

## PRI Assessment Methodology June 2016

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This is an overview of the assessment methodology for the PRI Reporting Framework. It outlines how indicators will be aggregated to produce an overall module score and performance band for each signatory. A detailed document explaining the assessment of each indicator can be found [here](#).

The assessment methodology and individual signatory assessment reports were piloted for two reporting cycles in 2014 and 2015. An overview of feedback received and an overview of the changes is summarised [here](#).

More information about the process followed by the PRI to develop the assessment methodology is available in the [Development and Governance of the PRI Reporting and Assessment Process](#) document. For further information please visit the [PRI website](#).

Signatories will receive their assessment report in June 2016, based on responses they submitted during the 2016 reporting period. PRI will not publish the assessment reports in 2016 however signatories can publish or share this report. Should they choose to share/publish, they must:

- refer to the PRI assessment methodology
- refer to their full Assessment Report if only a section is published
- refer to their Transparency Report
- take every care not to represent scores out of context

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## Assessment Aims

The assessment methodology and assessment report together aim to achieve three objectives set by the PRI Advisory Council, the Reporting and Assessment Advisory Committee (RAAC) (formerly the Assessment Technical Committee (ATC)) and signatories that participated in earlier consultations on the new Framework:

1. Facilitate learning and development, outlining how the implementation of responsible investment within signatories compares year-on-year, across asset classes, and with peers at the local and global level;
2. Identify areas for further improvement; and
3. Facilitate dialogue between asset owners and investment managers on responsible investment activities and capabilities.

The PRI recognises that there are many valid approaches to responsible investment and signatories are at different stages of implementing the Principles. Some are just starting to develop their policies while others already have detailed policies, processes and resources in place. The intention of the assessment methodology is to reflect different stages of implementation in broad terms using four standardised performance bands, rather than make judgements about small differences between signatories at similar levels of implementation.

## Assessment Design Principles

During several consultations on the new assessment methodology in 2012 and 2013, the ATC and signatories made it clear that the design of the scoring system should be as easy to understand as possible. With this goal in mind, the methodology has been designed as follows:

- Each of the 10 assessed modules will have a consistent scoring approach;
- Equal weighting will be applied to individual indicators (where indicators include information about different practices, the practices will be assessed separately but will be weighted equally);
- Only closed-ended indicators were assessed during the 2013/14 and 2014/15 pilot (open-ended indicators may be considered for assessment in future years); and four standardised performance Bands (A, B, C and D) were used to communicate signatories' performance at the module level. Two new bandings were introduced from 2015:
  - an additional band was created for the signatories scoring above 95% in a module to distinguish and provide more granular feedback to top scoring signatories (A+).
  - signatories that do not implement responsible investment for an asset class will be put into a separate band from those who are active, but in early stages of developing processes to separate the two groups and provide more contextual feedback (E).

# Assessment Methodology

## Overview

Each module will contain two types of assessed indicators:

- **Core assessed:** all signatories will be assessed on these indicators and they will make up the majority (~75%) of their overall assessment score for each module. These indicators will frequently, but not always, be mandatory to disclose. Completing these indicators and demonstrating advanced levels of implementation will enable a signatory to reach the third-highest performance Band (B); and
- **Additional assessed:** signatories can generally complete these indicators if they wish (i.e. they will usually be 'voluntary to report') and they will provide an opportunity to demonstrate more advanced stages of implementation or reflect alternative practices. Scores from these indicators can only add to the final score for each module, and when combined with their scores on core assessed indicators, have the potential to push signatories into a higher performance band (see 'Assessing and Discarding Additional Indicators' below). To achieve the highest possible Bands (A and A+), a signatory will need to complete and score well on some, but not all, of these indicators.

Further indicators will capture information to enable comparison of signatory responses (known as 'peering indicators') while others will help determine whether a signatory needs to complete further indicators or sub-indicators in later stages of the framework (known as 'gateway indicators'). Although these indicators will not be assessed, they may impact which assessed indicators signatories complete and the types of organisations they will be peered against. Both types of indicator will always be mandatory to report but will only be mandatory to disclose where appropriate.

## Indicator Scoring

Signatories will receive a score for each 'core assessed' and 'additional assessed' indicator in every relevant module in four categories, ranging from ☆☆☆ (no stars) to ★★★ (three stars). For binary indicators with only 'Yes'/'No' response options, these will be the only two scores available.

