

REPORTING FRAMEWORK REVIEW: SUMMARY OF THE 2019 CONSULTATION RESULTS

November 2019

PRI MISSION AND PRINCIPLES

PRI'S MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

THE SIX PRINCIPLES

- 1** We will incorporate ESG issues into investment analysis and decision-making processes.
- 2** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4** We will promote acceptance and implementation of the Principles within the investment industry.
- 5** We will work together to enhance our effectiveness in implementing the Principles.
- 6** We will each report on our activities and progress towards implementing the Principles.



As part of our [Blueprint for responsible investment](#) – looking at how to take responsible investment forward over the next decade – we committed to undertake an extensive review of our current reporting assessment process between 2018 and 2021.

The aim of the review is to ensure that the process:

- has a clear and delineated objective of how it will contribute to driving change in the investment industry;
- is fit for purpose;
- remains relevant to evolving responsible investment practices;
- is useful for signatories and the responsible investment market as a whole.

A unique opportunity to shape the Reporting Framework over the next five to 10 years, the review covers the Reporting Framework itself, as well its various outputs

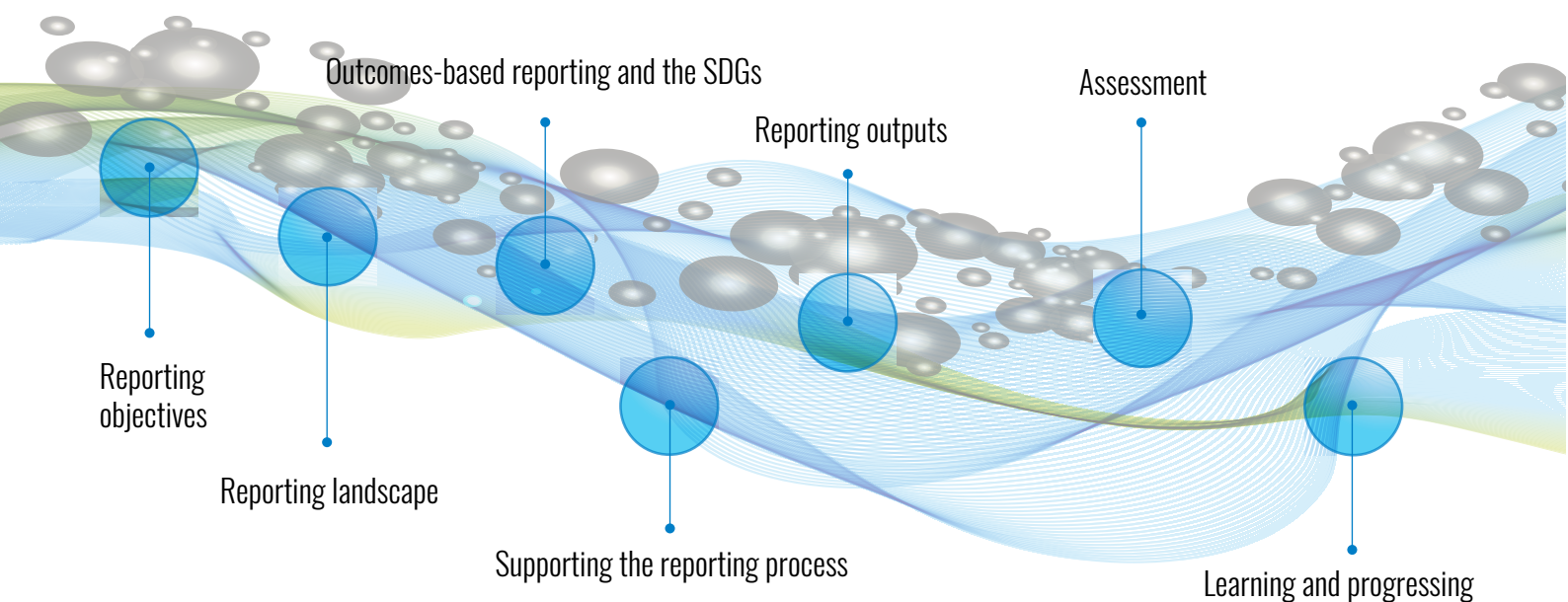
and tools, within the broader context of the responsible investment and ESG reporting landscape, and the requirement to drive more meaningful data throughout markets.

