

PRI REPORTING FRAMEWORK

Overview and Guidance

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UNEP Finance Initiative
Changing finance, financing change

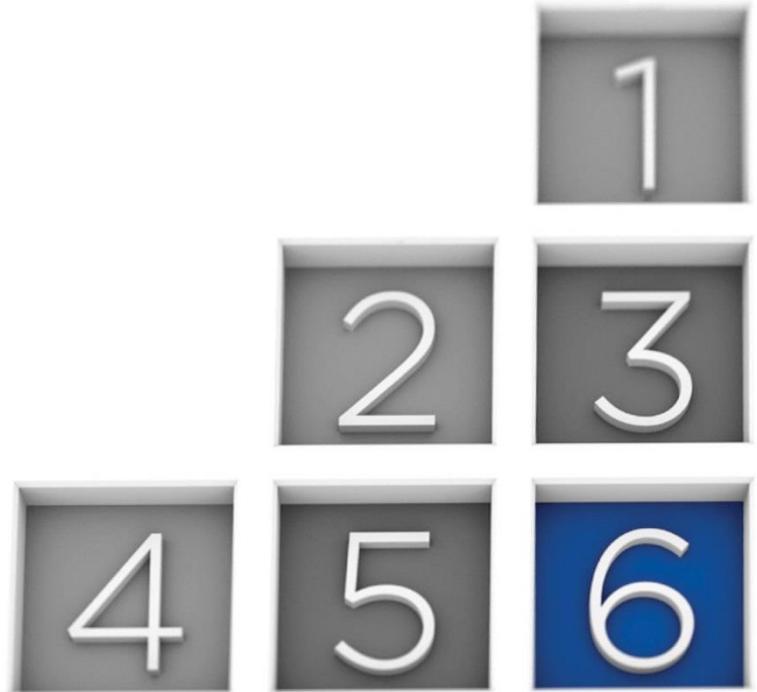
An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact



United Nations Global Compact

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.



This Reporting Framework is intended to promote the application of Principle 6 of the Principles for Responsible Investment (PRI). The PRI Initiative was launched by the United Nations in 2006 after former UN Secretary-General Kofi Annan brought together a group of the world's largest institutional investors, academics and other advisors to draft a set of sustainable investment principles. At the heart of the six Principles for Responsible Investment is the premise that investors have a duty to act in the best long-term interests of their beneficiaries and this means taking into account environmental, social and governance factors.

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Preface

The Framework is a product of the PRI's global signatory base and PRI thanks our signatories for their contributions of time, energy and professional expertise during the redevelopment of the Reporting Framework. More than 350 signatories participated in the voluntary pilot in 2012, providing PRI with more than 1,000 items of feedback and other suggestions to guide us towards delivering the world's leading transparency and disclosure framework for responsible investment.

The members of the [Reporting and Assessment Advisory Committee](#) (RAAC) and the many asset class and regional advisory groups have also supported the PRI to guide the development of the framework in a constantly evolving industry.

The PRI Reporting Framework has three main components:

1. Introduction to the PRI Reporting Framework (this document, which provides a brief overview of each module and outlines the scope and principles behind the reporting process)
2. Main Definitions
3. 13 individual modules (including explanatory notes and indicator-specific definitions).

This document, the first of three, is divided in two main sections:

- Overview, which helps signatories understand the main goals and characteristics of the Reporting Framework; and
- Reporting Guidelines, which highlight the scope and general approach towards reporting on the Framework.

Overview of the Reporting Framework

Objectives of the Framework

The Reporting Framework has three key objectives:

To be an accountability tool for the PRI and its signatories.

Signatories have committed to invest in a manner that demonstrates their implementation of the six Principles. To facilitate this, PRI generates reports based on signatory responses to the Reporting Framework to help them demonstrate how they are meeting these commitments.

To provide a standardised transparency tool for signatories' own reporting.

The Framework allows signatories to report their progress in a systematic and consistent manner and provides them with a number of outputs to share with stakeholders.

To provide feedback to signatories on their progress in responsible investment, facilitating learning and development.

