

PRI Assessment Methodology September 2014

This document provides an overview of the proposed assessment methodology for the PRI Reporting Framework. It outlines how indicators will be aggregated to produce an overall module score and performance band for each signatory. A detailed document explaining the assessment of each indicator can be found [here](#). A Mock Assessment Report showing how signatories' scores will be presented can be found on the [PRI Website](#).

While the Reporting Framework and underlying indicators are planned to be stable for the foreseeable future, the assessment methodology and individual signatory assessment reports are being piloted for the first time in 2014. The PRI will share draft reports and consult signatories throughout September and October 2014. Pending feedback, the reports may be piloted again during the 2014-15 reporting cycle.

The results of the assessment will continue to remain confidential between the PRI and each signatory. During the pilot period the PRI will ask signatories not to share or publish their assessment reports.

More information about the process followed by the PRI to develop the assessment methodology is available in the [Development and Governance of the PRI Reporting and Assessment Process](#) document. For further information and a list of frequently asked questions please visit the [PRI website](#).

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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.

The PRI recognises that there are many valid approaches to responsible investment and 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 and 2013, the ATC and signatories made it clear that 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, the practices will be assessed separately but will be weighted equally);
- Only closed-ended indicators were 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:

- **Core assessed:** all signatories will be assessed on these indicators and they will make up the majority (~75%) of their overall assessment score for each module. These indicators will frequently, but not always, be mandatory to disclose. Completing these indicators and demonstrating advanced levels of implementation will enable a signatory to reach the second-highest performance Band (B); and
- **Additional assessed:** signatories can generally complete these indicators if they wish (i.e. they will usually 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 the 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 'Assessing and Discarding Additional Indicators' below). To achieve the highest possible Band (A), a signatory will need to complete and score well on some, but not all, of these indicators.

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.

Indicator Scoring

Signatories will receive a score for each 'core assessed' and 'additional assessed' indicator in every relevant 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 a module on an absolute basis. It will also provide basic information about the relative performance of the organisation compared to other signatories for which that indicator is relevant. When less than eight signatories respond to an indicator, the median peer score will not be displayed to protect confidentiality. A sample scorecard is presented below.

MODULE	OVERARCHING APPROACH
MODULE TOTAL	16 ★ (OUT OF A MAXIMUM 30 ★ FROM 10 INDICATORS)
MODULE SCORE	B

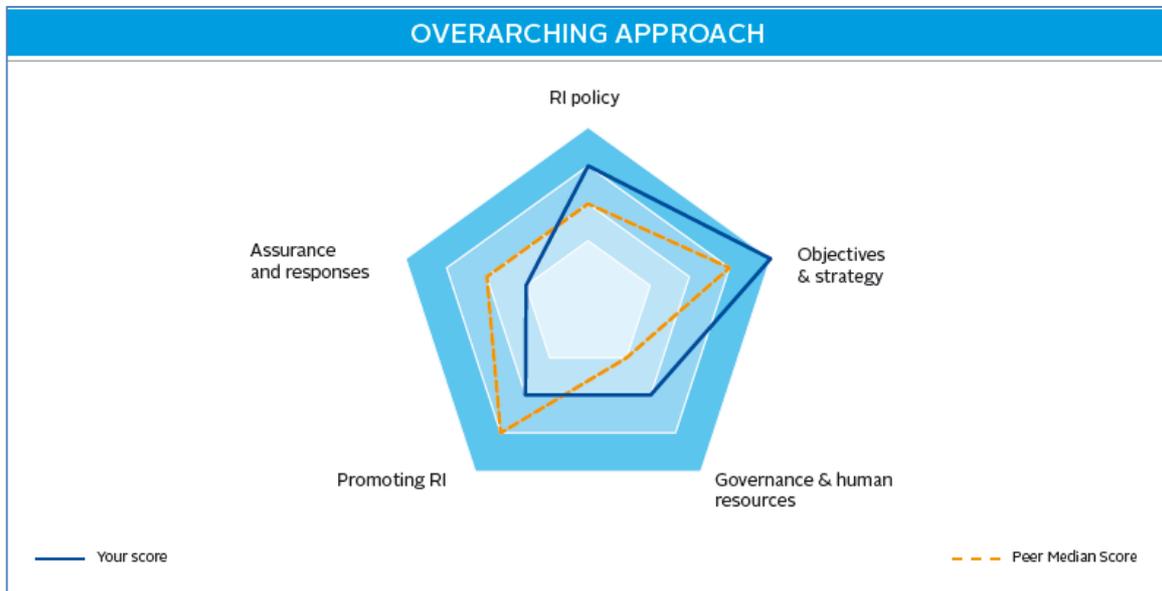
SECTION	INDICATOR			MEDIAN PEER SCORE (# peers)	YOUR SCORE	YoY
	NUMBER	TYPE	TOPIC			
RI POLICY / POLICIES	02	CORE	RI policy and other guidance documents	★★★ (60)	★★★★	↑
	03	CORE	Policy type and coverage	★ (30)	★★★	↑
	04	CORE	Conflicts of interest	★★ (60)	★★★	↑
OBJECTIVES & STRATEGIES	05	CORE	RI goals and objectives	★★★ (60)	★★★★	-
GOVERNANCE & HUMAN RESOURCES	08	CORE	RI roles and responsibilities	★★★ (20)	★★★	↑
	09	CORE	RI in performance management & rewards	★★ (50)	★★★	-
	09	ADDITIONAL	RI in personal development / training	★ (10)	★★★	↓
PROMOTING RI	10	CORE	Collaborative organisations / initiatives	N/A (7)	☆☆☆	↓
	11	CORE	Promoting RI independently	★★ (10)	★★★★	↑
	12	ADDITIONAL	Dialogue with public policy makers	N/A	N/A	
ASSURANCE OF RESPONSES	19	ADDITIONAL	Internal / external review of responses	★ (45)	☆☆☆	↑

