

# USER MANUAL

## Reporting and Assessment survey, 2011

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## Introduction

Welcome to the 2011 PRI Reporting and Assessment survey. This manual has been designed to help signatories prepare and complete the 2011 PRI Reporting and Assessment survey and it is divided in two main parts:

### ***Guide to the survey***

This section provides an understanding of the goals, historical development and structure of the survey. It provides guidance on supporting tools to complete the survey and clarifies the outputs of the process and its timeline. We recommend that signatories read this part of the User Manual before preparing and completing the survey, as it provides context as well as practical tools that are not described on the online tool.

### ***Section by section overview and main definitions***

This part is an overview of each section of the survey and its overall objectives. It aims to clarify and explain the various terms, definitions and approaches used. Note that the information in this section is repeated in the explanatory notes of the relevant questions in the online survey itself. However this manual is the only place where it can be found in one place. Thus we believe it is valuable to read through this section as preparation for the survey.

In addition to this document, we suggest that signatories visit the PRI [extranet](#) where the various additional documents described in this manual are provided. These include:

- the offline survey with all questions, possible answers, explanatory notes and definitions (translations will be uploaded at a later stage);
- a summary with the questions only; and
- a summary of the scoring methodology.

Most of these documents are also publicly available on the Reporting and Assessment webpage: <http://www.unpri.org/reporting>

If this manual or the other documents listed above do not address specific queries, or further support is needed, please contact Hitender Gujral or Titia Sjenitzer of the PRI Assessment Team at [assessment@unpri.org](mailto:assessment@unpri.org).

## Guide to the survey

### Goals

The survey is designed to address a diverse set of objectives, and acts as:

- An internal learning tool highlighting common processes and procedures investors use to implement each of the six Principles;
- An internal monitoring and benchmarking tool to measure signatories' progress;
- An 'off-the-shelf' framework for signatories to report their responsible investment activities to clients, beneficiaries, customers and the broader public (providing a simple way to put Principle 6 into practice) and;
- A potential external benchmarking tool.

The survey is also an important mechanism for the PRI Secretariat, providing:

- A tool to ensure the integrity of the PRI Initiative;
- A system to identify and showcase examples of best practice, and broadcast them to a global audience through avenues such as the PRI Report on Progress; and
- A tool to help identify the challenges and barriers that PRI Secretariat can then help signatories to overcome.

It should be noted that the results of this survey, both aggregate and individual, will be based on signatories' self-assessment. Although a limited verification exercise will be undertaken with one third of signatories (more information on this in the Assessment process and timeline section), responses will not be independently audited by the PRI Secretariat, the PRI Assessment Group, or any other third party. The survey is primarily designed as a learning and internal improvement tool, and it is crucial for its validity and success that signatories accurately represent their PRI implementation. This will help signatories to identify their strengths and weaknesses and therefore define the steps needed to improve. Signatories should respond knowing they can choose whether to publish their responses or keep them confidential.

### Basic instructions

All asset owner and investment manager signatories that signed the PRI prior to 1 January 2011 are invited to complete the survey.

**The survey is mandatory for all asset owners or investment managers that joined prior to 2010.**

Completing the survey can take time and signatories should make appropriate preparations to ensure they complete the survey in time. There is no guide to how long the survey should take to complete as it depends on the size and complexity of the organisation as well as the signatory's experience with the survey. Feedback gathered last year indicates that the survey may take anywhere from a few hours to a couple of

weeks. Typically, more time is needed when signatories have to collect information from various sources from within and outside of their organisations.

The survey should be completed from the perspective of the PRI signatory organisation. It should therefore not be answered from the perspective of the single individual completing the survey or a small team within an organisation. The survey responses should represent the activities of the signatory organisation as a whole (as listed on the PRI Secretariat's website <http://www.unpri.org/signatories/>), including its consolidated subsidiaries. A third party organisation that may be supporting a signatory in the completion of the survey should always take the perspective of the signatory when answering. For example if you are an investment manager completing the survey on behalf of your asset owner client please take care to refer to the funds as 'external' even though you may be dealing with the funds that you internally manage<sup>1</sup>.

### *Survey design and structure*

Apart from some clarifications in the question text and definitions, the 2011 survey will remain mostly the same as the survey in 2010. In a parallel process the Assessment team is executing an extended review to implement more structural changes for the 2012 survey.