As a first step of the review, the PRI undertook a signatory consultation between March and June 2019. This paper summarises the findings.

METHODOLOGY

Signatory feedback has been captured through an online survey, global workshops and webinars.

The online survey ran for 10 weeks between 6 March and 15 May 2019; invitations were sent out to all PRI signatories, and the survey was promoted using social media. It covered seven different areas related to reporting and assessment:

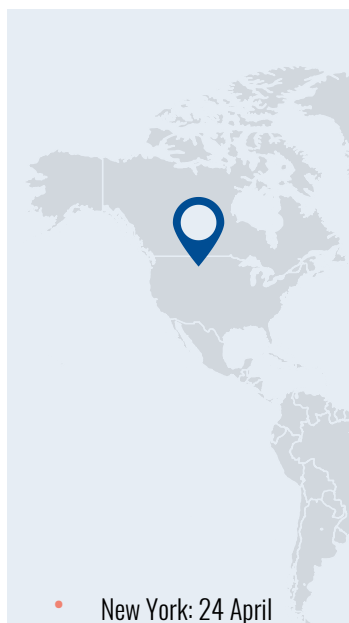


In addition to the survey, we hosted 17 global workshops between 2 April and 6 June to gather in-person feedback on reporting and assessment.

We also held four interactive webinars in May to accommodate signatories in regions we could not visit for

the workshops. One of the webinars was held in Spanish, one targeted service providers and the other two were in different time zones to cover as much of the world as possible. The webinars mainly focused on the feedback from the survey and workshops, but also included polls to capture further feedback from signatories.

AMERICAS



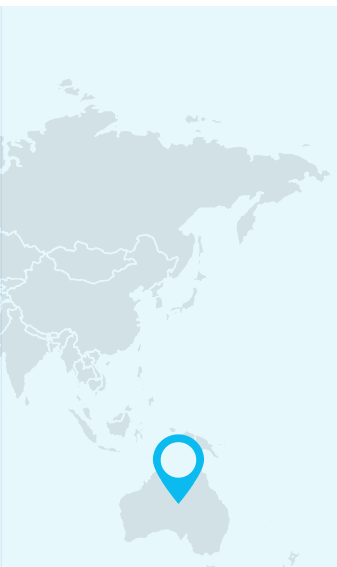
- New York: 24 April
- Montreal: 26 April
- San Francisco: 9 May

EUROPE



- London: 2 May
- Paris: 7 May
- Amsterdam: 8 May
- Stockholm: 7 May
- Copenhagen: 8 May
- Helsinki: 9 May
- Oslo: 10 May
- Frankfurt: 5 June
- Zurich: 6 June

ASIA



- Auckland: 2 April
- Wellington: 2 April
- Melbourne: 4 April
- Sydney: 8 April
- Tokyo: 22 April

GLOBAL

Webinar

- 2 x 15 May
- 1 x 20 May
- 1 x 29 May



PARTICIPATION

In total, over 580 signatories participated in the consultation, representing 24% of our signatory base. Of these, 260 signatories participated in the survey, over 350 participated in the global workshops and 145 in the webinars.



260

Survey:

11% of all signatories



350+

Workshops:

17 cities



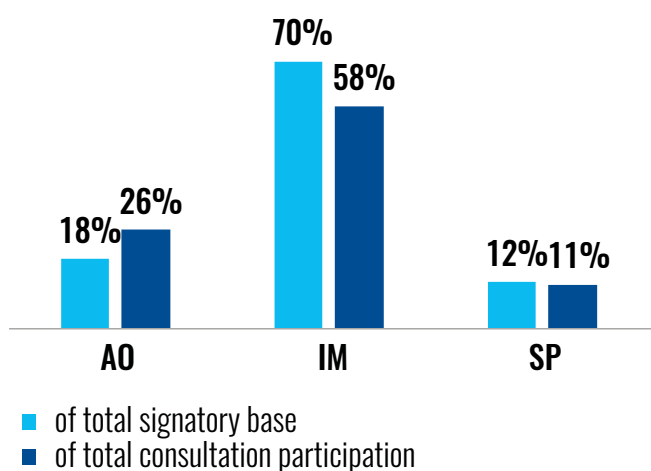
145

Webinars:

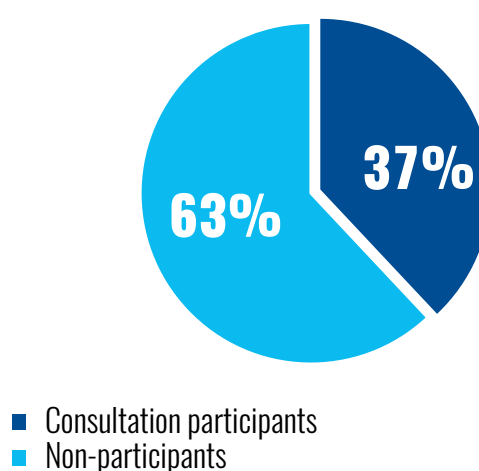
Asia, Americas, service
providers and
Spanish language

The break-down of signatory categories that participated in the consultation reflected the composition of our overall signatory base. We are pleased to have seen such a high degree of engagement from asset owner signatories. Participating signatories represent about 37% of the total assets under management (AUM) of all PRI signatories.

Signatory category representation

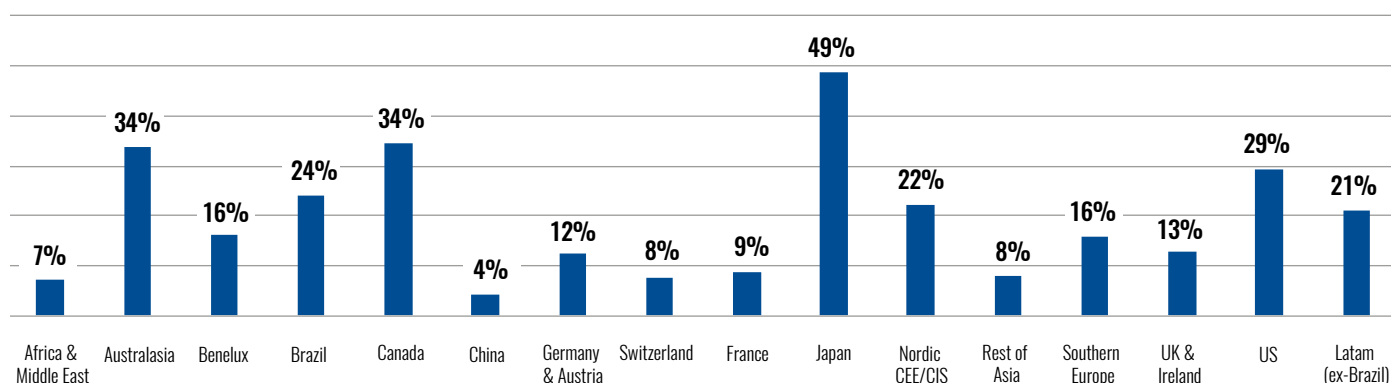


AUM representation



In absolute terms, the US saw the largest number of respondents, followed by Australasia, the Nordics, and the UK and Ireland. Participation as a percentage of the signatory base varied significantly between regions, with especially high participation among Japanese signatories.

Signatory participation as a percentage of the total signatory base in each region



For a full description of the consultation survey questions, please see the consultation papers sent to [investors](#) and [service providers](#). The findings below are based upon aggregated feedback captured in the consultation survey, workshops and webinars.

