

# REPORTING FRAMEWORK REVIEW

SUMMARY OF THE 2020 CONSULTATION RESULTS

May 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; and
- is useful for signatories and the responsible investment market.

A unique opportunity to shape the Reporting Framework over the next five to 10 years; the review covers the framework itself, as well its various outputs and tools, within the broader context of the responsible investment and ESG reporting landscape, and the requirement to drive more meaningful data throughout markets.

The Reporting Framework review began with a [first consultation phase](#) in 2019. The PRI launched a [second consultation phase](#) on 6 January 2020. The second consultation paper identifies the main objective of the Reporting and Assessment Framework, presents three guiding points of how to develop the framework in order to support the main objective, and details the PRI's proposal. This paper summarises the findings from the second consultation phase, including support for:

- the proposed transition to a 'core' and 'plus' model for reporting;
- continued confidential assessment reports, with scoring to become more challenging while balancing the needs of smaller and larger signatories;
- shorter, customisable summary Transparency Reports and reports which combine signatories' responses and scores;
- more visual content; and
- reporting output being accompanied by C-level statements to increase awareness of, and accountability for, PRI reporting.

***We analyse all consultation feedback to gauge the general direction, sense-check our approach, identify any red flags, exceptions or outliers. Consultations are used to inform our decision-making and we embed and balance it with the overall PRI mission, when making further decisions on how to develop the Reporting and Assessment Framework.***



## PROPOSAL

During the [second consultation phase](#), signatories had the opportunity to indicate their level of support for the proposal of what a new Reporting and Assessment Framework could look like. The proposal was heavily based on signatory feedback from the first consultation phase, with oversight from the PRI Board and support from the Reporting and Assessment Advisory Committee.

It covered three broad areas:

- The key elements of a new core and plus Reporting Framework;
- Retaining confidential signatory assessment with new, recalibrated scoring; and
- Outputs – customisation, visualisation, summary reports and accompanying senior executive (C-level) statements.

## METHODOLOGY

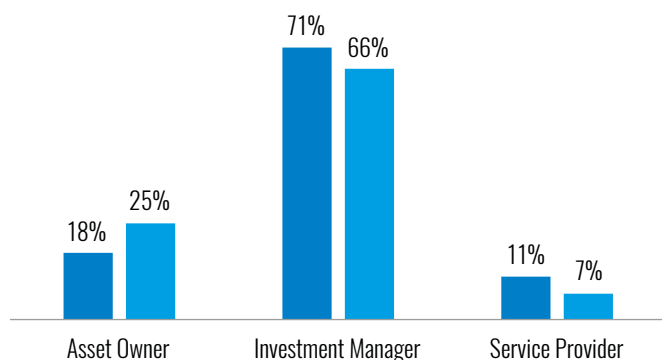
Signatories responded to the consultation through an online survey which ran for eight weeks between 6 January and 28 February; invitations were sent out to all PRI signatories, and it was promoted using social media and dedicated email campaigns. The survey included 10 closed questions and 10 optional, open-ended responses. In addition to the survey, we held two interactive webinars to inform signatories of the proposal, answer questions and sense-check general views on the proposal. We captured feedback via polls and responded to questions via a Q&A session.

## PARTICIPATION

In total, 267 signatories responded to the consultation survey over a 10-week period, representing 9% of our signatory base. The webinars (live and recorded) had a further 323 attendees.

The breakdown of signatory categories that participated in the consultation survey reflected the composition of our overall signatory base. We are pleased to have seen such a high degree of engagement from asset owner signatories.

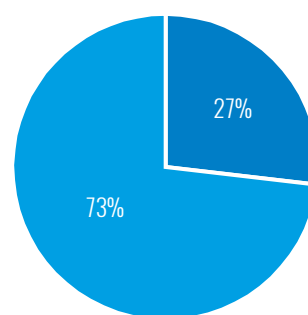
### Signatory category representation



■ Total signatory base  
■ Total consultation participation

Participating signatories represented about 27% of the total assets under management (AUM) of all PRI signatories.

