

PRI REPORTING FRAMEWORK

Overview and structure

July 2020
Updated October 2020

reporting@unpri.org

+44 (0) 20 3714 3187

PRI Association

Registered office: 5th floor, 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E: info@unpri.org



United Nations
Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

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.



This Reporting Framework is intended to promote the application of Principle 6 of the Principles for Responsible Investment (PRI). The PRI Initiative was launched by the United Nations in 2006 after former UN Secretary-General Kofi Annan brought together a group of the world's largest institutional investors, academics and other advisors to draft a set of sustainable investment principles. At the heart of the six Principles for Responsible Investment is the premise that investors have a duty to act in the best long-term interests of their beneficiaries and this means taking into account environmental, social and governance factors.

Copyright 2015

Contents

PREFACE	5
OVERVIEW.....	6
THE NEW REPORTING FRAMEWORK.....	7
THE 'CORE' AND 'PLUS' MODEL.....	7
TYPES OF QUESTIONS	7
STRUCTURE AND FLOW	8
C-LEVEL STATEMENT	9
ORGANISATIONAL OVERVIEW (OO).....	10
INVESTMENT & STEWARDSHIP POLICY (ISP)	11
ASSET CLASS-SPECIFIC MODULES	12
SUSTAINABILITY OUTCOMES	12

PREFACE

This guidance provides an overview of the structure and flow of the new Reporting Framework – the first in a series of guides to help signatories understand its main characteristics and to prepare for the reporting cycle.

The framework is a product of the PRI's global signatory base and we thank our signatories for their contributions during the redevelopment of the Reporting Framework.

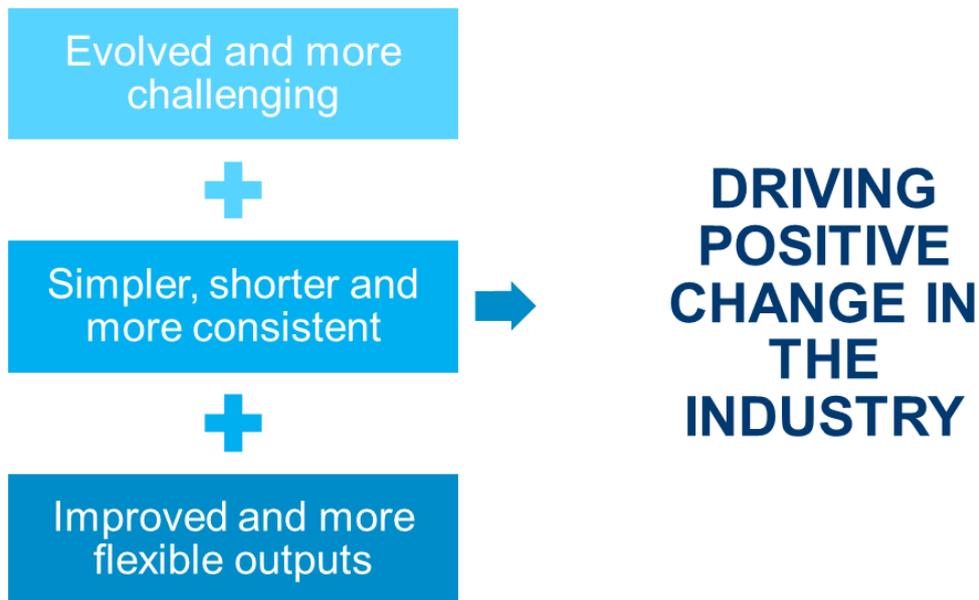
Since its launch in 2006, the PRI has grown into the largest responsible investment reporting initiative globally, where Reporting and Assessment has developed from a simple self-assessment survey to a complex tool.

As part of our [10-year Blueprint](#) for responsible investment and to ensure that our signatories' feedback and the mission of the PRI are carefully incorporated into the future of Reporting and Assessment, we started an extensive review in late 2018. More than 770 signatories participated over the [first](#) and the [second](#) consultation phases.

The members of the [Reporting and Assessment Advisory Committee](#) and the board's guidance also supported the PRI in developing the new framework in a constantly evolving industry.

OVERVIEW

To ensure that it meets the overarching goal of driving positive change in the investment market, the PRI's development of the new Reporting Framework followed three guiding points.



