

Addressing feedback from the Open Consultation – Way forward on the Reporting framework

Introduction

This memo provides suggestions on how to address the feedback received from signatories through the Open Consultation. It provides immediate suggestions to adapt the Reporting framework to accommodate the concerns raised.

Main Feedback received

In the document ‘Summary of Consultation feedback’, you will find in more detail the summary of the feedback. In brief, the main findings from the consultation were:

- a. There was general support for the overall new design/structure of the framework;
- b. The draft framework was considered too burdensome and time-consuming by many signatories, particularly for smaller organisations. These concerns focused both on the overall number of questions as well as the request for too much detail against individual questions;
- c. Signatories expressed concerns about how the reported information would be used in potential future assessments. Despite the fact that PRI had clarified upfront that the scope of the consultation did not include assessment issues, a significant amount of feedback concerned concentrated on this:
 - Several respondents expressed support for an assessment process but indicated that knowing how it would be designed is important before properly judging the content of the reporting framework. This group preferred closed ended responses.
 - Other respondents were mainly interested in a tool that would enable disclosure of responses, but no assessment. This group preferred narrative responses.

How to address feedback received

Changes to the Reporting framework/survey

To address the various concerns raised by signatories and to allow signatories to obtain both the off-the-shelf reports and – if interested - the assessment reports, the PRI suggest a Reporting framework that will allow signatories to choose different paths of reporting, depending on their objectives and needs. Below we present solutions on how we will achieve this against the current draft of the Reporting framework.

- **Remove questions**

First of all, we propose to reduce the reporting burden by removing questions that signatories identified as not essential, or by combining questions where this is considered appropriate.

- **Define a minimum mandatory core set of questions –**

We suggest a more limited set of mandatory reporting requirements to the public, based on what is considered core to responsible investment implementation. We suggest that this could be 35% of the total number of questions. This will minimise the reporting requirements for many PRI signatories, in particular those with limited resources (a group that includes small fund investors). This will be complemented by a broader set of voluntary questions that can be answered by those signatories interested to do so.

- **Introduction of logic in the IT tool**

PRI is in the process for selecting an IT provider to build the reporting framework on an online platform and introduce logic such that the signatories respond to only questions that are relevant for their operations.

- **Included extra levels of burden reduction, such as:**

- Allowing signatories the flexibility to avoid reporting on supplements which represent less than 5% of their AUM
- The PRI is considering allowing signatories to respond “same as in asset class X” for questions in asset class supplements that might overlap
- PRI would restructure sections, especially the Indirect section, to make it less burdensome by avoiding, where possible, asset class differentiation.

- **Address the differing views about narrative reporting or reporting for assessment**

Some signatories want a framework geared primarily to disclosure; others want one that

enables comparisons to be made. We suggest that these different interests can be addressed by designing the voluntary section of the PRI new reporting framework with both descriptive free text fields and closed-ended/quantitative indicators. By doing so, we allow signatories to select the questions they want to respond to.

As clearly requested by signatories during the consultation, the PRI plans to develop off-the-shelf reports that go beyond simply listing questions and answers. If a signatory is interested in the off-the-shelf reporting function, they would only respond to narrative questions in the voluntary section. In this case, a signatory will receive a report designed around a set of reporting standards across the mandatory and voluntary sections). The reporting burden would be considerably lower than implied by the full survey as signatories would only complete the sections that are relevant to them.

Those signatories interested in being assessed would answer both the narrative and closed-ended/quantitative questions in the voluntary section. Only signatories who choose to answer the full range of closed ended questions (and some of the narrative/free text questions) would be assessed at the advanced level. In fact, the plan on the assessment is that it would cover both mandatory and voluntary questions and that it would be based on closed ended questions.

Signatories would be free not to undertake the assessment. We acknowledge, however, that there may be an incentive for managers, at least, to undertake it.

Note that because of these different output objectives, the new draft of the Reporting framework has a mix of both free text and closed ended questions, to enable to address both pathways.

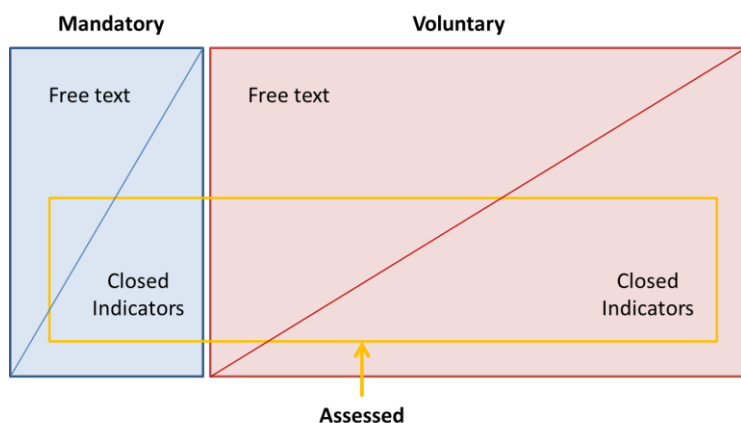
- **No more ‘mandatory reporting to the PRI only’**

With this set up in mind, we suggest to abandon the proposed extra level of mandatory reporting to the PRI only, and not for publication. These detailed private questions are not necessary if detailed assessment is, in effect, optional.

However, we do propose to allow signatories the option to have their voluntary questions shared with a specific group (e.g. only AO signatories) without having to report the same information publicly.

Representation of the proposed approach

Below, we have tried to set the reporting structure that we suggest under the new Reporting framework. As you will see, we do suggest that a voluntary assessment may take place over a subset of the mandatory and the voluntary questions.



Summary

In summary, the PRI Secretariat suggests that it can respond to the main concerns raised during the Open Consultation by introducing a relative small mandatory set of public reporting requirements, supplemented by optional detailed questions which will include both narrative and quantitative indicators.

This approach offers the following advantages:

- It enables resource-constrained signatories to significantly reduce the reporting burden from what it has been in recent years. The approach also offers a reduced burden for early stage signatories;
- It allows signatories that want to report only to choose to respond against those voluntary questions that are important and material to their operations, and in a narrative style that suits their needs;
- It retains the comparability of the current questionnaire allowing for assessment for those signatories that are interested.

The approach addresses concerns of those signatories who do not feel a strong need for comparability, while allowing those for whom assessment is important to provide data that will enable comparisons.