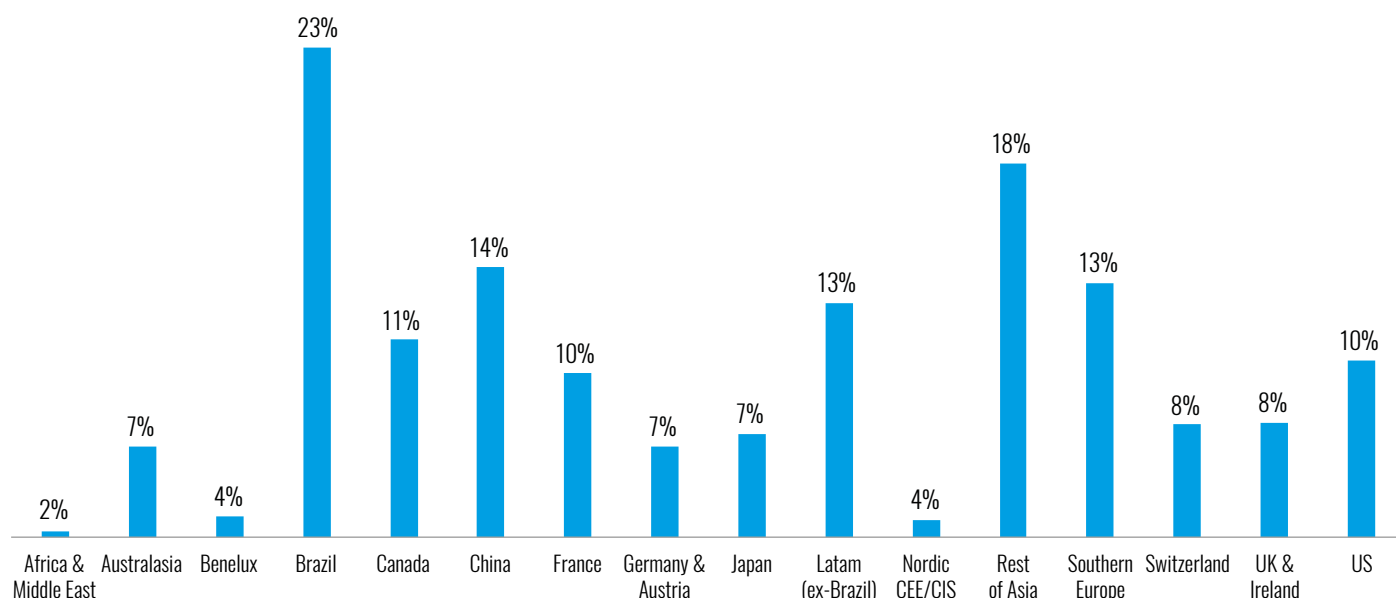
### AUM representation



■ Consultation participants  
■ Non-participants

In absolute terms, the US saw the largest number of respondents, followed by the UK and Ireland, and France, in line with the geographic distribution of the PRI signatory base. Participation as a percentage of the total signatory base varied significantly between regions as shown in the graph below.

### Signatory participation as a percentage of the total signatory base in each region



For a full description of the PRI proposal and consultation survey questions, please see the [consultation paper](#). The findings below are based upon aggregated feedback captured in the consultation survey.