The Reporting Framework should be:

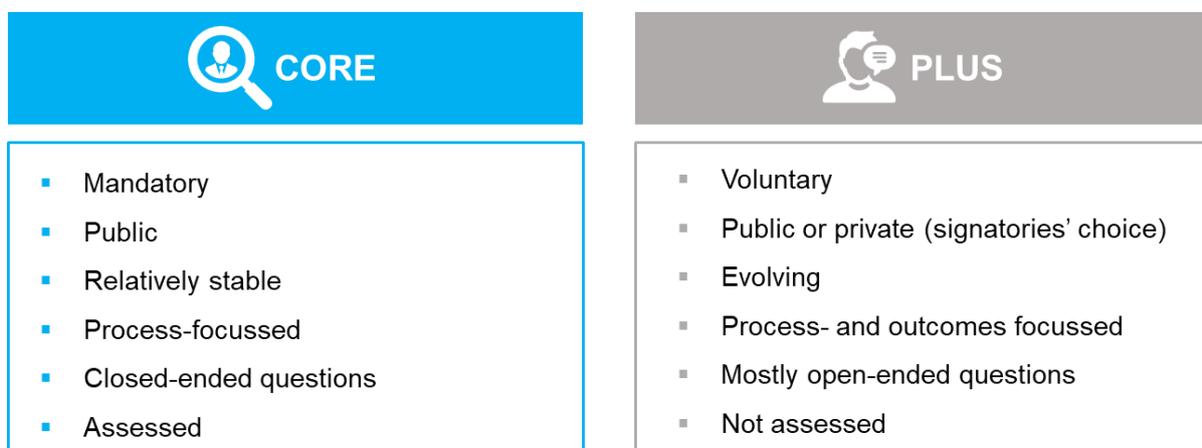
- **evolved and more challenging** to signatories, through questions about investment practices that help drive the mission of the PRI, carefully developed to ensure robustness, allow for minimal misrepresentation and be relevant to the quickly evolving responsible investment industry;
- **simpler, shorter and more consistent**, with a more straightforward structure that has less repetition and fewer and clearer questions;
- **improved and with more flexible outputs** that are easier to navigate and use, supporting investors in selecting, appointing and monitoring external managers, and that clearly indicate the extent to which responsible investment has been implemented in investment processes and decision-making, asset allocation and outcomes.

THE NEW REPORTING FRAMEWORK

THE 'CORE' AND 'PLUS' MODEL

The 'core' and 'plus' model clarifies and builds on the previous Reporting Framework of having mandatory and voluntary indicators, grouped into two main components:

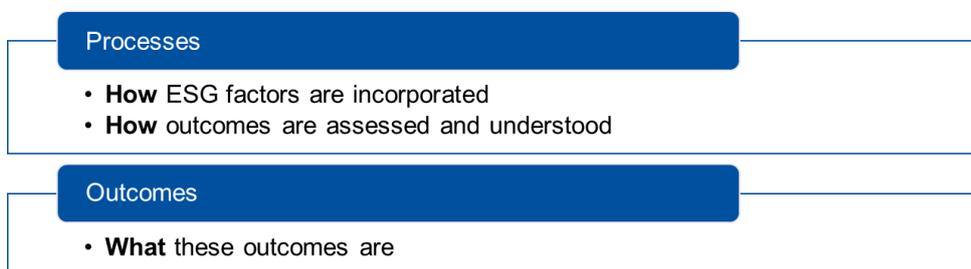
- a relatively stable, process-focused 'core' component of closed-ended questions that will be mandatory to report on and disclose, and will be assessed; and
- an evolving, process- and outcome-focused 'plus' component of mostly open-ended questions that will be voluntary to report on and disclose and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



The introduction of the 'core' and 'plus' model aims to categorise the different indicators as either 'core' or 'plus', to ensure simplicity and consistency in the overall framework.

TYPES OF QUESTIONS

The new Reporting Framework has two types of questions, focused on processes and sustainability outcomes.



The process-focused questions will capture:

- **how** ESG factors are incorporated into an organisations’ overall approach to responsible investment and their asset allocation decisions; and
- **how** signatories assess and understand sustainability outcomes, and how signatories may be measuring these outcomes.

