

PRI Reporting Framework: May 2013 Update

This document summarises how the PRI has incorporated feedback from signatories who participated in the 2012 pilot into the final design of the new PRI Reporting Framework since October 2012. It updates – and should be reviewed in conjunction with - the PRI's previous communication to signatories in October 2012: "[Summary and Way Forward](#)."

For a refresher, see: [PRI Reporting and Assessment: Overview, Objectives, Structure, Outputs](#).

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Objectives of the new framework

The PRI Advisory Council agreed in May 2011 to develop a new Reporting Framework for signatories with three key objectives in mind:

1. To be an **accountability tool** for the PRI Initiative and its signatories.
2. To provide a standardised **transparency tool** to help signatories in their own reporting.
3. To enable the assessment of signatories' progress and capabilities on responsible investment, facilitating **learning and development**.

Together, these are designed to increase the accountability of the Initiative as a whole while evidencing the work of its signatories and supporting their ongoing journey to implement responsible investment.



Feedback from the pilot

The pilot of the new framework in mid-2012 was well received by most signatories, with 90% of respondents stating it captures their responsible investment practices to a large or moderate extent and 70% finding it to be an improvement from previous years.

However, signatories also identified five key areas of concern:

1. The effort required to gather and report data for each indicator.
2. The prescriptiveness of the proposed approach.
3. The timing and duration of the reporting period.
4. The mandatory disclosure requirement for some indicators.
5. The structure and content of some modules, including the rationale for inclusion of each indicator and their definition.

Since October 2012, the PRI has worked with the [Assessment Technical Committee](#), other signatories and consultants to address these concerns and finalise the new framework.

To verify feedback and ensure it has been effectively addressed, the PRI has reached out to a further 100 signatories since October. Input has been received through one-on-one meetings and calls on specific aspects of the framework and its indicators, while overarching issues have been addressed at signatory meetings and events in South Africa, the United States, Canada, Korea and Japan. Signatories with specific concerns or expertise have also been invited to advise on new drafts.

The PRI, with support from external consultants, has endeavoured to strike a balance between reflecting the diverse range of activities being undertaken by signatories and delivering a final framework that is comparable and can be consistently applied. The PRI Advisory Council and PRI Association Board have also been actively involved in overseeing its development and discussions on the new framework have taken place at every Board and Council meeting since May 2011.

Overview of the latest enhancements

As a result of these consultations, the following enhancements have been made to the framework, its reporting tool and outputs and assessment. It is important to note that many of the issues raised and the solutions proposed by the PRI are interrelated.

Reporting Framework

- The total number of indicators in the framework has been reduced by approximately 30%, with the number of mandatory indicators reduced by approximately 20%. In some cases, this has been achieved by merging indicators, rather than deleting them.
- Mandatory indicators have been split into two types: 'mandatory to report' and 'mandatory to disclose'. Some indicators will only be mandatory to report because they are used for peering purposes or to direct the signatory to the relevant parts of the framework.
- It will only be mandatory for signatories to complete an asset class module if they have more than 10% of their assets under management in that particular asset class – up from 5% in the pilot. It will still be possible to report on a voluntary basis on modules where they hold less than 10% of assets. The threshold for completing the indirect module will now be calculated per asset class, instead of the sum of all indirect assets.
- The majority of the indicators that request data relating to portfolio allocations (e.g. asset class breakdowns) have been turned into broad ranges and no longer ask for specific percentages. Ranges for these indicators are typically <10%; 10-50%; 51-90% >90%.
- The phrasing of individual indicators has been improved to remove prescriptiveness. For example, indicators that previously asked "Why not?" have been replaced by indicators that ask signatories for further information. Every indicator will contain an 'additional comments' box to enable signatories to add context to their responses. The purpose of each indicator will be clearly stated, along with details of whether it will be assessed.
- One of the two modules for indirect investors, which required detailed information from third party managers about how they are implanting responsible investment, was judged non-core and has been removed. The second indirect module, which covers the selection and monitoring of external managers, was considered too broad by some asset owners as it did not provide scope to distinguish between activities in different asset classes. The new module now distinguishes between processes for listed and unlisted asset classes. Signatories can also opt to report separately per asset class or for all listed and all unlisted asset classes together.
- Signatories indicated that their shareholder engagement and (proxy) voting activities were inextricably linked and therefore modules requesting this information have been revised. The Listed Equity module has been split into two separate modules: (a) Listed Equity – Incorporation (covering mainly P1) and (b) Listed Equity - Active Ownership covering engagements and (proxy) voting (mainly P2). Active ownership activities executed by third-party managers have been included in the indirect module.
- The difference between 'engagement for monitoring' and 'engagement for influence' has been removed. The framework now only focuses on engagement for influence, although signatories can describe other type of engagements if they wish in open-ended indicators.

- The two fixed income modules (Fixed Income – Corporate and Fixed Income – Sovereign) have been merged into a single module and indicators have been revised to make them more representative of fixed income investment activities.
- The Fixed Income and Infrastructure modules will be voluntary for signatories to complete during the 2013/14 reporting period while the PRI gathers additional information about approaches to responsible investment in these asset classes.
- More information about the content of the mandatory indicators within each module and guidance for signatories who would like to start preparing for October can be found in the [Snapshot](#). A new data collection tool to help signatories gather relevant information for the most data-intensive indicators will be available to download from the PRI website in June, this will also be announced in the Newsletter.

Online Reporting Tool

- An improved data entry system will allow signatories to make changes without having to unnecessarily re-confirm the information they have previously completed.
- Signatories will be given a clear choice about whether they would like to only complete the 'mandatory to report' indicators at the start of the tool. It will be possible for signatories to generate a list of completed and/or uncompleted indicators for data collection purposes.
- More detailed guidance and explanatory notes for indicators within each module will make it easier to collect information from colleagues in other departments and external stakeholders.

RI Transparency Reports

- All signatories will receive an RI Transparency Report (referred to as RI reports in the 2012 pilot) containing all of their responses to the 'mandatory to disclose' indicators, in addition to responses to voluntary indicators they agree to disclose. This report will present signatory information as it is inputted in the Online Reporting Tool without paraphrasing or graphics and will display all possible answer options.
- Signatories will be able to view their RI Transparency Report within the Online Reporting Tool as they submit their responses and circulate drafts for internal review and sign-off prior to submission. Once submitted, they will be posted to the PRI website shortly.

Assessment

- The assessment methodology and assessment reports will now be piloted for two years (2013/14 & 2014/15). Input from signatories will be used to refine the methodology and the reports throughout 2014, and both will be finalised in 2015/16.
- There will be two types of assessed indicators: 'core assessed' (for indicators that are 'mandatory to report') and 'additional assessed' (for indicators that are 'voluntary to report').
- Scoring well on all 'core assessed' indicators will enable a signatory to reach the second-highest level of a four-level performance band for each module. Scoring well on the 'additional assessed' indicators will enable a signatory to reach the highest performance band.
- Assessment reports will be provided to signatories in late-2014, based on their submission to the 2013/14 reporting period. **Signatories should not share their assessment reports next**

year while the PRI continues to collect data and refine the methodology and scoring approach for each indicator. More information about the methodology is available in the [PRI Reporting Framework: Proposed Assessment Methodology Update](#).