken to reach targets

* for investors who outsource some or all of their investment activities to external managers

CORE

PLUS
Identifying leading practices

The ‘plus’ component will support the identification of signatories for the annual PRI Leaders’ Group

**CORE**
- Governance
- RI implementation
- Transparency

**PLUS**
- Additional screening criteria
- Dependent on the Leaders’ Group theme
- Advanced RI practices

More challenging
## C-level (or equivalent) statement

Two sections with 500 words limit for each.

<table>
<thead>
<tr>
<th>Who we are</th>
<th>What’s new</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Business overview and history</td>
<td>▪ What’s changed in the past year</td>
</tr>
<tr>
<td>▪ General approach to RI</td>
<td>▪ Highlighted areas of progress in RI, using examples</td>
</tr>
<tr>
<td>▪ Compare and contrast general and product/team-based approaches</td>
<td>▪ Three advances or innovative examples</td>
</tr>
<tr>
<td>▪ Governance on RI implementation and accountability</td>
<td>▪ Internal review of organisation over past year</td>
</tr>
<tr>
<td>▪ How the ESG/RI approach stands out</td>
<td></td>
</tr>
</tbody>
</table>

### Basic organisational information

### Organisational approach to Responsible investment
# Reporting Framework structure

## Organisation wide characteristics

### C-level statement

### Basic organisational information

### Organisational approach to Responsible investment

<table>
<thead>
<tr>
<th>ESG incorporation and identifying outcomes</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ RI policy</td>
<td>▪ Additional information about emerging RI practices</td>
</tr>
<tr>
<td>▪ Governance</td>
<td>▪ TCFD-based questions</td>
</tr>
<tr>
<td>▪ RI strategy</td>
<td>▪ Reporting &amp; disclosure</td>
</tr>
<tr>
<td>▪ Stewardship policy</td>
<td>▪ Further context to core responses</td>
</tr>
<tr>
<td>▪ Identify outcomes from current activities</td>
<td></td>
</tr>
</tbody>
</table>
Reporting Framework structure

Asset class level

Asset class specific modules (relevant modules only)

<table>
<thead>
<tr>
<th>ESG incorporation</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Policy implementation</td>
<td>▪ Additional information about emerging RI practices</td>
</tr>
<tr>
<td>▪ Pre-investment process</td>
<td>▪ Further context to core responses</td>
</tr>
<tr>
<td>▪ Post-investment process</td>
<td></td>
</tr>
<tr>
<td>▪ Stewardship</td>
<td></td>
</tr>
</tbody>
</table>

A note on stewardship

Stewardship is now integrated in all modules. It will no longer receive a separate assessment score.
### Reporting Framework structure

Real-world outcomes – completely voluntary for signatories to report on

<table>
<thead>
<tr>
<th>Real-world outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting targets</td>
</tr>
<tr>
<td>Priority issues selected</td>
</tr>
<tr>
<td>Targets selected</td>
</tr>
<tr>
<td>Actions individual investors take to shape outcomes</td>
</tr>
<tr>
<td>Investment allocation</td>
</tr>
<tr>
<td>Stewardship with investees</td>
</tr>
<tr>
<td>Stewardship with other stakeholders</td>
</tr>
<tr>
<td>Progress made on set targets</td>
</tr>
<tr>
<td>Financial system shapes collective outcomes</td>
</tr>
<tr>
<td>Global stakeholders collaborate to achieve outcomes</td>
</tr>
</tbody>
</table>

The PRI report, *Investing with SDG outcomes: a five-part framework*, will provide the basis for future guidance and support in the Reporting Framework. The real-world outcomes part of the Reporting Framework will grow incrementally. Questions will be limited in the 2021 pilot year.
A more challenging Reporting Framework
Recalibration approaches to make the Reporting Framework more challenging

- RI implementation in **main processes**
- **Scope of implementation** of RI practices
- Level of **sophistication** of RI practices
- Focus on **consistency**
- **Timeframe** of practices carried out
- Inclusion of **outcomes** related questions
Next steps
The review: next steps

Reporting Framework development continues

<table>
<thead>
<tr>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>Jun - Aug</td>
</tr>
<tr>
<td>Development continues</td>
<td>Guidance for signatories</td>
</tr>
<tr>
<td>Signatory webinars to update on progress</td>
<td>Signatory focus group for testing</td>
</tr>
<tr>
<td>Sep</td>
<td>Oct</td>
</tr>
<tr>
<td>Guidance for signatories</td>
<td>Guidance for signatories</td>
</tr>
<tr>
<td>Signatory webinars to update on progress</td>
<td>RF 2.0 module launch</td>
</tr>
<tr>
<td>Nov</td>
<td>Dec</td>
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<tr>
<td>Jan</td>
<td>Feb</td>
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<tr>
<td>Launch RF 2.0 Pilot</td>
<td>Signatory support material and webinars</td>
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Testing the developed PRI Reporting Framework

Creating a robust new Reporting Framework

- Relevance to the responsible investment market
- Estimated time spent on reporting in the new Reporting Framework
- Level of advancement
- Regional variations and applicability, depending on investor type,
- Clarity and comprehensiveness
- The ability to gather, report and publish the required information
Resources
Dedicated Reporting and Assessment Review page

Everything you need on one page

- Second consultation results summary
- Past consultation papers
- Application to test the developed Reporting Framework
- Further updates

www.unpri.org/2020-reporting-review
Q&A
Thank you