The framework will also start to capture:

- **what** the sustainability outcomes of investments are.

These outcome-focused questions will appear in ‘plus’ components of the framework and will therefore be completely voluntary to report on, and not assessed.

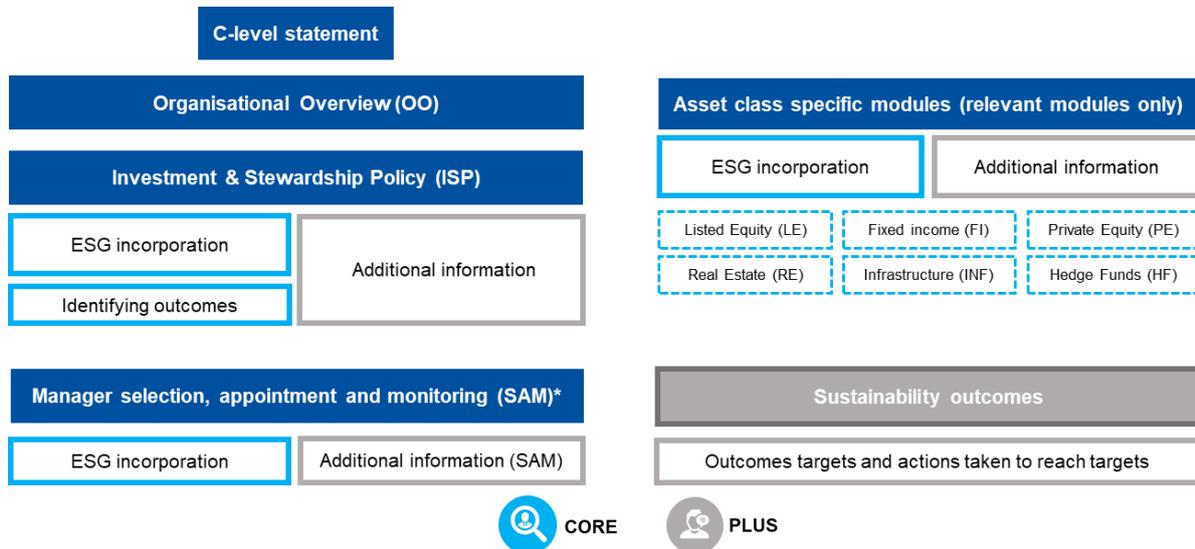
The use of sustainability outcomes questions in the new Reporting Framework will grow incrementally. They will be limited in the 2021 pilot year and will mainly feature in ‘plus’ components, but will be further developed in ‘core’ components in later reporting cycles.

This increased recognition of tracking and measuring sustainability outcomes is mandated through the PRI’s [10-year Blueprint](#), developed with and for signatories.

STRUCTURE AND FLOW

INTEGRATING ‘CORE’ AND ‘PLUS’

The ‘core’ and ‘plus’ indicators will be integrated throughout the new Reporting Framework structure, as shown in the below image, where light blue represents ‘core’ components and grey represents ‘plus’ components.



ESG incorporation

The process-focused, closed-ended 'core' indicators are questions about responsible investment practices that the PRI would reasonably expect most signatories to have a position on, including how signatories incorporate ESG factors in their investment decision-making processes, their stewardship processes and ESG incorporation in each applicable asset class.

Identifying sustainability outcomes

The 'core' questions will also cover the policies and processes signatories have in place to start assessing and understanding the potential intended or unintended sustainability outcomes of their investment decision making and stewardship.

Additional information

The mostly open-ended, descriptive 'plus' indicators include groups of questions exploring ESG themes. They also cover ESG incorporation and provide space for signatories to add more context to responses in the 'core' indicators. In addition, these will allow the PRI to capture information about emerging responsible investment activities that require more research, or practices that may not apply to all signatories.

Targets for sustainability outcomes

The sustainability outcomes section covers outcomes targets that signatories may have set on ESG issues; how they are using levers of influence – like stewardship and asset allocation – to reach those targets and progress made on them.

C-LEVEL STATEMENT

The purpose of accompanying signatories' reporting outputs with a C-level statement – provided by a Chief-level staff member – is to raise awareness of signatory reporting, and to help ensure that outputs are used internally as tools for decision making and learning, and externally for stakeholders to learn more about an organisation's general responsible investment beliefs.