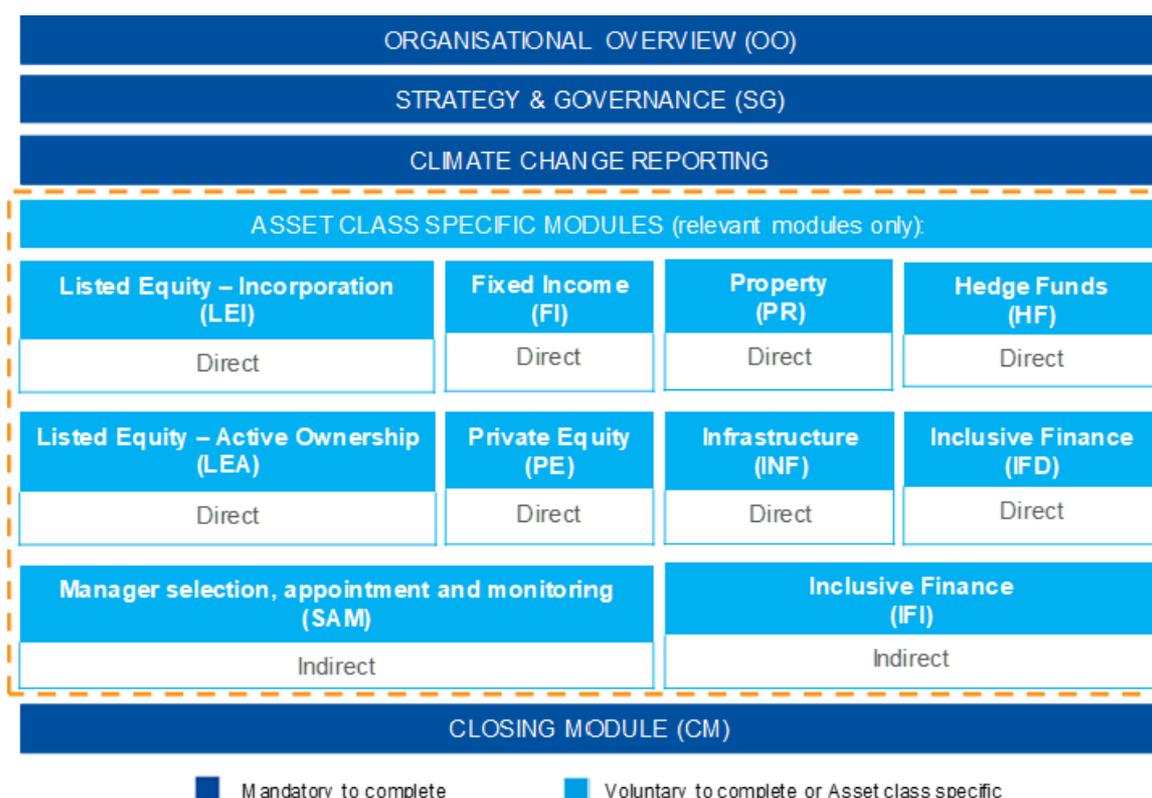
Signatories will gain a better understanding of where their organisation sits in relation to peers and competitors at the local and global level, across asset classes and over time. Feedback will help signatories identify and prioritise areas for improvement and stimulate dialogue between clients and managers on responsible investment activities and processes.

Structure of the Framework

Module set up

The Reporting Framework is comprised of 13 modules. There are general modules for all signatories and asset-class specific ones. As a rule of thumb, it is only mandatory to complete a module if you have 10% or more of your assets under management (AUM) in that asset. If you wish, you can also report on any other modules voluntarily. An average signatory can expect to complete five modules, including the Organisational Overview (OO), Strategy and Governance (SG) and Closing Modules (CM).

Relevant modules are split between 'direct' and 'indirect'. 'Direct' modules cover activities that are conducted in house by the signatory or via a service provider. 'Indirect' modules cover a signatory's selection, appointment and monitoring process of external managers. The term 'service providers' is used throughout the Framework to mean organisations offering services to investors, but not the external management of an organisation's assets. These latter providers are referred to as 'external managers'.



While the PRI has not yet developed modules for forestry, farmland and other asset classes, you can report your approach on these asset classes in either the Strategy and Governance (SG) module or the Indirect – Manager Selection, Appointment and Monitoring (SAM) module.

Introducing the 13 modules

This section provides a brief introduction to the 13 modules that make up the Framework and offers overarching guidance on where to report particular types of activity.

Core Modules (OO, SG, CM)

Organisational Overview (OO)

This module requests basic information about the reporting organisation and is mandatory to complete. It functions as a filter, with responses determining which indicators will be completed in later parts of the Framework. It will allow stakeholders to understand the reporting organisation and will help to define peer groups. For example, this module requests information about asset mix.

Strategy and Governance (SG)

This module looks at an organisation's overall approach to responsible investment (i.e. governance, responsible investment policy, objectives and targets, resources allocated to responsible investment and approach to collaboration on responsible investment and public policy-related issues) and the incorporation of ESG issues into asset allocation.

