

PRI Reporting Framework – Pilot Assessment Methodology Update

This document provides an overview of the proposed assessment methodology for the new PRI Reporting Framework. It outlines how indicators will be scored and how those scores will be aggregated to produce an overall module score and performance band for each signatory.

Please note: The assessment methodology and individual signatory assessment reports will be piloted with signatories over the next two reporting cycles (2013/14 and 2014/15) before being finalised in 2015/16. There will be multiple opportunities for signatories to provide feedback on the methodology and reports before they are finalised. Results of the assessment will continue to remain confidential between the PRI and each signatory. Only the development of the assessment methodology continues as a pilot. The indicators and disclosure requirements of the new framework have now been finalised and will remain stable over the coming years.

More information about the process followed by the PRI to develop the methodology is available in this [FAQ](#).

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Assessment Aims

The assessment methodology and assessment report together aim to achieve three objectives set by the PRI Advisory Council, the [Assessment Technical Committee](#) (ATC) and signatories that participated in earlier consultations on the new framework.

1. Facilitate learning and development, outlining how the implementation of responsible investment within signatories compares year-on-year, across asset classes, and with peers at the local and global level;
2. Identify areas for further improvement; and
3. Facilitate dialogue between asset owners and investment managers on responsible investment activities and capabilities.

While the PRI recognises that there are many valid approaches to responsible investment, it is clear that different signatories are at different stages of implementing the Principles. Some are just starting to develop their policies while others already have detailed policies, processes and resources in place. The intention of the assessment methodology is to reflect different stages of implementation in broad terms using four standardised performance bands, rather than make judgements about small differences between signatories at similar levels of implementation.

Assessment Design Principles

During several consultations on the new assessment methodology in 2012, the ATC and signatories made clear that they believed the design of the scoring system should be as easy to understand as possible. With this goal in mind, the methodology has been designed as follows:

- Each of the 10 assessed modules will have a consistent scoring approach;
- Equal weighting will be applied to individual indicators (where indicators include information about different practices, they will be assessed separately but will be weighted equally);
- Only closed-ended indicators will be assessed during the 2013/14 pilot (open-ended indicators may be considered for assessment in future years); and
- Four standardised performance bands (A, B, C and D) will be used to communicate signatories' performance at the module level.

Assessment Methodology

Overview

Each module will contain two types of assessed indicators, which will be communicated clearly within each indicator:

- **Core assessed:** all signatories will be assessed on these indicators and they will make up the majority of their overall assessment score for each module. These indicators will frequently, but not always, be ‘mandatory to disclose,’ and completing them and demonstrating advanced levels of implementation on these indicators will enable a signatory to reach the second-highest performance band (B); and
- **Additional assessed:** signatories can complete these indicators if they wish (i.e. they will be ‘voluntary to report’) and they will provide an opportunity to demonstrate more advanced stages of implementation or reflect alternative practices. Scores from these indicators can only add to their final score for each module, and when combined with their scores on **core assessed** indicators, have the potential to push signatories into a higher performance band (see *Additional Assessed Indicators* below). To achieve the highest possible band (A), a signatory will need to complete some of these indicators but will only need to score well on a selection.