C-level statement	
Who we are	What's new
<ul style="list-style-type: none">▪ Business overview and history▪ General approach to RI▪ Compare and contrast general and product/team-based approaches▪ Governance on RI implementation and accountability▪ How the ESG/RI approach stands out	<ul style="list-style-type: none">▪ What's changed in the past year▪ Highlighted areas of progress in RI, using examples▪ Three advances or innovative examples▪ Internal review of organisation over past year

The statement will be split into two sections:

- The first section aims to provide more context on **who** the signatory organisation is. It will frame the signatory’s reporting by introducing the organisation and will cover its general responsible investment beliefs, its responsible investment approach, and governance on responsible investment implementation and accountability.
- The second section will cover **what** has changed over the past year, **what** is new, and highlight the responsible investment achievements for the reporting year. We would also ask that the statement addresses a specific ESG theme each year that links to developments in what the signatory is reporting, such as the TCFD recommendations, or stewardship.

The C-level statement will be based on some of the information given in responses to other modules in the Reporting Framework. The PRI will provide detailed guidance on what should be included.

ORGANISATIONAL OVERVIEW (OO)

The Organisational Overview module will consist of questions related to the reporting organisation’s HQ, number of staff and asset breakdown, which will allow stakeholders to understand it better and help the Assessment team to define peering groups.

Organisational Overview (OO)

The responses given in this module will impact which other modules or indicators a reporting signatory must answer in the Reporting Framework.

INVESTMENT & STEWADSHIP POLICY (ISP)

The Investment & Stewardship Policy module is similar to the previous Strategy & Governance module and will include indicators related to the organisation’s overall approach to ESG incorporation and processes related to sustainability outcomes.

Investment & Stewardship Policy (ISP)	
ESG incorporation and identifying outcomes	Additional information
<ul style="list-style-type: none"> ■ RI policy ■ Governance ■ RI strategy ■ Stewardship policy ■ Identify outcomes from current activities 	<ul style="list-style-type: none"> ■ People and capabilities ■ TCFD-based questions ■ Reporting & disclosure ■ Additional information about emerging RI practices ■ Further context to core responses


CORE


PLUS

This covers broad firm-level themes, such as:

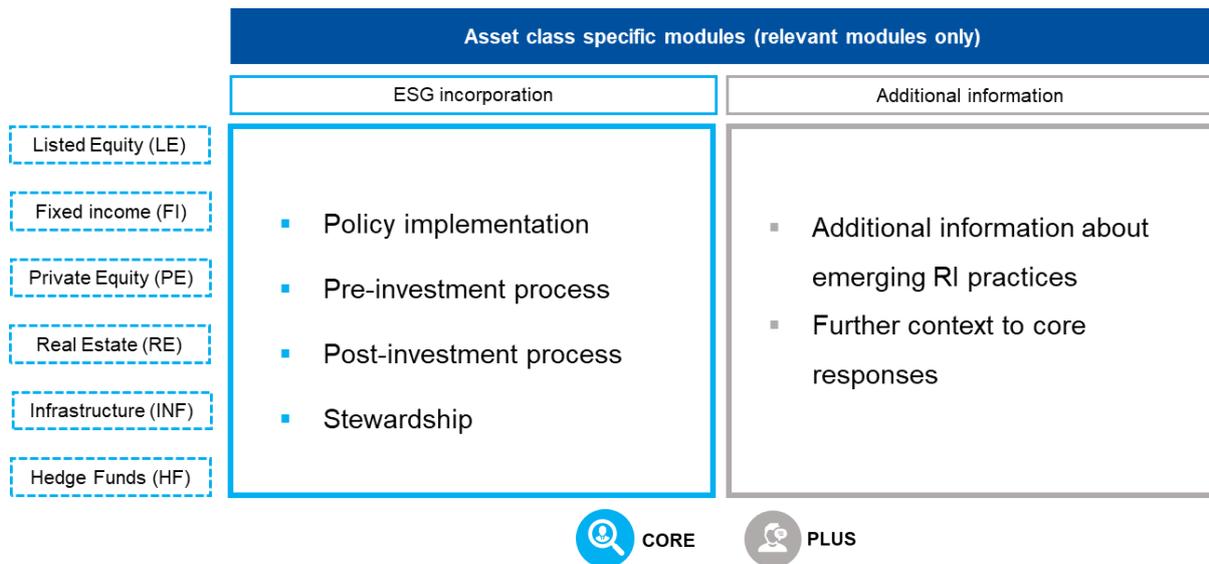
- Responsible investment policy
- Governance
- Responsible investment strategy
- Stewardship policy
- People and capabilities
- Reporting and disclosure
- TCFD-based questions