It is mandatory for all signatories to complete, except those that have also signed the Principles for Investors in Inclusive Finance (PIIF) and for whom Inclusive Finance comprises over half of their total AUM.

In 2018, the PRI introduced TCFD-aligned indicators to the Reporting Framework in the Strategy and Governance module. From the 2020 reporting cycle, climate indicators within SG 01 CC, SG 07 CC and SG 13 CC will be mandatory to report on. These will be voluntary to disclose and will not be assessed. Responses will be accessible in the form of a stand-alone climate transparency report which will assist your organisation in aligning with the TCFD recommendations.

Closing module (CM)

This module allows you to indicate whether you have conducted any confidence building measures of the information reported to the PRI. This includes internal reviews, internal audits or external third party assurance. The module also invites you to provide feedback on the PRI Reporting Framework and gives you the opportunity to review the information you have reported before you submit.

Indirect Modules

Indirect – Manager Selection, Appointment and Monitoring (SAM)

This module is designed for investors who outsource some or all of their investment activities to external managers. This includes investment managers that run multi-manager or fund-of-fund structures. If the reporting organisation appoints asset consultants (and/or fiduciary managers) to support them in selecting, appointing and monitoring external managers, it will also be possible to report on those activities here.

Investors who have externally managed listed equities but engage and/or vote in-house on these assets, or who instruct separate service providers to vote and/or engage on their behalf, should report these activities within the Listed Equity Active Ownership (LEA) module.

This module contains general and asset class specific indicators. For listed assets (Fixed Income –and Listed Equity) and non-listed assets (Private Equity, Property and Infrastructure) there are dedicated pathways within the module.

Activities relating to externally managed Inclusive Finance investments should be reported in the Indirect – Inclusive Finance (IFI) module. General policies which apply to both inclusive finance and other investments should be reported in SAM.

Direct modules (LEI, LEA, FI, PR, INF, PE, HF)

The direct modules are designed for organisations that implement responsible investment directly for at least some of their assets. If external managers are exclusively used to implement responsible investment, these modules are not applicable, with the exception of Direct - Listed Equity Active Ownership which may be applicable if service providers are used for engagement and/or voting activities.

Direct – Listed Equity

Indicators covering the direct investment approach in listed equity are divided into two modules:

- *Direct - Listed Equity Incorporation (LEI)*
- *Direct - Listed Equity Active Ownership (LEA)*

Indirect investors in listed equity will report their approach in *Indirect – Manager Selection, Appointment and Monitoring (SAM)*, but may also complete LEA if they carry out engagement and/or (proxy) voting activities for those holdings using in-house staff, specialised service providers or in collaboration with other investors.

Direct – Listed Equity Incorporation (LEI)

This module asks for information about how reporting organisations incorporate ESG issues in their internally managed listed equity holdings.

Direct – Listed Equity Active Ownership (LEA)

This module is split into two sections to cover engagement and (proxy) voting. It enables organisations to report on:

(a) their own engagement activities (i.e. engagements conducted by internal staff, both collaboratively and individually) or any engagement activities undertaken on their behalf by service providers; and

(b) the (proxy) voting and shareholder resolutions they, or service providers, decided upon.

LEA does not cover engagement and/or (proxy) voting activities carried out by external managers on behalf of investors. These activities should be reported in the *Indirect – Manager Selection, Appointment and Monitoring (SAM)* module.

Direct – Fixed Income (FI)

The PRI Reporting Framework’s Direct Fixed Income module was redeveloped in 2015 following extensive consultation with signatories. While the old fixed income module largely mirrored the listed equity module, the new module uses a more tailored set of indicators to capture responsible investment activity in fixed income more comprehensively.

- The fixed income categories have changed from:
 - FI Corporate
 - FI Government
 - FI Other
 - Private Debtto
 - SSA – sovereign, supranational, sub-national and agency
 - Corporate (financial)
 - Corporate (non-financial)
 - Securitised

Please note: Debt components of property, infrastructure have moved into the fixed income module

- The structure of the module is similar to other asset class-specific modules in the Reporting Framework:
 - Overview of responsible investment approach
 - Implementation processes used
 - Breakdown of different implementation processes
 - Outputs and outcomes
 - Communication

Direct – Property (PR)

This module seeks information from signatories that invest or co-invest directly in property via non-listed equity or debt. Organisations that invest in non-listed property funds or fund-of-funds via external managers should report these activities in the *Indirect - Manager Selection, Appointment and Monitoring (SAM)* module.