## THE 'CORE' AND 'PLUS' MODEL

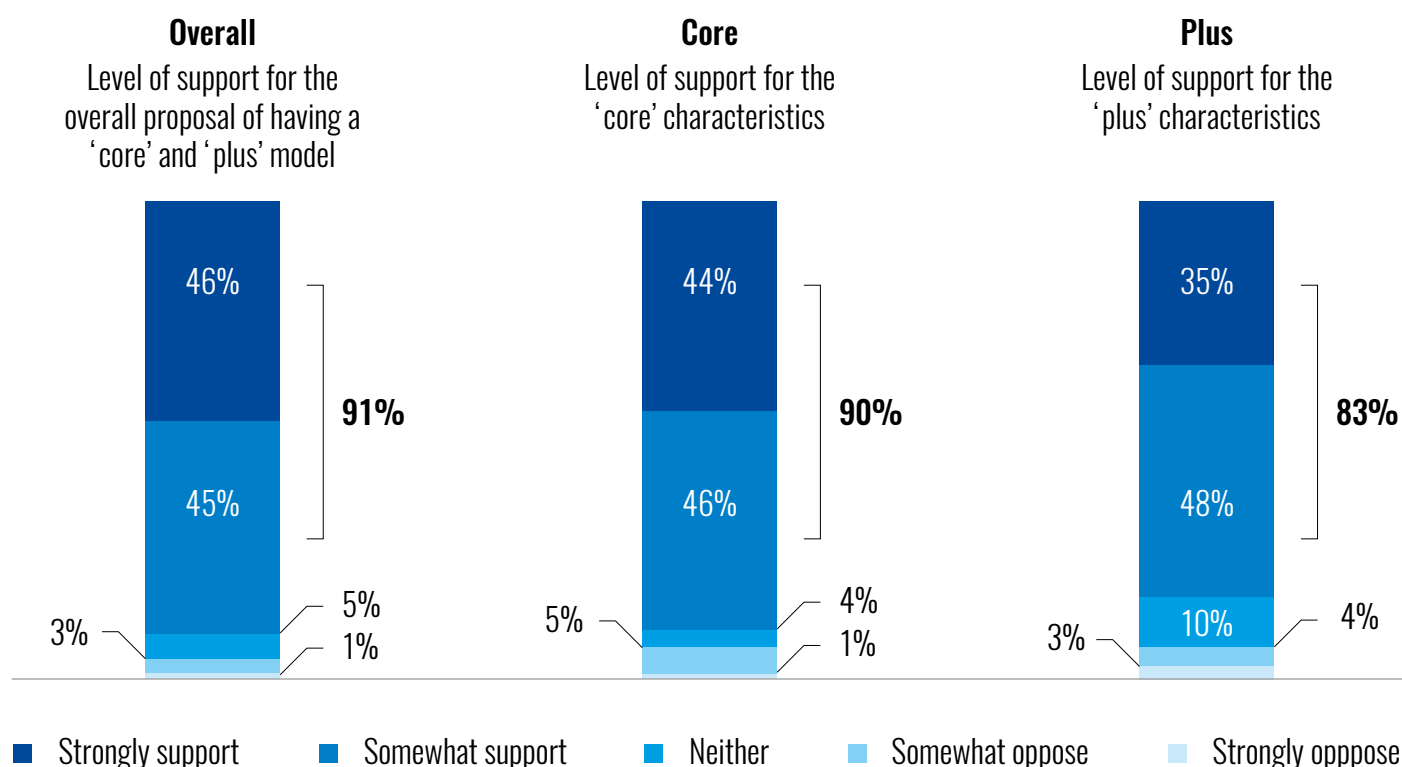
The proposed 'core' and 'plus' approach clarifies and builds on the current Reporting Framework of having mandatory and voluntary indicators, by being grouped into two main components:

- 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.

## KEY OBSERVATIONS

The majority of survey responders were in favour of the proposed transition to a 'core' and 'plus' model for reporting, with most participants supporting the characteristics of both components. Signatories agreed that the proposed 'core' and 'plus' model will make the reporting process **clearer, simpler** and **more consistent**.

- The 'core' component would help achieve the guiding principle of consistency and simplicity.
- The 'plus' component provides enough space to elaborate extensively on responsible investment practices for leaders in the field.



## Consistency, clarity and simplicity

- Signatories agreed that the proposed 'core' and 'plus' model will provide a **more consistent** output for evaluation purposes.
- Many signatories noted that the proposed 'core' and 'plus' model could provide them with a **clear** and **simplified** output and seems more accessible to new signatories.
- The proposed model would **reduce** the amount of **time** spent on reporting, which many signatories agreed would be beneficial.

## Identifying leading practices

A characteristic of the proposed 'plus' component is that it will support the identification of signatories for the annual **PRI Leaders' Group**. Some signatories, however, expressed concerns that not assessing the 'plus' component of the proposal would impact that identification.

As with the current Reporting Framework, we will be looking at the assessment of the 'core' (assessed and mandatory) questions for identification of signatories for the Leaders' Group. Currently, we consider governance, responsible investment implementation and transparency to identify leading signatories.

The new Reporting Framework will continue to capture this, but the questions and assessment in the 'core' component will be more challenging overall, which will support us to identify more advanced practices. We will then use selected indicators in the 'plus' component (depending on the Leaders' Group theme) as additional screening criteria.