Explanatory Notes

Section	Where the indicator appears within the module
Number	Indicator number
Type	Whether the indicator assessment type is “core” or “additional”
Topic	A short overview of what the indicator covers
Median Peer Score	The signatory’s positioning relative to all other organisations for which that indicator was relevant (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 (not available until a signatory has completed two complete reporting cycles, excluding the pilot).

Section Scores

Each module is split into several sections (see indicator scorecard above). The signatory's individual scores for these sections will be presented in a spider chart and compared against the median score of other organisations.



Module Scoring

Each signatory's module score will fall in four broad ranges to be assigned based on their score in a specific module (presented below). Only the final performance band – and not the percentage – will be included in the assessment report.

Module Score (%)	Performance Band
>75%	'A'
51-75%	'B'
26-50%	'C'
0-25%	'D'

All 'core assessed' indicators will count towards a signatory's module score, up to a maximum of 75% of the overall module score. This means a signatory can achieve the second-highest performance 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 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 (A).

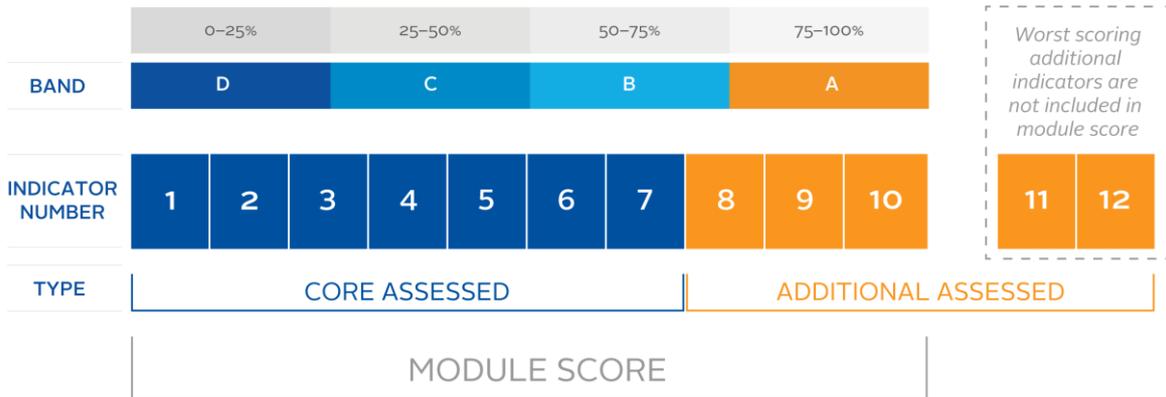
Assessing and Discarding Additional Indicators

The maximum score (100%) for each module will be based on the maximum score of all 'core' assessed indicators and the maximum score of a subset of the 'additional' assessed indicators. The signatory will then receive a score based on the 'core' indicators and on the highest scoring 'additional' indicators.