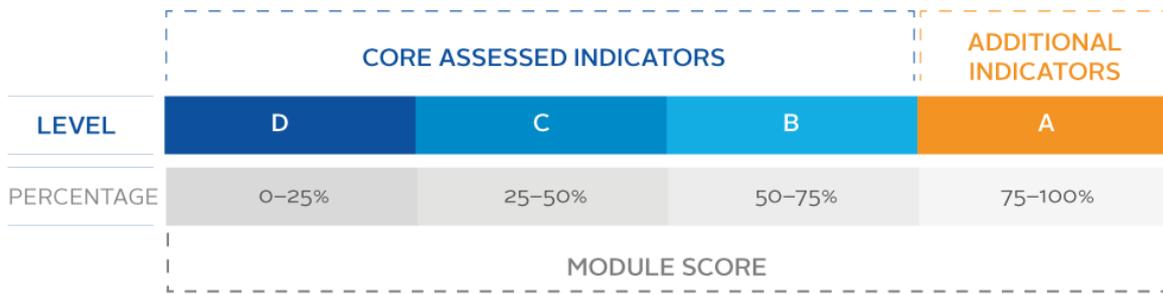
Further indicators will capture information to enable comparison of signatory responses (known as ‘peering indicators’) while others will help determine whether a signatory needs to complete further indicators or sub-indicators in later stages of the framework (known as ‘gateway indicators’). Although these indicators will not be assessed, they may impact which assessed indicators signatories complete and the types of organisations they will be peered against. Both types of indicator will always be ‘mandatory to report’ but will only be ‘mandatory to disclose’ where appropriate.

Peering

Two types of peering will take place at the end of each reporting period once submissions from all signatories have been received.

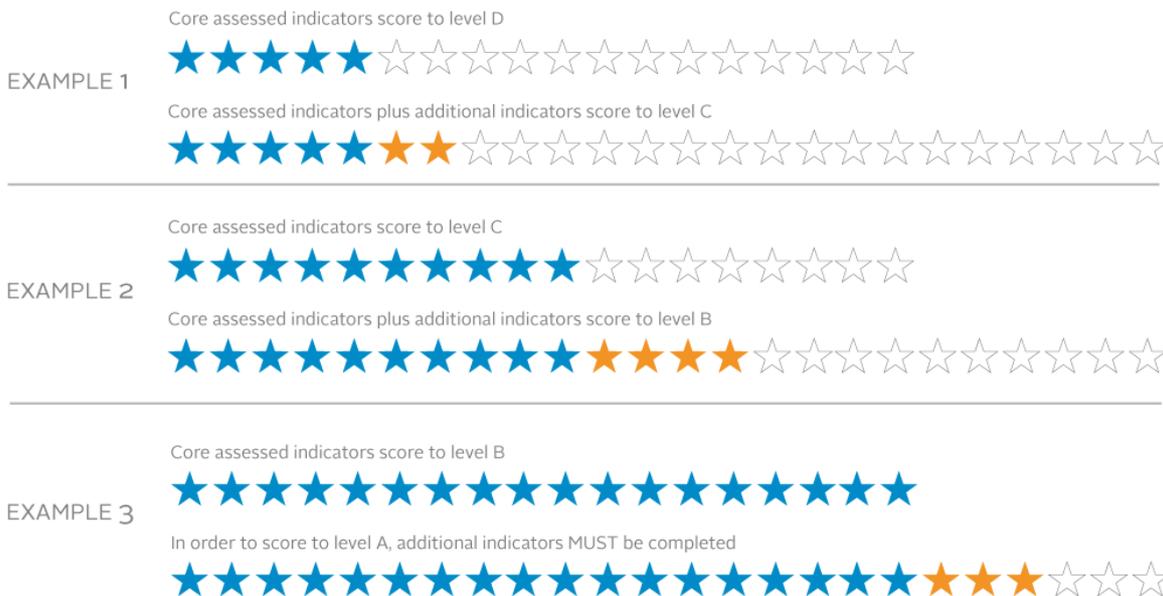
- **Indicator level:** Signatory scores for each indicator will be peered against all other signatories that completed that indicator, regardless of their type, size or location.
- **Module level:** Signatory scores for each module will be displayed in four broad performance bands (A–D) at an absolute level as well as relative to peers of a similar type, size or location. Peering will also occur on asset class-specific characteristics such as collective or segregated mandates.

Additional Assessed Indicators



All 'core assessed' indicators will count towards a signatory's module score, up to a maximum of 75% of the overall module score (Band B). This means a signatory can achieve the second-highest performance band (Band B) by reporting on all of the 'core assessed' indicators and scoring well on them.