The 2011 survey is structured in 10 sections:

1. Organisational overview ('OO')
2. Governance, policy and strategy ('GPS')
3. Principle 1 ('P1')
4. Principle 2 ('P2')
5. Principle 3 ('P3')
6. Principle 4 ('P4')
7. Principle 5 ('P5')
8. Principle 6 ('P6')
9. Feedback and comments on the PRI ('FC')
10. Survey end ('SE')

The first two sections, *Organisational overview* and *Governance, policy and strategy*, allow signatories to describe their overall characteristics and policies. They must be completed first, before moving on to following sections. These questions determine a) which questions will be shown and scored in the survey and b) which peer groups will be used to review and benchmark signatories in individual scoring reports and in the *Report on Progress*.

The next six sections cover the six Principles, followed by the *Feedback and comments on the PRI*. Respondents may move freely within these parts of the survey from one

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<sup>1</sup> The one exception to this rule is if the investment manager is more than 50% owned by the asset owner (or is part of the same organisation as the asset owner). In this case, the investment manager that is completing the survey for the asset owner should list the funds it manages for the asset owner as 'internal'

section to another, in any order. However, within each section, there are a limited number of questions which cannot be answered unless previous questions in that section are completed.

The final *Survey end* section simply provides respondents with a possibility to review all their answers prior to submission, asks respondents about the level of transparency they would like to provide regarding their answers and provides space for feedback on the survey itself.

Of the sections described, only seven sections are scored for benchmarking purposes (see section *Benchmarking and scoring*): the GPS and the six Principle sections. Within these sections, not all questions are scored. Scored questions are highlighted so signatories are aware of what is being measured.

For each of the seven scored sections, signatories are provided with an introductory question, asking for a text description of the relevant activities. This text, in addition to being part of the full survey, will also form part of the *Executive Summary*: a short document that signatories will receive upon completion of the survey. In addition, the text of the *Executive Summary* is also a way for the PRI Secretariat to identify *PRI in action* case studies for inclusion in the *Report on Progress 2011* (with the consent of the signatory concerned).

### ***Prefilling of answers***

In the 2011 survey, the 2010 answers (if appropriate) will be prefilled directly in respective survey questions. Please review your answers carefully and confirm the question. If your responsible investment approach is similar to last year, please update figures such as the AUM breakdown, number of engagements, etc. Please pay special attention to questions highlighted in *light yellow*, as these questions have been updated in text or definitions.

### ***Benchmarking and scoring***

All the questions that will count towards a respondent's individual score are marked in the *Offline survey* by an orange box in the upper right corner. To allow for year-on-year comparisons, the scoring methodology will be the same as last year which has been developed in a comparable way to previous years. For your reference, the 2010 scoring methodology is available on the [PRI extranet](#).

Responses will be primarily scored by Principle as it is preferred not to weigh or value the Principles in relation to one another, recognising that each approach to PRI implementation will reflect the varying needs of each signatory.

The score for each Principle will be presented in two ways: first, as a percentage of available points, and second, relative to peers. This presentation should provide an illustrative and practical guide for signatories, and for the signatory body as a whole, while acknowledging the challenges of quantifying PRI progress.

Points will be awarded for answers to questions that show clear progress in implementing the Principles, and a range of points are available per question. Due to the diversity in the signatory base and the different approaches to responsible investment involved, every question is not applicable to every signatory, so in many cases respondents will not see questions that are not relevant to them (based on previous answers) or will have the option of answering *Not applicable*. It is important that signatories avoid being penalised for not undertaking actions that are not relevant to their organisations. Final scores, therefore, will be determined by responses to applicable questions only. In many cases, the determination of whether a question is applicable to a signatory will be based on the signatory's asset allocation and/or use of internal or external investment managers.

There are also a number of questions which are not scored. These questions may be included in the survey because:

- The questions are informational and provide useful case studies or context to the PRI Secretariat.
- The questions ask for information that cannot be objectively assessed but may nevertheless be useful for building an understanding of signatories' experiences.

Scores will be kept confidential and will be shared with signatories individually. Only the aggregate results of all signatories combined will be publicly released.