The PRI hopes to capture untested or more advanced practices through the 'plus' component. However, completing indicators under the 'plus' component does not by default mean that a signatory is leading; it will also be used to capture additional, contextual information on more established RI practices that are not necessarily leading.

## Real-world outcomes

In the first consultation, we asked for signatories' input on introducing outcomes-based reporting, including reporting on the UN Sustainable Development Goals, in the new Reporting Framework. This is part of a wider objective, set out in the [PRI's Blueprint](#) for responsible investment, to help signatories improve their impact on the real world by encouraging investments aligned with the SDGs.

In the first consultation survey, two-thirds of respondents supported showcasing real-world outcomes through PRI reporting, with limited support for mandatory SDG reporting, and more support for the gradual introduction of open, voluntary SDG/outcomes-related questions. Many also showed interest in understanding general market trends.

In the second consultation, we proposed that the 'core' component include a limited set of questions about the processes signatories may use to track real-world outcomes, and in the 'plus' component, include questions on real-world outcomes themselves.

The key points from signatories are set out below:

- Signatories who responded had a range of comments on the inclusion of real-world outcomes in the 'core' component and/or in the 'plus' component of the proposed model.
- Many signatories required more clarity on the 'core' component relating to process-focused questions on how signatories may be tracking real-world outcomes.
- Those respondents who were supportive of including questions on real-world outcomes in the 'plus' component agree that this can play an important role in showcasing outcomes on the real-world alignment with the SDGs.
- There was a strong preference for the PRI to provide definitions of key concepts and develop robust guidance on how achievement of real-world outcomes would be measured and tracked.

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 policies on shaping outcomes in line with the SDGs and processes used for assessing and understanding outcomes.

The PRI report on "Investing with SDG outcomes: a five-part framework" was open for consultation with signatories from March 9th to April 24th 2020 and is the starting point for a deeper and ongoing body of work on the subject, which will act as the basis for future guidance and support in the Reporting Framework as well.



## ASSESSMENT

Assessment will become more challenging and more consistent between modules 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 be provided per module or asset class, with no overall score.

### KEY OBSERVATIONS

Most participants were **in favour** of the PRI continuing to provide signatories with confidential assessment reports, where scoring remains at asset class or module level. While efforts to make the scoring methodology more challenging are generally welcomed, it is noted that the PRI should try to **maintain a level playing field** amongst smaller and larger organisations in the process. A **balance** should be found between smaller signatories not being negatively affected due to limited resources, and larger signatories not being penalised due to the challenge of providing granularity on the detail.

### Recalibration of scores

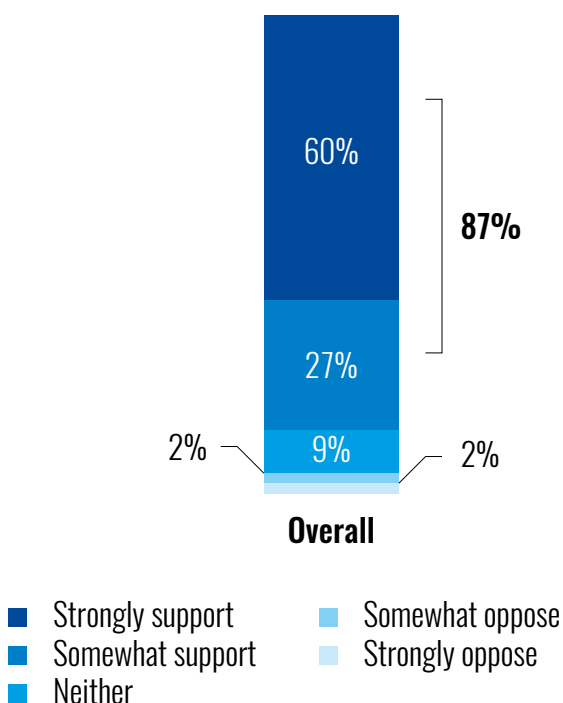
There was also overall support (89%) for recalibrating the scoring methodology to ensure it reflects a more challenging Reporting Framework. It is, however, clear from the feedback that signatories require more detail on how the recalibration would work in practice, and how the PRI can provide signatories with some comparability between current scores and those of the new scoring methodology.

## REPORTING OUTPUTS

The PRI will continue to ensure transparency of signatories' activities by publishing their reports (excluding 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, and that each signatories' reporting output be accompanied by a statement from a C-level staff member, to increase overall organisational awareness of, and accountability for, PRI reporting.