'Additional assessed' indicators typically cover alternative or advanced practices and scores on these indicators will add to the overall module score (see graphic below). By reporting, and scoring, on only a selection of these 'additional assessed' indicators, signatories can improve their score and potentially advance to the highest performance band (Band A).



As additional assessed indicators represent advanced or alternative practices, signatories can still reach the maximum score while not scoring (or scoring low) on some of the ‘additional assessed’ indicators. Only the highest scoring ‘additional assessed’ indicators will be counted. An example is provided below. Each module will have a varying number of ‘additional assessed’ indicators and these will be communicated to signatories in October 2013.

Indicator type	Indicator no.	Your Score	Scored	Explanation
Core	01	★★★★	✓	Core indicators are always scored
Core	02	★★★☆☆	✓	
Additional	03	★☆☆☆☆	✗	The lowest scoring ‘additional assessed’ indicators will not count towards the total
Additional	04	☆☆☆☆☆	✗	
Additional	05	★★★★	✓	Highest scoring additional indicator is scored
TOTAL		8★ (Maximum 9★)		

Indicator Scoring

Signatories will receive a score for each ‘core assessed’ and ‘additional assessed’ indicator in each module in four categories, ranging from ☆☆☆ (no stars) to ★★★ (three stars). For binary indicators with only ‘Yes/No’ response options, these will be the only two scores available.

Indicator Scorecard

An indicator scorecard will summarise the scores achieved for all ‘core’ and ‘additional assessed’ indicators completed within each module on an absolute basis. It will also provide basic information about the performance of the organisation against other signatories that responded to that particular indicator. When less than eight signatories respond to an indicator, the median peer score will not be displayed to protect confidentiality. A sample scorecard is below.

MODULE	Example Module
MODULE TOTAL	16 ★ (out of a maximum 27 ★ from 9 indicators)
MODULE LEVEL ACHIEVED	B