## *Assessment process and timeline*

The following is the timeline of the 2011 Reporting and assessment process:

### **Mid-January 2011**

Preparatory material is available on the PRI signatory [extranet](#) to help respondents to prepare to answer the survey.

### **28 February 2011**

The online survey is launched. Signatories will receive personalised instructions on how to access the PRI Reporting and Assessment survey online.

### **March –April 2011**

Signatories will be able to complete the online survey. Upon completion, each signatory will receive via email:

- their *Full Individual Responses* to the survey (see description below);
- an *Executive Summary* of their responses (see description below).

### **6 May 2011**

Deadline for completion.

The delisting process begins for those signatories that were required to respond but did not.

### **April - June 2011**

A third of signatories will receive verification calls to discuss the responses and discuss best practices to be showcased. Based on the experience over previous years, this process is found to be extremely constructive both for signatories and the PRI Secretariat. It ensures the questions reflect real practices and signatories understand the intention of the questions. The goal is to verify one third of signatories each year.

### **August 2011**

The PRI Secretariat will provide confidential *Individual Feedback Reports* for each signatory (see description below) and publish the *Individual Responses* for those signatories that choose to publish them on the [PRI website](#).

### **September 2011**

Publication of *Report on Progress, 2011* (see description below).

## *Outputs and confidentiality*

Upon the completion of the online survey the PRI Secretariat will email two documents to each signatory:

### **1. Full Individual Responses**

This is the full set of responses from the signatory. As this survey is also designed to aid in the reporting of progress, **signatories are strongly encouraged, though not required, to be transparent and disclose their responses to their beneficiaries and the public.** Signatories are given the option in the online survey to have their responses published on the PRI website. This option provides signatories with an off-the-shelf reporting tool that can be used for both internal and external reporting. Last year, over 160 signatories published their responses. They can be viewed at: <http://www.unpri.org/report10/>.

### **2. Executive Summary**

This is the set of text responses that the signatories provide at the beginning of the GPS and six Principle sections of the survey. It provides a narrative summary of PRI implementation activities in a simple format. Signatories may use this document in any way they choose (for example, keeping it as internal document, sharing it only with specific clients or beneficiaries or to the public at large).

Once the survey is closed, the PRI Secretariat then compiles the following additional outputs:

### **3. Individual Feedback Reports**

Based on the scoring methodology described earlier, the PRI Secretariat will release a report that will allow signatories to review their implementation of the Principles against their peers. When applicable, these reports will also compare historical progress. These reports are confidential, and designed primarily to be a learning tool. However, signatories may choose to publish them if they wish. It is requested that signatories who wish to release their individual scores a) inform the PRI Secretariat; b) publish the individual responses on the PRI website and c) accompany the release of the total or partial *Individual Feedback Reports* with a disclaimer the PRI Secretariat will provide, clarifying the self-reporting nature of the survey.

### **4. Report on Progress, 2011**

The final product of this process will be an aggregate report on progress towards PRI implementation. See last year's [PRI Report on Progress 2010](#). The Report on Progress 2011 will provide an overview of the findings from this year's survey, forming an important implementation support document for current and prospective signatories. The purpose of the report is to share best practices, review the progress of the signatory body overall, identify areas of improvement and provide a

basis for the allocation of Secretariat resources to areas of need. The report will highlight leading PRI-related practices from within the signatory base. Examples will be drawn from the various types of organisations (asset owner and investment manager), types of funds, fund sizes, organisational capacities (or available staff resources) and geographic regions.

It should be emphasised that the information provided by respondents to this survey is treated confidentially, with only aggregate data published in a manner that will not allow individual organisations to be identified. However, with permission, the PRI intends to showcase those leading signatories who achieve scores in the top quartiles in a number of the Principles, or signatories that have made significant efforts and have interesting examples to share. The PRI Secretariat may also use the data for internal purposes to help develop our implementation support activities.

The dataset from this year's Reporting and Assessment survey, as well as data from previous years, will, at some point, be made available for re-analysis by select researchers under strict confidentiality protocols whereby no individual signatory response shall be disclosed publicly in anyway except with explicit authorization from the PRI Secretariat and the signatory concerned (most likely for the purpose of showcasing of best practice). All research and outputs will be monitored by the PRI Secretariat and any publications will be permitted only after the PRI Secretariat is satisfied that confidentiality of signatories' responses has been maintained.