## Indicator Scorecard

An indicator scorecard will summarise the scores achieved for all 'core' and 'additional assessed' indicators completed within a module on an absolute basis. It will also provide basic information about the relative performance of the organisation compared to other signatories for which that indicator is relevant. When less than eight signatories respond to an indicator, the median peer score will not be displayed to protect confidentiality. A sample scorecard is presented below.

|                    |   |
|--------------------|---|
| <b>Module</b>      | STRATEGY AND GOVERNANCE   |
| <b>Total Score</b> | 25 ★ (out of a maximum 30 ★ from 10 <sup>+++</sup> indicators including the following additionally assessed indicators: SG 10, SG 18, SG 07b) |
| <b>Band</b>        | A   |

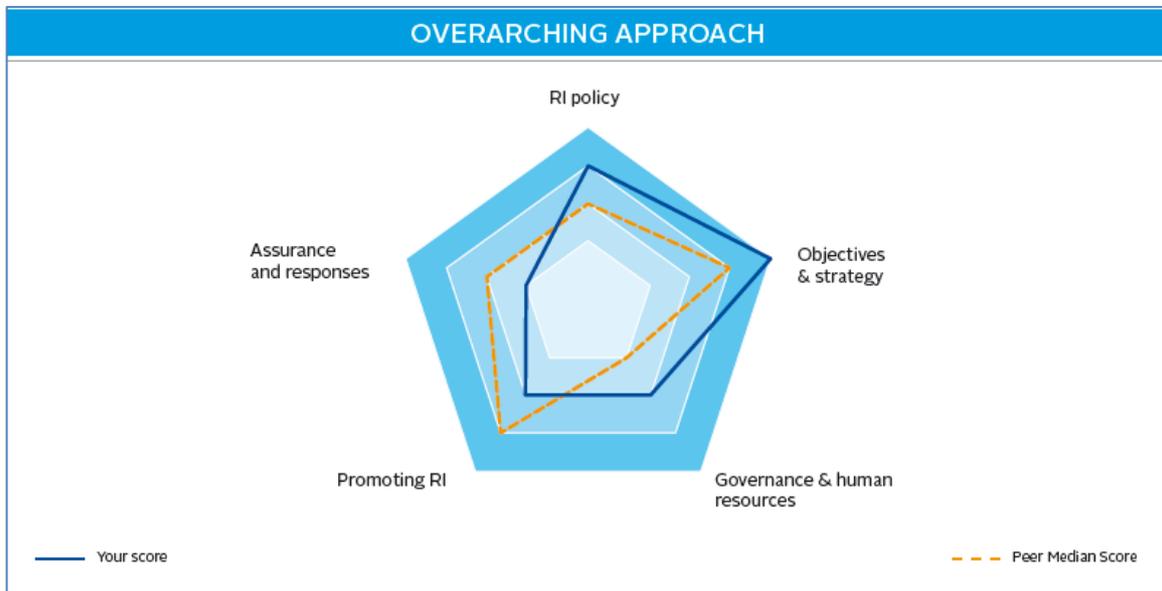
| SECTION                      | INDICATOR |            |  | MEDIAN PEER SCORE (# peers) | YOUR SCORE |    |
|------------------------------|-----------|------------|--|-----------------------------|------------|----|
|                              | NUMBER    | TYPE       | TOPIC  |                             |            |    |
| RI POLICY                    | SG 01     | CORE       | RI Policy and coverage                             | ★★★ (1061)                  | ★★★★       | —  |
|                              | SG 02     | CORE       | Publicly available RI policy or guidance documents | ★★☆ (1061)                  | ★★★★       | —  |
|                              | SG 03     | CORE       | Conflicts of interest                              | ★★★ (1061)                  | ☆☆☆        | ⬇️ |
| OBJECTIVES & STRATEGIES      | SG 04     | CORE       | RI goals and objectives                            | ★★★ (1061)                  | ★★★★       | —  |
| GOVERNANCE & HUMAN RESOURCES | SG 06     | CORE       | RI roles and responsibilities                      | ★★★ (1061)                  | ★★★★       | —  |
|                              | SG 07a    | ADDITIONAL | RI in performance management & rewards             | ★★★ (1061)                  | ☆☆☆        | —  |
|                              | SG 07b    | ADDITIONAL | RI in personal development / training              | ★★☆ (1061)                  | ★★★☆☆      | —  |
| PROMOTING RI                 | SG 08     | CORE       | Collaborative organisations / initiatives          | ★★☆ (1061)                  | ★★★★       | —  |
|                              | SG 09     | CORE       | Promoting RI independently                         | ★★★ (1061)                  | ★★★★       | ⬆️ |
|                              | SG 10     | ADDITIONAL | Dialogue with public policy makers                 | ☆☆☆ (1061)                  | ★★★★       | —  |
| ASSURANCE OF RESPONSES       | SG 18     | ADDITIONAL | Internal / external review of responses            | ★★☆ (1061)                  | ★★★☆☆      | —  |