Any activity regarding listed property investments should be reported in the *Direct – Listed Equity Incorporation (LEI)* and *Direct – Listed Equity Active Ownership (LEA)* modules in the same way as any other listed equity investments would be reported.

Please note: Debt components of property have moved into the fixed income module

Direct – Infrastructure (INF)

This module seeks information from signatories that invest or co-invest directly in infrastructure (either physical assets or operators/special purpose companies) via non-listed equity or debt.

Organisations investing in non-listed infrastructure funds by selecting a general partner/manager or investing through fund-of-fund structures or non-listed infrastructure operators and development companies that make investment decisions on their behalf should report in the *Indirect – Manager Selection, Appointment and Monitoring (SAM)* module.

Organisations investing in listed infrastructure should report these activities in the *Direct – Listed Equity Incorporation (LEI)* and *Direct – Listed Equity Active Ownership (LEA)* modules in the same way they report all their other listed equity investments.

This module remains voluntary to complete for all signatories during the 2020 reporting cycle while the PRI gathers additional information about approaches to responsible investment in this asset class. If an organisation decides to complete this module, they will need to complete all *mandatory to report* indicators and their responses to indicators marked *mandatory to disclose* will be included in their RI Transparency Report.

Please note: Debt components of infrastructure have moved into the fixed income module.

Direct – Private Equity (PE)

This module is for signatories who invest directly (including as a co-investor) in private equity portfolio companies either as a general partner (GP), PE fund manager or limited partner (LP).

Signatories should not report their property and infrastructure investments in this module but in the *Direct – Property (PR)* and *Direct – Infrastructure (INF)* modules.

Investments in publicly listed companies are typically reported in the *Listed Equity – Active Ownership (LEA)* and *Listed Equity – Incorporation (LEI)* modules but may alternatively be

reported in this module when PE investors have a strategy aimed at securing significant control of listed equity holdings. We strongly advise that investments in private debt are reported in the Fixed Income module.

Direct - Hedge Funds (HF)

The Hedge Funds module has been developed to provide a comprehensive and forward-looking set of indicators. In places, the indicators concern fairly advanced practices, including practices which the PRI expects will become more common as signatories make progress as responsible investors in this investment strategy. It is mandatory for all PRI signatories to complete this module if more than 10% of their assets under management (AUM) are directly invested in hedge funds. This module is currently not assessed.

Inclusive Finance modules (IFI, IFD)

These modules accommodate reporting on the Principles for Investors in Inclusive Finance (PIIF). For this reason, indicators refer directly to the PIIF principles.

The PIIF modules are mandatory for signatories to the PIIF, irrespective of the proportion of their total AUM invested in inclusive finance. They are voluntary for all other signatories.

Indirect – Inclusive Finance (IFI)

This module covers inclusive finance investments managed on your behalf by a third party. To ensure consistency with the SAM module indicators are grouped by selection, appointment and monitoring of external managers.

If an organisation also completed the SAM module, they are advised to report here only specific, distinct policies regarding your investments in inclusive finance to avoid duplication.

Direct – Inclusive Finance (IFD)

This module covers all direct Inclusive Finance investments, whether in the form of equity, debt or guarantees.

Signatories that have signed the Principles for Investors in Inclusive Finance (PIIF) and hold more than 50% of AUM directly in Inclusive Finance can choose not to report to the *Strategy & Governance (SG)* module and can instead describe their approach in a specific indicator in this module.

Indicator characteristics

Mandatory and voluntary indicators

For PRI signatories, each module contains both mandatory and voluntary to report indicators. The Reporting Framework requires mandatory public disclosure of most indicators relating to core practices or activities. However, in addition, a certain amount of information is required to identify which indicators are relevant for a particular signatory, and some indicators also refer to advanced or uncommon practices. For this reason, there are three types of indicators in the Framework:

- *Mandatory indicators* [~44% of all indicators]: Mandatory to report, mandatory to disclose. These reflect core practices and capture the essence of your implementation of the Principles. Responses to mandatory to disclose indicators will be made public.
- *Voluntary indicators* [~46% of all indicators]: Voluntary to report, voluntary to disclose. These typically reflect alternative or advanced practices. Signatories can choose whether to complete these indicators and whether to make the responses public.
- *Mandatory to report, voluntary to disclose* [~10% of all indicators]: These indicators gather information about activities to enable comparison with peers or to act as “gateway” indicators to determine which modules and indicators are applicable to be completed later. However, they may request confidential or commercially sensitive information and are therefore voluntary to disclose.