## Section by section overview and main definitions

The 2011 survey has 10 sections containing 88 questions. However, most signatories will only see a subset of these questions, i.e., those relevant to them based on their asset classes. Moreover, a number of questions are optional.

In preparing for each of these sections, it is recommended each respondent familiarise themselves with the related definitions and clarifications that follow each question.

### **Organisational overview**

This section – which queries signatories' type, complexity, size, asset allocation, and client base – captures information to determine which parts of the survey are relevant to the respondent and which peer group will be used in benchmarking.

The question referring to asset allocation and management styles (internal vs. external - Q8) is important in defining the survey structure. Assets are *Internally managed* if the investment decisions, such as stock selection, are made within the organisation (including consolidated and wholly-owned subsidiaries). Assets are *Externally managed* where investment decisions are made by third-party organisations. See below some specific recommendations and definitions (further guidance will also be provided online).

- Funds of funds should be considered externally managed, as the underlying assets are not managed by the fund of funds. Funds of funds and asset owners such as pension funds will perform similar activities in choosing and monitoring the funds they invest in.
- Investment managers that construct an investible universe based on ESG criteria and then outsource to a third party manager for, say stock selection, are still considered to be internally managed.
- Passive managers that seek to replicate broad capital benchmarks (also called indexed or tracker funds) or are dedicated to matching a specific set of liabilities should be listed as *Passively managed*. All others should be listed as *Actively managed*. Note that *Enhanced Passive mandates* that seek to add value over an index while having a low tracking error (i.e. 20 basis points or less) or quant funds should not be listed as passive.
- The breakdown of signatories' assets is by asset class, not by product and/or fund mix. Hence, if an investment manager manages a number of balanced or multi-asset class products with listed equity, fixed income and potentially other asset classes, the relative AUMs in these funds still needs to be separated out – even if approximate – into the different asset classes to allow for appropriate branching and scoring in the survey.

Finally, the survey is seeking to address the active ownership activities across most asset classes. In particular, attention is given to those hedge funds assets that provide investors with an ownership stake and therefore voting and engagement opportunities. This latter question allows the survey to then address the particularities of private

equity firms with listed equities or relationship investors that give particular importance to influencing investees beyond proxy voting and typical engagements.

### ***Governance, policy and strategy***

This section aims to separate the overarching aspects of investors' governance, policy and strategy issues from the implementation of each Principle.

This section asks – by asset class – if there is a policy on responsible investment and consideration of ESG issues and to what extent these policies or approaches have been incorporated into internal management processes. It also looks at who, within the organisation, has a responsibility for ESG issues and how they are trained and incentivised.

Within this section there are two questions that look into how RI approaches guide signatories' activities. These questions will clarify each signatory's definition of 'incorporating ESG issues', which then guides Principle 1 (Q15), and 'active ownership' which guides Principle 2 (Q17). **If signatories do not select certain approaches that are deemed relevant for the implementation of these Principles, the corresponding sections of the survey for Principle 1 and/or Principle 2 will not appear, as they will be deemed irrelevant to them.** Therefore it is crucial that signatories respond to these questions appropriately, based on these explanatory notes, as well as clarifications provided below in the sections of Principle 1 and Principle 2.

It should be noted that this section also covers any type of themed investments. The question on ESG-themed investments is asked to allow the PRI Secretariat to gain a better understanding of which signatories are active in this emerging space. However, these questions are not scored and are for information only.

### ***Principle 1***

Principle 1 looks at the proportion of assets within which signatories incorporate ESG issues into investment analysis and decision-making processes, and to what extent. This section is structured according to how the assets are managed and asset class, and is divided into three sub-sections, which signatories will (or will not see) based on previous responses:

- I. internally and actively managed;
- II. externally and actively managed;
- III. passively (both internally and externally) managed.

The section that addresses internal assets under active management looks at the efforts made to gather and analyse ESG information and integrate ESG considerations into portfolio construction and management. Additional questions probe the extent to which signatories integrate ESG considerations in terms of monitoring and incentivising

staff. The following sections focus on the extent to which external active managers incorporate ESG issues into investment analysis and decision-making processes.