### Explanatory Notes

|                          |   |
|--------------------------|---|
| <b>Section</b>           | Where the indicator appears within the module   |
| <b>Number</b>            | Indicator number  |
| <b>Type</b>              | Whether the indicator assessment type is “core” or “additional”   |
| <b>Topic</b>             | A short overview of what the indicator covers   |
| <b>Median Peer Score</b> | The signatory’s positioning relative to all other organisations for which that indicator was relevant (number in brackets denotes the number of organisations that responded to that indicator) |
| <b>Your Score</b>        | Signatory’s indicator score (on a scale of zero to three stars)   |
| <b>YoY</b>               | Signatory’s year-on-year performance for that indicator (not available until a signatory has completed two complete reporting cycles).  |

## Section Scores

Each module is split into several sections (see indicator scorecard above). The signatory's individual scores for these sections will be presented in a spider chart and compared against the median score of other organisations.



## Module Scoring

Each signatory's module score will fall in four broad ranges to be assigned based on their score in a specific module (presented below). Only the final performance band – and not the percentage – will be included in the assessment report.

| Module Score (%) | Performance Band |
|------------------|------------------|
| >95%             | 'A+'             |
| 76-94%           | 'A'              |
| 51-75%           | 'B'              |
| 26-50%           | 'C'              |
| 1-25%            | 'D'              |
| 0                | 'E'              |

All 'core assessed' indicators will count towards a signatory's module score, up to a maximum of 75% of the overall module score. This means a signatory can achieve the third-highest performance Band (B) by reporting on all of the 'core assessed' indicators and scoring well on them. 'Additional assessed' indicators typically cover alternative or advanced practices and by reporting, and scoring, on only a selection of these 'additional assessed' indicators, signatories can improve their score and potentially advance to the highest performance Bands (A and A+).

## Assessing and Discarding Additional Indicators

The maximum score (100%) for each module will be based on the maximum score of all 'core' assessed indicators and the maximum score of a subset of the 'additional' assessed indicators. The signatory will then receive a score based on the 'core' indicators and on the highest scoring 'additional' indicators.

For example, if a module has twelve indicators (see example below), of which seven are 'core' and five are 'additional', the maximum assessment will be based on all seven 'core' indicators [ $7 \times 3\star = 21\star = 70\%$ ] and the three highest scoring 'additional' indicators to make up the remaining 30% of the module score [ $3 \times 3\star = 9\star = 30\%$ ]. This results in the two lowest scoring 'additional' indicators being discarded and the denominator being ten indicators [ $21\star + 9\star = 30\star = 100\%$ ] rather than all twelve indicators.

| Indicator type      | Indicator no. | Your Score               | Scored | Explanation  |
|---------------------|---------------|--------------------------|--------|--|
| Core                | 01            | ★★★★                     | ✓      | Core indicators are always scored  |
| Core                | 02            | ★★★★                     | ✓      |  |
| Core                | 03            | ★★★★                     | ✓      |  |
| Core                | 04            | ★★★★                     | ✓      |  |
| Core                | 05            | ★★★★                     | ✓      |  |
| Core                | 06            | ★★★★                     | ✓      |  |
| Core                | 07            | ★☆☆☆                     | ✓      |  |
| Additional          | 08            | ★☆☆☆                     | ✗      | The lowest scoring 'additional assessed' indicators will not count towards the total score |
| Additional          | 09            | ☆☆☆☆                     | ✗      |  |
| Additional          | 10            | ★★★★                     | ✓      | Highest scoring 'additional assessed' indicators will count towards the total score        |
| Additional          | 11            | ★★★★                     | ✓      |  |
| Additional          | 12            | ★★★☆☆                    | ✓      |  |
| <b>MODULE TOTAL</b> |               | <b>27★ (Maximum 30★)</b> |        |  |
| <b>MODULE SCORE</b> |               | <b>A</b>                 |        | (based on the 90% achieved: 27★/30★)   |

The graph below presents how 'core' and 'additional' assessed indicators are combined for your Module Score based on the number of indicators in the example above.



'Additional' indicators do not just advance signatories scores to Bands A and A+. Stars scored in additional indicators will always improve a signatory's score, even if the signatory has low scores for the 'core' indicators in that module.