Closed ended and open ended indicators

The Reporting Framework captures information in a combination of closed ended (multiple choice) and open ended (free text) indicators. These are used for different purposes:

- *Closed ended indicators* capture information in a standardised and easy to analyse way. Many indicators in the Framework have been designed in this way, with the goal of collecting information on responsible investment implementation. This will help to develop a common language and KPIs for discussion and monitoring. In addition to this, some closed-ended indicators are used to identify types of investor for peering and analysis purposes, and to tailor the indicators that responders will be presented with in the online tool. Importantly, all closed ended indicators have a section called “Additional Information” which enables reporting organisations to contextualise their response, or add additional details to more fully capture their responsible investment implementation.
- *Open ended indicators* allow responders to describe their responsible investment implementation in free text, providing narrative information which may not be captured by closed ended indicators.

- *Mixed indicators* are indicators that are a mixed of close ended and open ended indicators (beyond the 'Additional Information' free text).

Purpose of indicators

The Reporting Framework has been designed to enable a diverse set of investors to follow their own pathway, determined by their specific characteristics and practices.

The information in the Framework will be used by the PRI to produce an assessment report for individual signatories. The results of this assessment will be presented in both absolute terms, and relative to peer groups.

Indicators in the Reporting Framework therefore have a number of purposes, which are clearly labelled throughout the Framework. The following categories are used:



Gateway: The responses to these indicators in the online tool 'unlock' other indicators or modules if they are relevant for the reporting organisation.



Peering: These indicators are used to determine peer groups.



Core assessed: These indicators form the core of the assessment, and represent the majority of the final assessment score.



Additional assessed: These indicators represent more advanced or alternative practices and contribute to a smaller part of the score.



Descriptive: These are often open-ended narrative indicators.

These purposes at times overlap, but within the Reporting Framework, indicators that describe responsible investment represent ~87%. The remaining ~13% cover gateway and peering information that does not describe responsible investment but is necessary for the right indicators to be presented to the reporter.

Implementation guidance

This section provides guidance on producing a report that is representative of an organisation's overall approach to Responsible Investment. To supplement the guidance in this section, reporting organisations should also view the [Main Definitions document](#), which explains key terms used across the Reporting Framework.

Reporting scope

Determining your signatory category

In some cases, a signatory may not fit clearly into the AO or IM classification, in which case the PRI will work with them to decide which kind of organisation they should sign up as. This is usually the case with group entities with multiple AO and IM subsidiaries. Typically, a signatory would join as an AO or IM depending on whether the greater amount of assets sits within the IM or AO business.

Consolidated reporting

When determining the scope of reporting, responding organisations – Asset Owners (AOs) or Investment Managers (IMs) - should report on the total consolidated AUM of the entity that is the PRI signatory, including any subsidiaries that are more than 50% owned by the parent entity. All the AUM of majority owned subsidiaries should be included in the total AUM figure reported by the parent entity.

There are some exceptions to the above:

1. An AO that majority owns an IM can exclude funds managed by subsidiary Investment Managers on behalf of third parties from their reported funds. This is designed to give AOs the option to report only on funds managed on behalf of their own beneficiaries.
2. If a subsidiary of a signatory is also a signatory to the PRI, the subsidiary will have to complete the Framework separately for their own total AUM, including any funds managed on behalf of their parent entity and other clients. In this case, the parent entity is still encouraged to report its consolidated AUM (hence still describing the activities of its subsidiary in its consolidated report) but it also can choose to exclude funds managed by the subsidiary from its own reported total AUM figure [OO 04.2] and hence from all the activities reported. An additional sub-indicator [OO 04.3] will be presented which will ask for the AUMs of excluded subsidiaries.

Direct or indirect assets under management

If a subsidiary manages funds on behalf of the parent entity, generally these funds should be reported as internally managed by both the parent entity and by the subsidiary entity. However, in cases where the parent entity has very limited or no operational control over the subsidiary (for example, if the subsidiary has independent governance), then the funds placed with the subsidiary may instead be reported as externally managed. In this case, the parent entity would report on the selection, appointment and monitoring of the subsidiary, rather than reporting their activities as 'in house'. The approach should only be reported as externally managed if the parent entity could reasonably select other managers in place of the subsidiary, if required.