It is important to highlight here that integration typically also takes into account the results of any kind of engagement activities, as described in Principle 2, as part of the research and portfolio construction process.

In a separate question signatories are asked to report on any way ESG considerations may have been implemented in passive management (either internal or external). This question is exploratory in nature and is not scored. Signatories are asked to give detail where possible on efforts to integrate ESG issues in the index construction process.

It is crucial to note that for the purposes of this survey, *integration* is the consideration of ESG issues alongside traditional financial measures, based on the belief that ESG issues can affect the performance (risk and/or return) of investment portfolios.

To clarify, for the purposes of Principle 1 questions, integration is considered to be either:

- Screening based on the belief that exclusion or inclusion of certain investments in the investable universe can have a material effect on the portfolio's financial performance<sup>2</sup>; or
- ESG analysis within individual investment decisions based on the belief that such analysis can have a material effect on the investment's financial performance.

This section will be visible in the survey only to those signatories that choose one (or both) of the above approaches in Q15. Please note that exclusion based on purely ethical or religious criteria or as a way to avoid the reputational impacts of owning an investment is not considered *integration* for the purposes of this survey. If a signatory is investing *solely* based on these exclusionary approach (based on the responses in the GPS section), questions in this section will not appear and will therefore not score in Principle 1.

Based on this definition, when responding to subsequent questions regarding percentage of assets under active management and to what extent integration is being undertaken, signatories are to report only for eligible integration approaches. If signatories run different approaches in their portfolios and some funds or mandates rely solely on exclusion based on ethical criteria (e.g. negative screen by sector) or screening for reputational reasons, these assets should not be counted as *integration* in Q20 and Q22.

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<sup>2</sup> When signatories use norm based screening as a measure of ESG opportunities and risk in their portfolio, they should select this option.

## **Principle 2**

This section is focused on active ownership and is divided into three parts. Signatories will see this section only if it is relevant to their organisation, based on previous answers. It is divided into:

- I. Voting related to listed equity investments:
  - A. by internal staff,
  - B. by external parties (i.e. external service providers or investment managers).
- II. Engagement with listed equity and fixed income issuers.
- III. Ownership and engagement practices for sovereign and other non-corporate fixed income, private equity, non-listed real estate & property, hedge funds, infrastructure, and listed equity with significant control.

Part I addresses voting related to listed investments including filing and co-filing of shareholder resolutions. Voting is now seen as global best practice, and these questions seek to capture these activities.

Part II addresses engagement activities on ESG issues that signatories or third parties may be undertaking on listed equity and corporate fixed income investments. For the purposes of this survey, the term *engagement* refers to interaction between investors and corporate managers with the goal of encouraging better ESG performance by companies or learning more about corporate ESG performance. It does not include voting activities. Such interaction may happen during regular standard company meetings attended both by fund managers and responsible investment analysts. They may occur also between companies and responsible investment specialists only. It should be noted that dialogue with policy makers and regulators to modify laws, rules and regulations should not be considered *engagement* in this part of the survey, and it will be addressed separately in sections relating to Principle 4 and 5.

Engagement activities are also a crucial component of integrating ESG aspects into financial decision making processes and should also be considered when responding to questions related to Principle 1.

Both parts I and II ask signatories to provide some figures about voting and engagement activities (see Q28, Q36, Q39, Q40, Q46). Measurement of intensity and evaluation of effectiveness of engagement activities demonstrates commitment to these activities. Signatories that do not have systems in place to monitor and evaluation engagement activities (specifically Q28 and Q39) would not score as highly as those that carefully monitor these activities.

Part III addresses ownership and engagement practices for other asset classes such as sovereign and other non-corporate fixed income issuers, private equity, non-listed real estate/property, hedge funds, and infrastructure. This third section is necessary because the weight and influence investors may have on their investees is different for publicly listed investments versus other asset classes. Additionally, engagement processes differ when considering other asset classes. Listed equities with significant

control are also listed here since it is assumed that active ownership can influence change more than proxy voting and engagement alone.