## SHORT SUMMARY REPORTS

Support for shorter, customisable summary Transparency Reports was strong among signatory respondents (combined support of 87%), with some observations relating to transparency and consistency in communication.



## Transparency

Signatories raised two points about the varying levels of transparency and accountability that the shorter, customisable reports would allow for, namely that:

- there should be a minimum standard of transparency in publishing the report, that would be applicable to all signatories; and
- customisation should only be possible to add rather than remove information from the reporting, to ensure complete transparency.

## Consistency in communication

While signatories welcomed the ability to create customisable reports for a more user-friendly summary, some suggested that this could result in too much variation in the outputs produced by signatories. Many signatories also noted that the tailored options could ultimately result in reports being used solely as a communication tool for marketing purposes.

## COMBINED REPORTS

Most signatories already review their reported information and their scores together when analysing their reporting, and that of other signatories. Therefore, many agreed that a report which combines signatories' responses and scores to be viewed simultaneously would be useful.

It was noted that combined reports would:

- help signatories improve their disclosure;
- be helpful for internal reviews;
- streamline the understanding of the reported information and the scores; and
- contextualise any quantitative reporting.

## VISUALISATION AND CUSTOMISATION

Most signatories were in favour of the proposed option to customise some of their reports, and include more visual content in them, for their stakeholders or for their own use.

### Visualisation

This aspect of the proposition appealed greatly to many signatories, who noted that visual representation of the data would be useful in their analysis and improve the general public's understanding of the PRI reports.

### Customisation

Signatories would also like to see more opportunities to review results by peer group. It would also be useful to select specific themes to facilitate a comparison and benchmark on relevant topics.

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. **In addition to this**, the PRI has proposed short summary reports, combined reports, and visualisation and customisation, for the reports to be more user-friendly.

## C-LEVEL STATEMENT

Nearly two-thirds of survey respondents supported the proposal of the reporting output being accompanied by a statement from a C-level staff member to increase awareness of, and accountability for, PRI reporting.

Some additional thoughts from signatories are set out below:

- Detailed guidance on what should be included in the C-level statement should be provided by the PRI.
- The addition of a C-level statement should add value to the reporting output, as well as improve credibility, accountability and endorsement.
- The time spent on this inclusion should not significantly increase the time spent on the PRI reporting process.