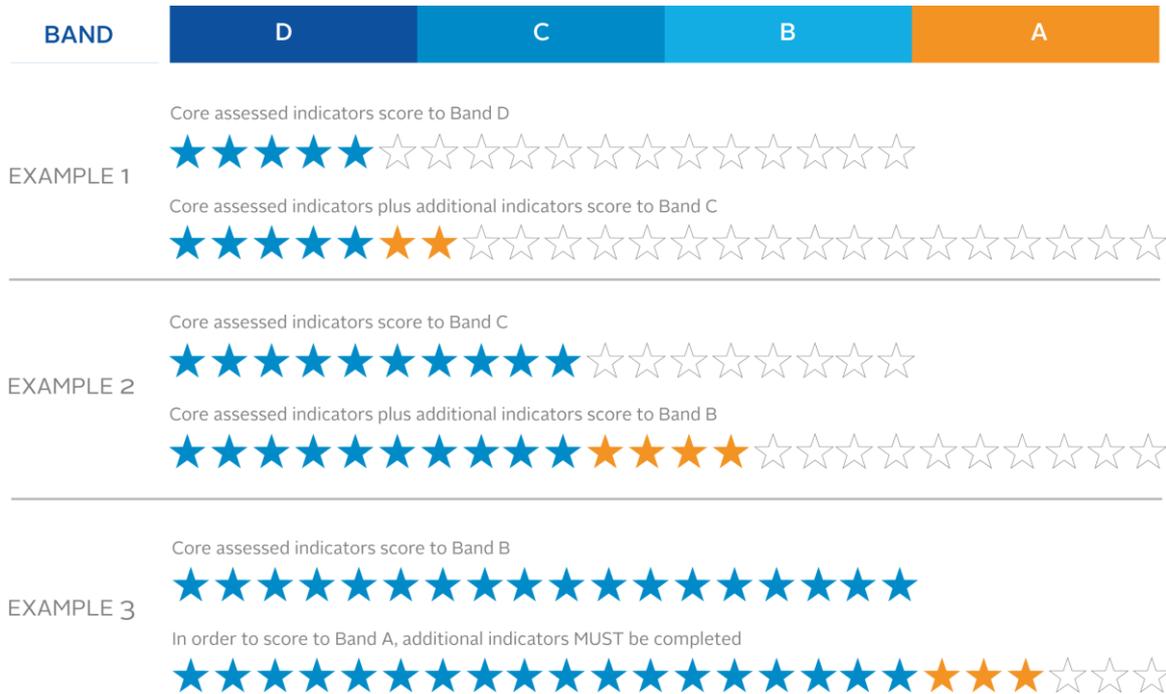
For example, if a module has twelve indicators (see example below), of which seven are 'core' and five are 'additional', the maximum assessment will be based on all seven 'core' indicators [$7 \times 3 \star = 21 \star = 70\%$] and the three highest scoring 'additional' indicators to make up the remaining 30% of the module score [$3 \times 3 \star = 9 \star = 30\%$]. This results in the two lowest scoring 'additional' indicators being discarded and the denominator being ten indicators [$21 \star + 9 \star = 30 \star = 100\%$] rather than all twelve indicators.

Indicator type	Indicator no.	Your Score	Scored	Explanation
Core	01	★★★★	✓	Core indicators are always scored
Core	02	★★★★	✓	
Core	03	★★★★	✓	
Core	04	★★★★	✓	
Core	05	★★★★	✓	
Core	06	★★★★	✓	
Core	07	★☆☆☆	✓	
Additional	08	★☆☆☆	✗	The lowest scoring 'additional assessed' indicators will not count towards the total score
Additional	09	☆☆☆☆	✗	
Additional	10	★★★★	✓	Highest scoring 'additional assessed' indicators will count towards the total score
Additional	11	★★★★	✓	
Additional	12	★★★☆☆	✓	
MODULE TOTAL		27★ (Maximum 30★)		
MODULE SCORE		A		(based on the 90% achieved: 27★/30★)

The graph below presents how 'core' and 'additional' assessed indicators are combined for your Module Score based on the number of indicators in the example above.



'Additional' indicators do not just advance signatories scores to Band A. Stars scored in additional indicators will always improve a signatory's score, even if the signatory has low scores for the 'core' indicators in that module. This is demonstrated in the examples below.



The above example Module scores are assessed out of a total of 24★. This is based on six 'core' indicators (maximum 18★) and five 'additional' indicators – of which the top two indicators (maximum 6★) are scored and three are not scored.