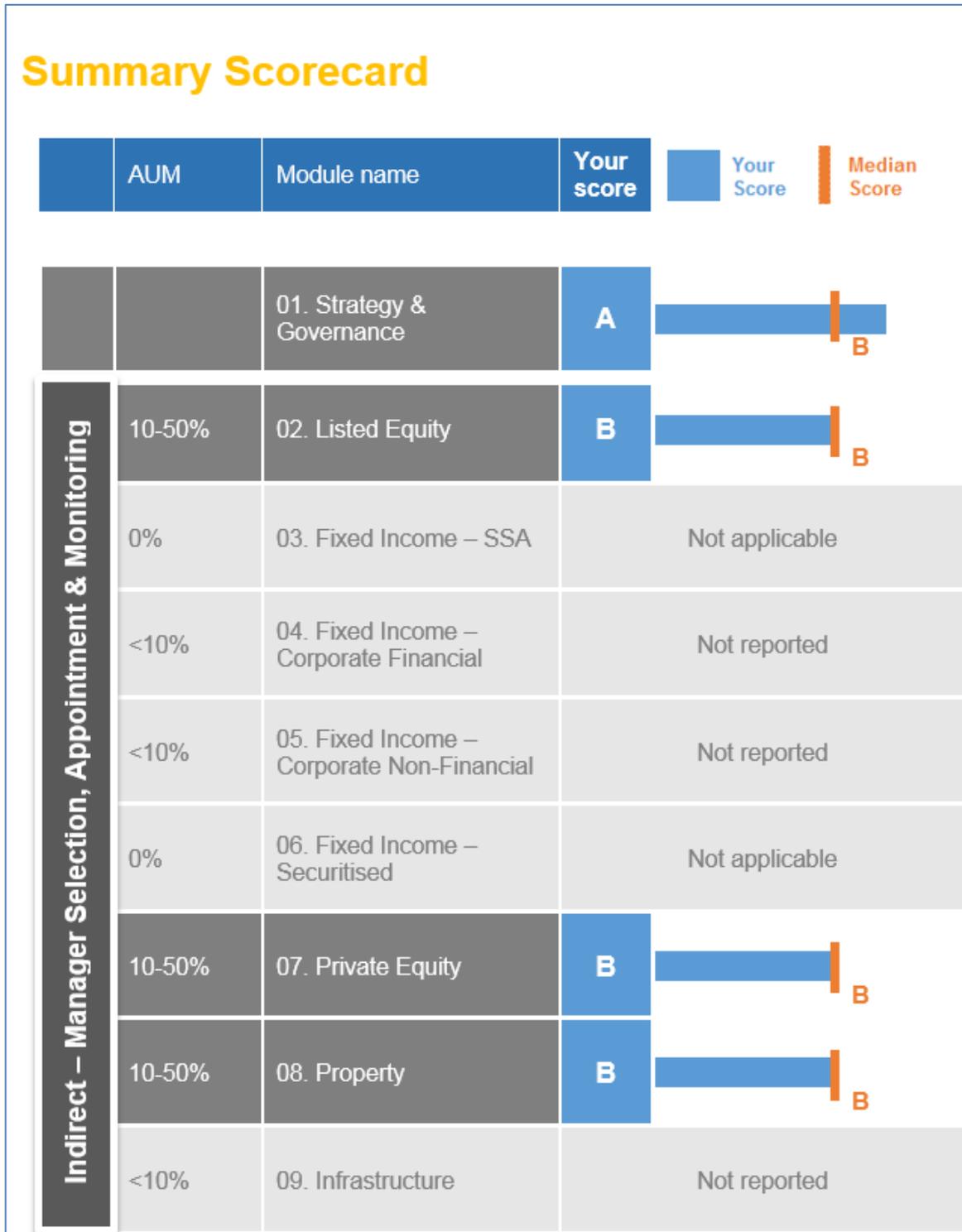
### Exceptions to simple aggregation in module scores

Generally, module scores will be calculated simply by aggregating the scores for all mandatory 'core indicators' and the voluntary 'additional indicators' that have not been discarded in a module. The only exceptions to this will be:

- Selection, appointment and monitoring of external managers (SAM) – each indirect asset class section (e.g. listed equity, private equity, etc.) score will be presented separately in the summary scorecard (See 'Summary Scorecard below');
- Listed Equity Incorporation (LEI) – the two active incorporation strategies (integration and screening) will be presented separately in the assessment report and the overall LEI score will be based on the signatory's 'main' strategy. The main strategy is calculated by looking at coverage of assets (please see the [LEI module](#) for more details). Signatories who are 100% thematic and 100% passive will not be assessed;
- Listed Equity Active Ownership (LEA) – the LEA module is comprised of the engagement and (proxy) voting sections. Both will count towards a signatory's LEA score but will be presented separately in the summary scorecard.
  - Engagement Score – organisations may be engaging internally, via collaborations and/or via service providers. The LEA score is not dependent on how they conduct their engagements and the top score can be achieved regardless of who conducts the engagements. They will see each applicable score separately and their overall engagement score will be based on their primary form of engagement (calculated on the number of engagements – please see [LEA module](#) for more details).