SUMMARY OF FEEDBACK ON THE CURRENT REPORTING FRAMEWORK

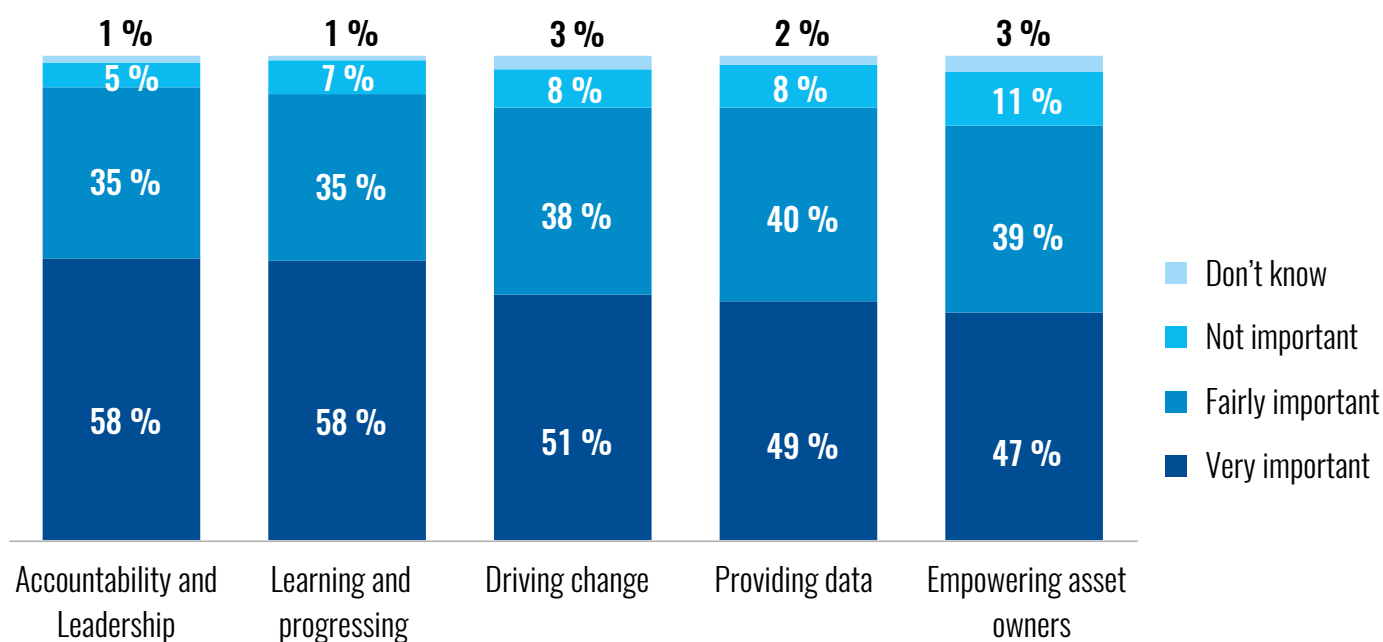
The consultation feedback helped us to identify the strengths of the current reporting and assessment process, and where improvements could be made.

Strengths	Areas for improvement
<ul style="list-style-type: none">• Provides accountability measure to the Principles• Useful for internal processes, e.g. learning about RI and getting buy-in from internal decision-makers• Communication tool for boards and other internal stakeholders to show RI progress• Enables benchmarking	<ul style="list-style-type: none">• Reporting Framework needs to be shorter and more intuitive• The outputs would benefit from being more user-friendly• Tool functionalities could be improved to make the system more reliable and easier to use• SDGs and outcomes-based reporting should be voluntary

REPORTING OBJECTIVES

The current Reporting Framework and its outputs have a number of broad, overlapping objectives. While these are all important, we recognise that there are trade-offs between some of them. As part of the consultation, signatories were asked for their views on the objectives identified, to provide clarity in which to prioritise in future. The feedback is summarised below.

- The survey results showed almost **equal support** for all reporting objectives.
- **Driving change** was often seen as the underlying objective.
- Polls from the webinars show strong support for driving change, internal learning and accountability.
- At workshops, the most commonly cited benefit was learning from reporting and improving internal processes.
- In workshops, signatories also recognised the **risks of the PRI trying to achieve too many objectives at once**, and suggested the PRI should be clear in communicating which ever reporting objectives it chooses to prioritise.



Base: All participants (260) Q1: Indicate the level of importance that your organization places on the following broad objectives of reporting and assessment.

STRUCTURE OF THE REPORTING FRAMEWORK

Signatories expressed a strong preference for a **shorter** reporting process, an easier to understand structure for the new Reporting Framework and a more intuitive tool with improved functionality.

In the workshops, we heard various suggestions for a more tailored Reporting Framework, with optional elements based on signatory maturity. To help with the reporting process, signatories also expressed a desire for more guidance and case studies, as well as to clearly see year-on-year changes to the Reporting Framework to better plan for upcoming reporting.