Exceptions to simple aggregation in module scores

Generally, module scores will be calculated simply by aggregating the scores for all mandatory 'core indicators' and the voluntary 'additional indicators' that have not been discarded in a module. The only exceptions to this will be:

- Selection, appointment and monitoring of external managers (SAM) – each indirect asset class section (e.g. listed equity, private equity, etc.) score will be presented separately in the summary scorecard (See 'Summary Scorecard below');
- Listed Equity Incorporation (LEI) – the two active incorporation strategies (integration and screening) will be presented separately in the assessment report and the overall LEI score will be based on the signatory's 'main' strategy. The main strategy is calculated by looking at coverage of assets (please see the [LEI module](#) for more details). Signatories who are 100% thematic and 100% passive will not be assessed;
- Fixed Income Corporate (FIC) – the two active incorporation strategies (integration and screening) will be presented separately in the assessment report and the overall FIC score will be based on the signatory's 'main' strategy. The main strategy is calculated by looking at coverage of assets (please see the [FIC module](#) for more details). Signatories who are 100% thematic and 100% passive will not be assessed;
- Listed Equity Active Ownership (LEA) – the LEA module is comprised of the engagement and (proxy) voting sections. Both will count towards a signatory's LEA score but will be presented separately in the summary scorecard.
 - Engagement Score – organisations may be engaging internally, via collaborations and/or via service providers. The LEA score is not dependent on how they conduct their engagements and the top score can be achieved regardless of who conducts the engagements. They will see each applicable score separately and their overall engagement score will be based on their primary form of engagement (calculated on the number of engagements – please see [LEA module](#) for more details).

Summary Scorecard

The summary scorecard will present an overview of the performance bands achieved for each module completed by a signatory. These will be specific to each signatory and allow them to see, at-a-glance, their performance across asset classes compared to the median results of their peers.

MODULE	D	C	B	A
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Overarching Approach				A
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INDIRECT

Listed Equity		C		
Fixed Income Corporate	D			
Fixed Income Government	D			
Private Equity			B	
Property				A
Infrastructure	D			

DIRECT

Listed Equity – Incorporation			B	
Listed Equity Active Ownership			B	
Engagement				A
Voting		C		
Fixed Income Corporate		C		
Fixed Income Government	D			
Private Equity				A
Property	D			
Infrastructure				A

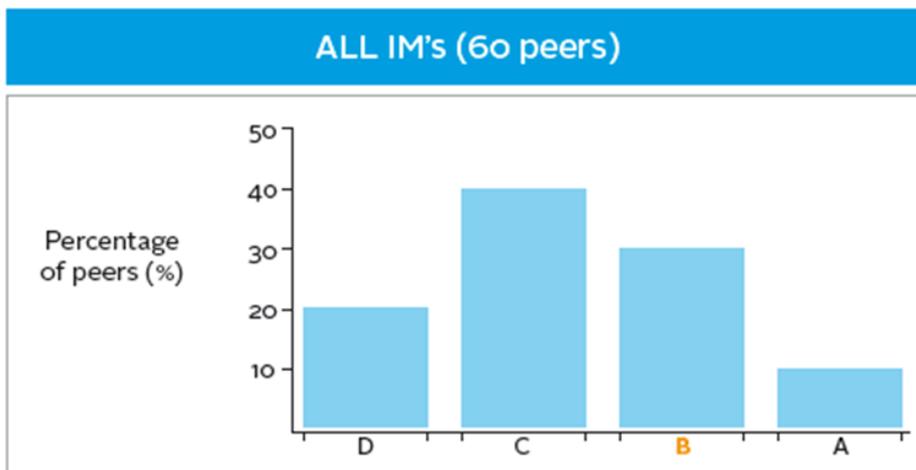
 Your score  Median score

Module Peer Comparison

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 for whom that indicator was relevant, 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.

Each signatory's total aggregated module score will be compared to relevant peer groups in a series of distribution charts. There will be general peering groups such as size, region, type of signatory and length of time they have been a PRI signatory as well as module-specific peer groups such as main private equity investment strategy and typical level of ownership (both specific to the Private Equity (PE) module).



Further Resources

Based on their scores, signatories will receive personalised guidance and links to further resources to support on-going learning and development.

Confidentiality

Signatories will receive their first assessment report in late 2014, based on 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 before finalising both the methodology and the report in 2015/16. 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 does not plan to share assessment results on signatories' behalf.