## Summary Scorecard

The summary scorecard will present an overview of the performance bands achieved for each module completed by a signatory. These will be specific to each signatory and allow them to see, at-a-glance, their performance across asset classes compared to the median results of their peers.

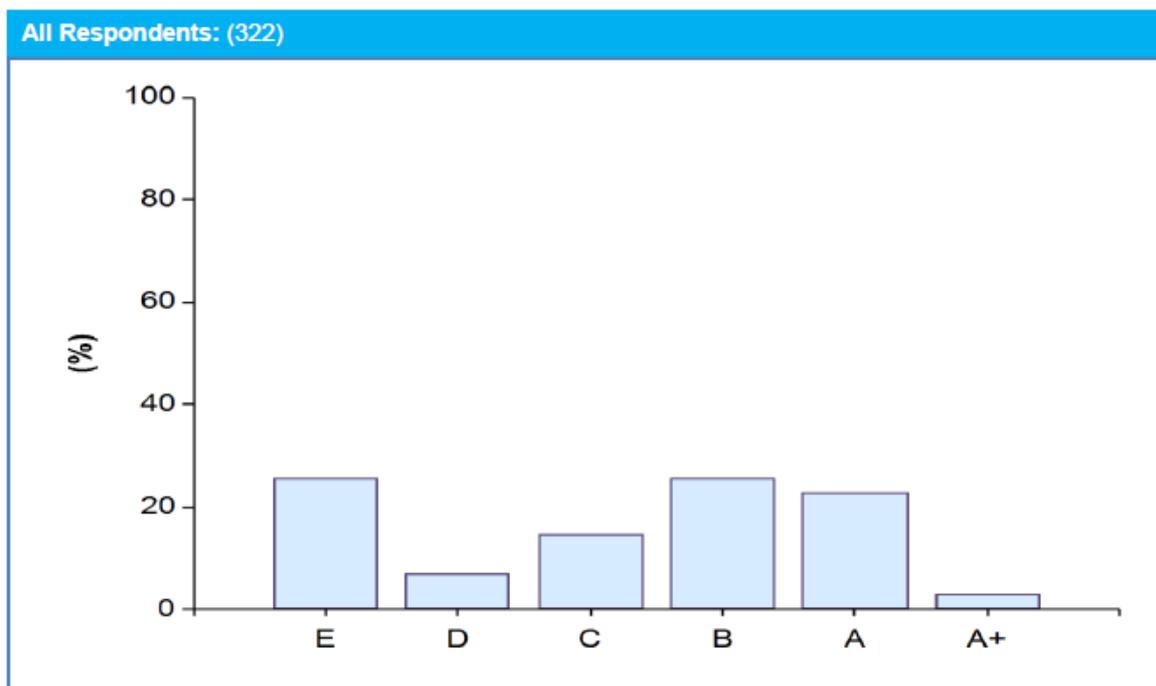


## Module Peer Comparison

Two types of peering will take place at the end of each reporting period once submissions from all signatories have been received:

- **Indicator level:** Signatory scores for each indicator will be peered against all other signatories for whom that indicator was relevant, regardless of their type, size or location.
- **Module level:** Signatory scores for each module will be displayed in six broad performance Bands (A+ to E) at an absolute level as well as relative to peers of a similar type, size or location.

Each signatory's total aggregated module score will be compared to relevant peer groups in a series of distribution charts. Unlike last year, in 2015 investment managers will only be peered with other investment manager signatories while asset owners will continue to be peered with all signatories. This has been done to provide more relevant and granular feedback and improving learning outcomes for each type of signatory.



## Further Resources

Based on their scores, signatories will receive personalised guidance and links to further resources to support on-going learning and development. The PRI will also be offering sessions to discuss signatories Responsible Investment performance, provide insight into current best practice and explore how you can best to benefit from PRI services and offerings. Signatories are invited to contact PRI directly at [development.sessions@unpri.org](mailto:development.sessions@unpri.org) indicating specific topics and aspects that they are interested in covering in the session.