In this section, questions on stewardship aim to capture how the organisation approaches stewardship in general and what motivates its actions (based on an overall policy and not specific to individual funds or asset classes).

The limited number of ‘core’ outcomes questions cover processes used for identifying and understanding the intended or unintended outcomes from current investment activities.

There will also be ‘plus’ indicators where signatories can include further context to core responses or provide additional information on emerging responsible investment practices, related to ESG incorporation.

ASSET CLASS-SPECIFIC MODULES



On an asset-class level, signatories will respond to applicable modules (based on the AUM breakdown provided earlier in the framework), of which there are six: Listed Equity (LE), Fixed income (FI), Private Equity (PE), Real Estate (RE) (formerly Property), Infrastructure (INF), and Hedge Funds (HF).

Each asset class module will have a set structure, following four elements of ESG incorporation:

- Policy implementation
- Pre-investment process

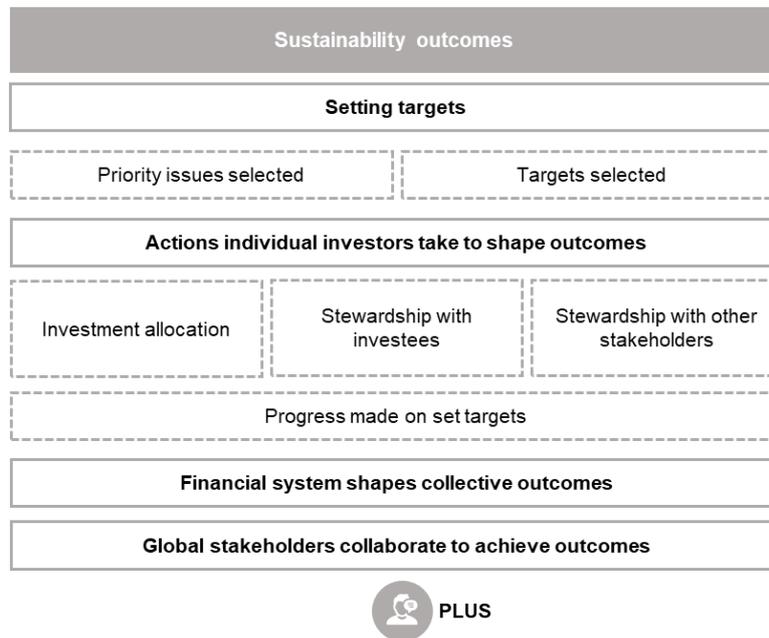
- Post-investment process
- Stewardship

Stewardship questions will look at ESG incorporation (where applicable), recognising that it is undertaken to improve portfolio performance.

There will be 'plus' indicators where signatories can include further context to 'core' responses or provide additional information on their responsible investment practices in each asset class.

SUSTAINABILITY OUTCOMES

The sustainability outcomes module is voluntary for signatories to report on.



Signatories that choose to report on sustainability outcomes will be asked to complete three sections, focusing on:

1. **Targets** set for priority issues (SDGs, Paris Agreement, human rights etc.), including for increasing positive outcomes, and for decreasing negative outcomes.
2. **Actions** taken to achieve those targets, through:
 - investment/asset allocation;
 - stewardship with investees;
 - stewardship undertaken with other stakeholders (e.g. policymakers, businesses, governments, NGOs, media, academia);
 - any collaborative activities (e.g. collaborative engagements).
3. **Progress** made towards achieving targeted outcomes.

Within this module, there will be indicators on advanced stewardship practices. These will look at how investors are using stewardship tools and how they are using their influence to drive progress on the outcomes they are trying to achieve.

The PRI report, [*Investing with SDG outcomes: a five-part framework*](#), provides the basis for future guidance and support on the Reporting Framework.