If you do not report consolidated assets as internally managed, but you choose to report them as externally managed due to the "independent" interpretation presented above, please clarify this in the Additional Information box in indicator OO 06. In indicator SAM 01, if applicable, please clarify that among the assets you are reporting how you select, appoint and monitor, you include assets that are managed by companies that your organisation owns.

Mergers and acquisitions

In the case of significant changes to the structure or ownership of an organisation during the reporting year, such as merger and acquisition activity, the signatory may choose whether to report the activity of the entire new entity, or during the transition (for a maximum of one reporting period), report the activities of the original signatory organisations separately. In the latter case it is recommended that the subsidiary signatory completes their reporting before delisting.

In each case above, the reporting organisation should use indicators OO 04 to explain the approach that was taken and this approach should be reflected in their responses across all modules and indicators. All indicators offer the ability to provide additional explanatory information using open-ended response fields. Please contact reporting@unpri.org if you fall under this scenario to ensure that your interpretation of reporting is correct and for the R&A team to ensure that we can build your outputs accordingly.

Reporting year

This refers to the 12-month period for which the reporting organisation is providing information. The reporting year may be the normal financial reporting year, or a period that has been selected specifically for the Framework.

'Reporting year' should not be confused with the 'reporting period', which is the period for which the online reporting tool is open.

Faithful and accurate reporting

To achieve its objectives, the information provided by signatories must give a full and faithful representation of their approach to responsible investment. Signatories should disclose all relevant activities mandated by the Framework accurately, irrespective of where they are on the journey to implementing the Principles.

Indicators should be completed with reference to the responsible investment implementation across the entire organisation, not the practices followed by any specialist ESG funds.

The PRI encourages reporting organisations to disclose how they have reviewed and validated the information contained in their submission. The approach can be explained in indicator CM 01.

Interpretation of the Indicators

Systematic or occasional application of processes

The terms 'systematic' and 'occasional' are also used within the Reporting Framework. The exact interpretation will vary depending on the type of process being described, but in general the term systematic should be used to describe planned processes that have been designed to cover all material issues or factors, and which are carried out by all relevant staff. 'Occasional' should be used to describe ad-hoc processes, which are not a routine part of day to day operations, or which are carried out by some, but not all, relevant staff.

'Typical' or 'characteristic' approach

Some indicators refer to specific actions in a reporting year, while other indicators refer to a 'typical' process. These may be indicators that address general policies, or actions that occur infrequently, to the extent that only reporting on an activity in the reporting year would not be fully representative of an organisation's approach to responsible investment.

An example of the latter type is indicator SAM 06. This indicator addresses the types of activities that an investor typically undertakes during the manager selection process. However, the investor may not have selected any managers during the reporting period. The purpose of this indicator, and others throughout the Framework that have the same format, is to elucidate a responder's customary, typical, normal, usual or most common approach. This is the standard procedure in the organisation, or the procedure that is followed unless there are compelling reasons not to do so. Responding organisations should exercise professional judgement to select the response that is most representative of their approach. Indicators always give the opportunity to explain the approach in more detail in the 'Additional Information' section at the end of the indicator.

Reporting on multiple strategies within an asset class

In most modules the indicators cover a specific subset of the reporting organisation's AUM that is invested in that specific asset class, or subject to a particular RI strategy. This has implications for how a responder defines 'typical' or 'characteristic' approaches when reporting in those modules.

For example, if a responder reports that 20% of their AUM is invested in private equity, they will be required to respond to the *Private Equity (PE)* module. Within this module, their 'typical' approach refers to the approach that is typically applied to private equity assets specifically.

A similar approach should be applied to indicators that refer to specific strategies within an asset class. For example, in the *Listed Equity Incorporation (LEI)* module, an organisation may apply a screening strategy to 30% of their total listed equity assets. When completing indicators that address their screening strategy specifically, responders should consider only the listed equity assets to which they apply a screening strategy.

Many organisations completing the framework will use more than one investment process within an individual asset class, or within a strategy within an asset classes. For example, they may have several different fundamental equity strategies that take different approaches to ESG issues. Some portfolios may apply different approaches according to client mandates (e.g. different types of screening).

In these situations, the organisation may not have an underlying approach to ESG issues that is common across all portfolios and mandates. Reporting organisations should complete the indicators with reference to the approach that is followed the most widely across their AUM.

Defining the typical approach is a matter of professional judgement. Responders should bear in mind the Framework's objective to deliver a level of transparency that provides an accurate representation of the organisation's approach to responsible investment. Differences in approach between different strategies, or parts of an organisation, can be explained in the 'Additional Information' boxes provided.