### ***Principle 3***

Principle 3 is about ensuring that information relating to ESG issues is disclosed by the companies and other investee entities in which signatories invest, and it is very much connected to and supportive of the activities undertaken under Principles 1 and 2. Questions address:

- Who seeks this information within the organisation (Q53);
- The level of detail and content that is sought (Q54);
- The mechanisms through which the information is being sought (Q55);
- The information that is being sought regarding norms, standards, codes of conduct, etc. (Q56)

It should be noted that questions in this section should be answered based on the perspective of the roles identified in Q53. If more roles are involved, the answers to the questions should be provided based on the weight that the different roles have in managing the portfolio.

### ***Principle 4***

Principle 4 is about the promotion by signatories of the acceptance and implementation of the Principles among clients, service providers, partners, brokers/dealers and other investment industry players (Q59-62). In addition, it is about working with governments, regulators and international bodies to address and promote responsible investment and the consideration of ESG issues within all links in the investment chain (Q63).

This can be achieved in various ways, often by raising ESG issues when interacting with market participants with whom the signatory has commercial dealings. The questions in this section seek to capture the extent to which signatories are seeking to embed the PRI and its philosophy within the whole investment value chain.

### ***Principle 5***

Principle 5 is about collaborating in implementing the Principles. These questions seek to capture the many ways in which signatories can collaborate, for example, by using the PRI Clearinghouse or participating in other investor coalitions. These collaborations may overlap with activities discussed previously in the survey.

This is the shortest section of the survey, but it is a fundamental element of the implementation of the PRI. The implementation of the Principles can be better undertaken collectively than individually, through participating in networks, sharing tools, pooling resources and exchanging best practices. In order to facilitate an effective sharing of knowledge and experiences, investors can support or undertake collaborative initiatives or participate in industry efforts around ESG issues.

Examples of existing investor collaborations are listed in this section of the survey and signatories are asked to evaluate their level of involvement and participation in these collaborative projects.

### ***Principle 6***

Principle 6 is about signatories' own reporting of their responsible investment activities, as opposed to Principle 3 which relates to the reporting of the investees or potential investees. It is essential that signatories are transparent, particularly as investors expect transparency within the companies in their portfolios.

This section addresses signatories' reporting and disclosure on each of the Principles. It looks at Principle 1 (Q71), Principle 2 and proxy voting for listed equities (Q72, Q73), Principle 2 and non proxy voting active ownership activities across all assets classes (Q74, Q75) and the remaining Principles in Q76.

### ***Feedback on the PRI***

This section asks about signatories' experiences of being part of the PRI Initiative and how we as an initiative can improve our support for signatories. Questions in this section are optional and mostly text-based. This is the place where organisations can inform the PRI Secretariat of their achievements and challenges in implementing responsible investment. The Secretariat will keep this information confidential and use it to:

- further develop services and tools that can support organisations in implementing the PRI and;
- identify best practice examples that can be developed into case studies and guidance tools to be shared with other signatories via the annual *Report on Progress, PRI in Practice* on the PRI Extranet or other publications.

This section is not designed for feedback on the survey itself. Signatories can do this in the following section of the survey.

### ***Survey end***

In the final section, signatories may review their responses to the survey prior to submission. Once submitted, responses cannot be changed. Signatories will also be asked for specific feedback on the survey itself.

**Question 85 asks if signatories want to publish their responses on the PRI website, minus the signatory contact details and feedback on the PRI. The PRI Secretariat recommends that these responses be published as way to demonstrate implementation of Principle 6 and enhance transparency of the market.** It should be noted that starting from 2012, as part of a more elaborate review of the assessment process, the PRI will be setting up mandatory disclosure requirements for all signatories.

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We very much appreciate the effort that signatories put into this time-consuming process. The survey is designed to be a valuable tool for the RI/ESG industry as well as for signatories. For this reason, the PRI Secretariat views signatories' feedback on the survey as vital in determining how the following year's survey can be improved, updated and made relevant in a rapidly-evolving industry. Based on feedback that we have received over previous years the decision has been made to start a parallel process next to the 2011 survey for a full review of the current assessment process. Through this review we will be able to address more of the structural issues that have been raised and work towards an even more thorough reporting framework for the industry. At different times in the process we will be asking for your input. One of the moments is in this section, where signatories can provide their comments on this Reporting and Assessment survey and thoughts about future directions of the survey, including the mandatory disclosure that will be coming up.