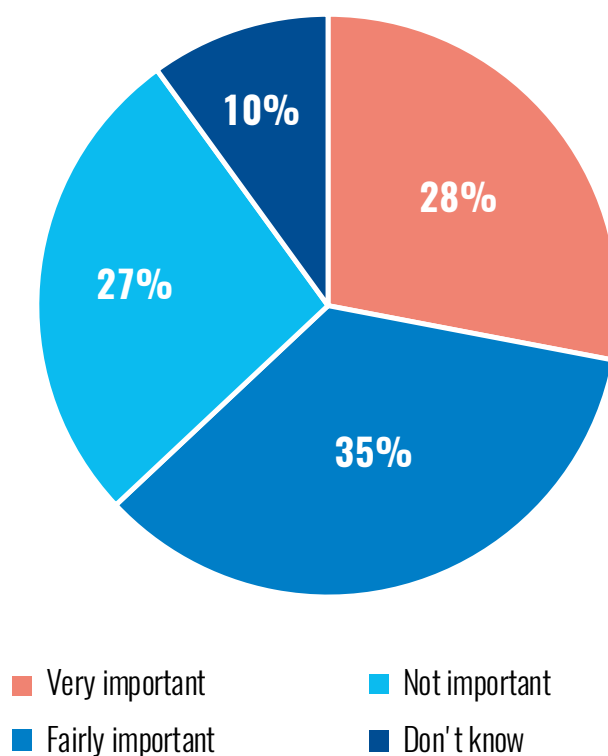
OUTCOMES-BASED REPORTING AND THE SDGS

We asked for signatories' input on introducing outcomes-based reporting, including reporting on the UN Sustainable Development Goals (SDGs), in the new Reporting Framework. This is part of a wider objective, set out in the PRI's **Blueprint for responsible investment**, to help signatories improve their impact on the real world by encouraging investments aligned with the SDGs.

The key points from signatories are set out below.

- Showcasing real-world outcomes through PRI reporting was **supported by two-thirds** of respondents in the survey. Asset owners expressed support for doing so for internal learning purposes, but placed slightly less importance, compared with investment managers, on showcasing outcomes.
- Many signatories **expressed concerns around: the lack of standardised measurement** and how the SDGs fit with their role as fiduciaries, the need to focus on returns and fears of marketing outstripping action.
- There was **limited support for mandatory SDG reporting**. Signatories expressed concern that impact measurement and market practice in this field is still in its infancy.
- Signatories expressed more support for the gradual introduction of **open, voluntary SDG/outcomes-related questions**, and showed interest in **understanding general market trends** in this space.
- There was a strong preference for the PRI to distinguish between outcomes-based reporting, impact investing and other support for the SDGs, and to **provide definitions of key concepts** and **develop robust guidance**.

Importance to showcase real-world outcomes aligned with the SDGs of investments and active ownership to stakeholders



ASSESSMENT

Most signatories agreed on the importance of assessment and that it should continue. Investors mostly focus on comparing themselves to others, identifying strengths and areas for improvement, understanding best practice and communicating their progress back to the public and their clients. Most signatories preferred a combination of absolute and relative (peer) scores at the module level over a combined organisational score, but expressed interest in greater flexibility to select their own peer groups.

Few signatories expressed support for making assessment scores public, and some signatories expressed concern about the robustness of assessment scores and the scope for gaming, especially if scores were publicly disclosed.

REPORTING OUTPUTS

Feedback from the consultation showed that the current outputs are useful for identifying strengths and understanding best practice, and more than 70% of survey respondents use their own Assessment Reports and Transparency Reports.

The use of other signatories' Transparency Reports was less frequent, done by only half of the signatories that responded to the survey, indicating a need for the outputs to be more directly useful to other users. During the workshops, signatories expressed a desire for the outputs to be shorter, more digestible, and available in different formats, and we heard support for customisable outputs to enable more effective internal and external communication.

Many signatories also requested reports that combine scores and responses, instead of keeping the Transparency Report and Assessment Report separate, and suggested more narrative information be included.

The PRI presented the above feedback to the Reporting and Assessment Advisory Committee and the PRI Board in June 2019 for input and guidance on the next steps of the review.