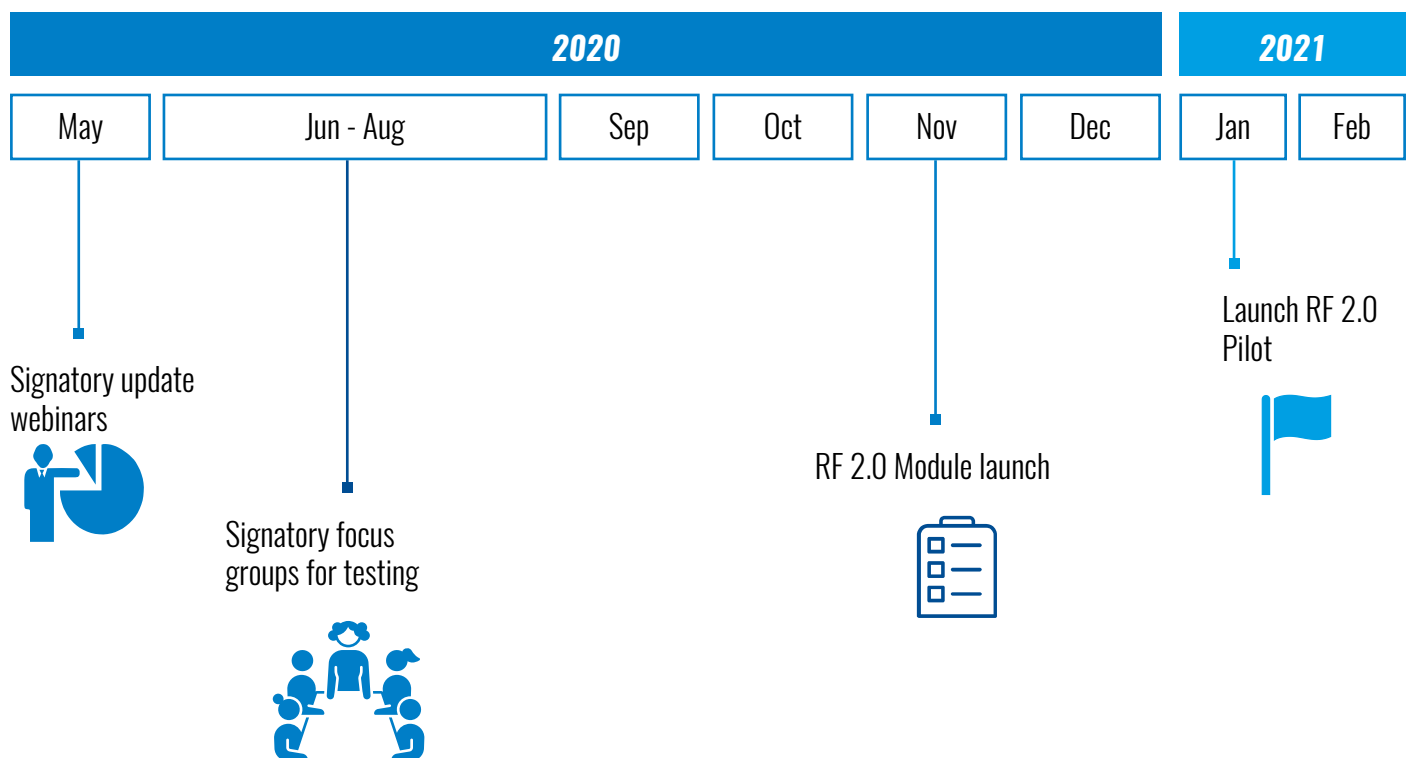
The purpose of accompanying signatories' reporting output with a C-level statement is to raise awareness of signatory reporting, and to help ensure that outputs are used internally as tools for decision-making and learning, and externally, for stakeholders to learn more about an organisation's general responsible investment beliefs. The statement would frame the signatory's PRI reporting by introducing the organisation and cover themes, such as their responsible investment achievements for the reported year, and its responsible investment approach. We would also ask that the statement address a specific ESG theme each year that links to developments in what the signatory is reporting, e.g. the TCFD recommendations, or stewardship.

# 3.

## NEXT STEPS

The signatories who responded to the consultation survey are positive about the proposed changes to the Reporting and Assessment Framework and show high levels of support for the proposal overall. They recognise that many of these changes would allow for improvements to the framework. However, we are mindful of the varying impacts the proposed changes could have on signatories.

We will continue engaging with signatories to provide reassurance and ease concerns around the implementation of the new framework, by providing updates on the developments throughout the year. The aim is to pilot the new Reporting Framework in the reporting cycle starting in January 2021.





## SIGNATORY UPDATE WEBINARS

As part of our continued engagement with signatories to create a robust new Reporting Framework, we invite you to join one of our webinars with the PRI's CEO, Fiona Reynolds, to hear more about how PRI Reporting is evolving. Fiona will be addressing important points raised in the second consultation, test the developments made in the framework through polling questions, and engage with signatories via a Q&A session.

Signatories can register for the following webinars:

[Wednesday, 27 May at 2:00pm BST](#)

[Thursday, 28 May at 8:00am BST](#)

[Thursday, 28 May at 5:00pm BST](#)

[Friday, 29 May at 10:00am BST](#)

We will also be presenting the same content in other languages, hosted by the relevant regional heads within the Signatory Relations team:

**Spanish:** [Friday, 29 May at 3:00pm BST](#)

**French:** [Tuesday, 2 June at 2:30pm BST](#)

**Italian:** [Thursday, 4 June at 10am BST](#)

## APPLICATION TO TEST THE DEVELOPED PRI REPORTING FRAMEWORK

We also invite signatories to express their interest in participating in testing the developments made to the Reporting Framework and provide the PRI with feedback on the content. For more information or if you would like to be involved, please see:

[Application to test the developed PRI Reporting Framework](#)

We welcome questions about, or comments on, the Reporting Framework review. Please contact [reporting@unpri.org](mailto:reporting@unpri.org)

## 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](http://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](http://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](http://www.unglobalcompact.org)