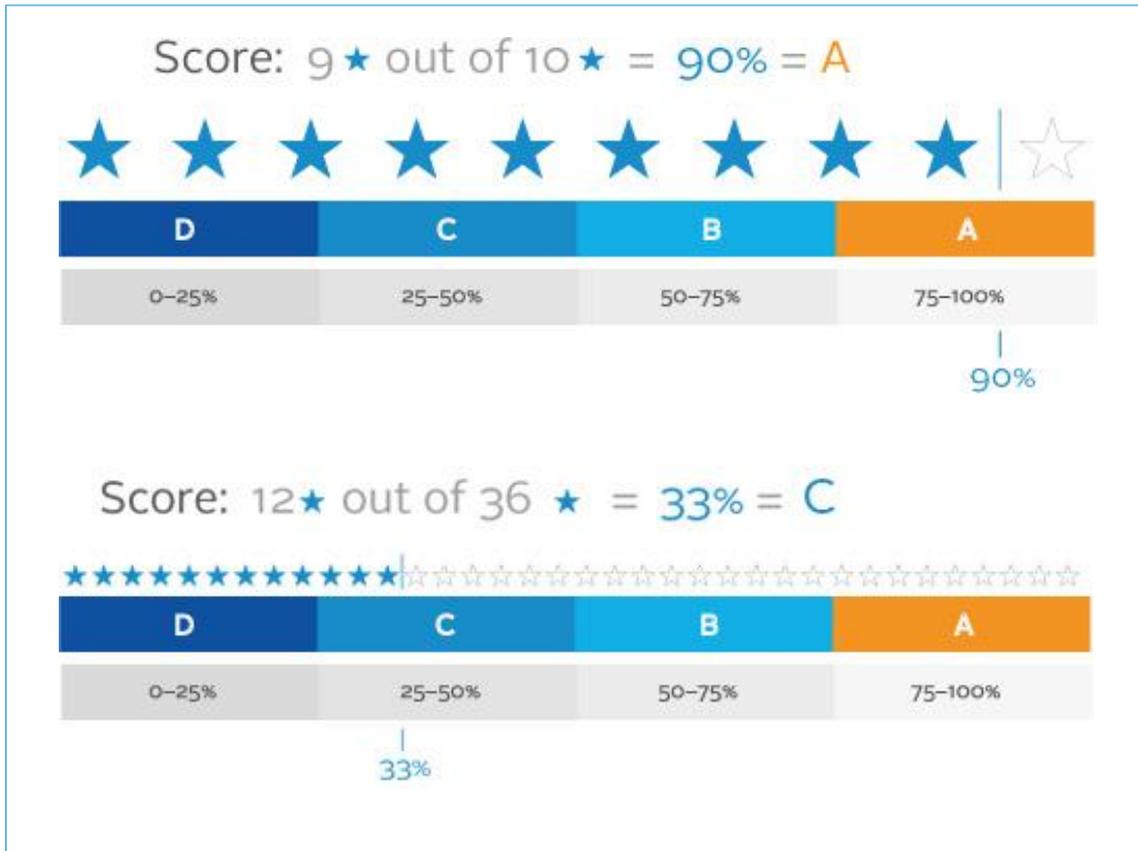
Section	Indicator			Median peer score (# peers)	Your Score	YoY
	Number	Type	Topic			
Introduction	01	Core	Overview of RI processes (a)	★★★ (60)	★★★★	↑
	02	Additional	Overview of RI processes (b)	★★ (30)	★★★☆☆	↑
	03	Additional	Overview of RI processes (c)	N/A	N/A	
Pre-investment / Incorporation	04	Core	Pre-investment activities (a)	★★★ (60)	★★★★	↑
	05	Additional	Pre-investment activities (b)	★★ (35)	★★★☆☆	-
Post-investment / Active Ownership	06	Core	Post-investment activities (a)	★ (20)	★☆☆☆☆	↑
	07	Additional	Post-investment activities (b)	★★ (50)	★★★☆☆	-
Outputs	08	Core	RI outputs (a)	(N/A) (7)	☆☆☆☆	↓
	09	Additional	RI outputs (b)	★★★ (10)	★★★★	↑
	10	Additional	RI outputs (c)	N/A	N/A	
Communication	11	Core	Communication to public / clients	(-) (60)	☆☆☆☆	↑

Explanatory Notes

Section	Where the indicator appears within the module
Number	Indicator number
Type	Whether the indicator assessment type is “core” or “additional”
Topic	What the indicator covers
Median Peer Score	The signatory’s positioning relative to all other organisations that responded to that indicator (number in brackets denotes the number of organisations that responded to that indicator)
Your Score	Signatory’s indicator score (on a scale of zero to three stars)
YoY	Signatory’s year-on-year performance for that indicator

Module Scoring

The total score for each module will be determined by combining the scores for both the mandatory 'core indicators' and the voluntary 'additional indicators.' Indicator scores will be aggregated into a percentage score by the PRI and this information will be used to group signatories into four broad bands (A, B, C or D). Only the final band – and not the percentage – will be included in the assessment report.



Module scorecard

A module scorecard will display the performance band achieved for each modules completed.

Module / Asset Class	2013/2014 Score	2014/2015 Score	YoY
Overarching Approach	A	B	↓
Selection and Monitoring of External Managers	A	A	-
Direct Listed Equity - Incorporation	D	C	↑

Confidentiality

Signatories will receive their first assessment report in late-2014, based on the responses they submitted during the 2013/14 reporting period. **In this first year, signatories should not publish this report, or share it with clients or other stakeholders, due to the pilot nature of the methodology and the report.**

The PRI will gather feedback from signatories over the next two reporting cycles before finalising both the methodology and the report in 2014/15. In future years, signatories will be able to share their assessment report if they wish, as long as it is accompanied by their detailed responses. However, the PRI will not publish or share assessment results on signatories' behalf.