- The board emphasised the need to prioritise among the Reporting Framework objectives, but recognised that each objective plays a part in driving change across our signatory base.
- The diversity of the signatory base is an increasing challenge in creating a Reporting Framework that caters for all. There is a wide spectrum of signatories, from beginner to advanced, and a uniform and prescriptive framework can be difficult for organisations working within specific regulatory environments. It is therefore important that the new Reporting Framework be as flexible and inclusive as possible.
- The PRI should aim to differentiate between types of signatory reporting, while still capturing trends across the whole signatory base. One possible means of doing so is a modular or cumulative framework, based on mandatory and voluntary modules, which separates mainstream processes from more innovative practices. The mandatory, process-based modules would simplify and reduce reporting for the whole signatory base, while voluntary modules that explore more innovative and detailed practices could be added as building blocks to cover signatories' specific interests.
- The board recommended exploring new reporting tools that could improve the reporting process.

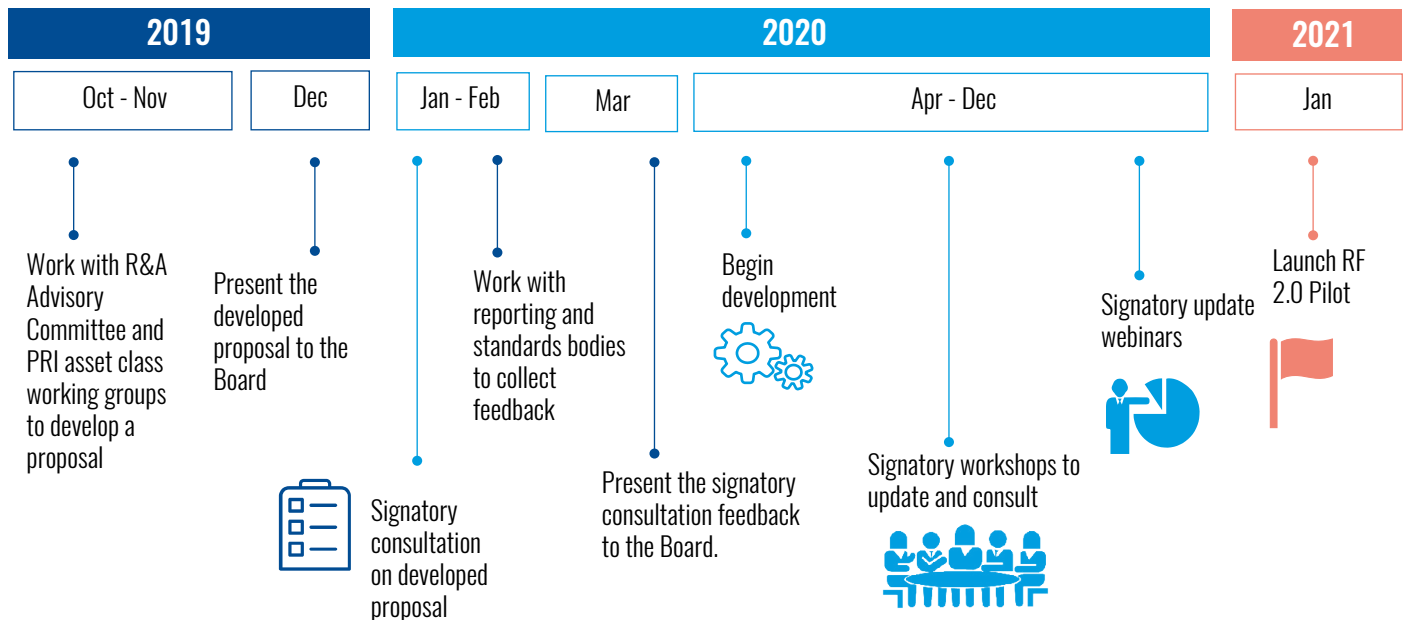
The board will continue to be deeply engaged in setting the direction of reform, as well as overseeing its implementation.

4.

NEXT STEPS

In addition to a comprehensive IT systems review, the PRI is using the feedback from signatories and the board to develop a detailed proposal for a new, improved Reporting Framework and more user-friendly outputs, involving the Reporting and Assessment Advisory Committee and other reporting and standards bodies to collect feedback and test feasibility.

Subject to board approval in December, we will open the proposal to consultation with signatories in January and February 2020. Throughout the development of the new Reporting Framework, based on this consultation, we will hold webinars and workshops to update and further consult signatories on developments in 2020. The aim is to publish a pilot of the new Reporting Framework in January 2021.



We welcome questions about, or comments on, the consultation. Please contact reporting@unpri.org.

The Principles for Responsible Investment (PRI) Initiative

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org



The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org



UN Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

