PRI Principles for Responsible Investment

UNEP FINANCE INITIATIVE | United Nations Global Compact

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

PRI 2023 Assessment methodology for investors

Last revision: 16 May 2023

- RESPONSIBLE INVESTMENT -

This presentation is being provided to you by PRI Association ("the PRI") and its subsidiaries for information purposes only. The presentation is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by the PRI. No reliance may be placed on its accuracy or completeness. Neither the presentation, nor any of its contents, may be reproduced, or used for any other purpose, without the prior written consent of the PRI. PRI Association is incorporated in England & Wales, registered number 7207947 and registered at 25 Camperdown Street, London E1 8DZ.

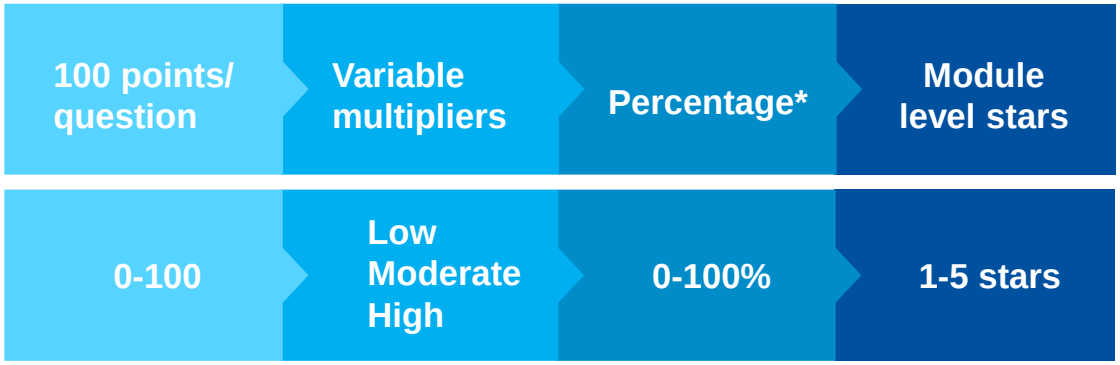
Contents

2023 Assessment Methodology	4
Indicator level assessment – Indicator types	5
Indicator level assessment – Scoring styles	6
Indicator level assessment – Scoring pathways	8
Indicator level assessment – Multipliers	9
Module level assessment – Scoring	10
Module level assessment – What to report on for Asset Owners	11
Module level assessment – What to report on for Investment Managers	12
Module level assessment – Example: Reporting for Investment Managers	14
Module level assessment – Grading	15
Resources	16
Appendix	17

2023 Assessment Methodology

Key changes	
Indicator level assessment	**Module level assessment**
The indicator level assessment has changed where appropriate to align with updates to the Reporting Framework indicators and to reflect changes in the responsible investment industry, as well as future advancements. Clarity of the indicators' assessment has also been improved. You can find these here.	The methodology for how indicator level assessment translates to module level assessment scores remains consistent with the 2021 methodology. The scoring thresholds will be published in November. You can find more information here.

Assessment process



*Percentage achieved from applicable assessed indicators, calculated as total points achieved/total points available (only considering indicators relevant for the signatory) in the module.

Indicator level assessment – Indicator types

There are two types of indicators in the Reporting Framework

- **Assessed**
- Mandatory
- Public
- Relatively stable
- Process-focused
- Closed-ended

- **Not assessed**
- Voluntary
- Public or private (signatories' choice)
- Evolving
- Process and outcomes focused
- Closed- and open-ended

Only 'core' indicators are assessed but **free-text responses in 'core' indicators are not assessed** as no qualitative data is considered in the scoring.

Indicator level assessment – Scoring styles

Varied approaches for assessing different indicators' styles

The differing scoring styles are based on the principle of 100 points being available for allocation from the initial phase of assessment.

The three main approaches applied are:

Learning curve

More advanced practices are worth more points.

More is better

The more answer options selected; the more points scored.

Coverage and Frequency

In some instances, AUM coverage and/or frequency of a practice or conditions will contribute to the points allocation.

See Appendix for some practical scoring styles examples in the Reporting Framework modules.

Indicator level assessment – Scoring styles

Varied approaches for assessing different indicators' styles

"Other" answer options	"Other" answer options may or may not be scored, depending on how well the remaining answer options capture the most relevant practices.
"N/A" - not applicable	The indicator (or module) is **not applicable**, and therefore not scored if: ▪ a signatory has no AUM within the asset class/sub-strategy, or ▪ the indicator is not applicable in a particular signatory's context. Asset owners will receive a N/A score for all their internally managed AUM. See page 11 for further details.
"N/R" - not reported	The indicator (or module) is classified as **not reported**, and therefore not scored if a signatory opts out of voluntarily reporting.

When ESG is not incorporated into internally and/or externally managed asset classes, signatories will be penalised even when opting out of voluntary reporting. Please refer to the pages 11 to 14 for more information.

Indicator level assessment – Scoring pathways

A scoring pathway exists between two or more indicators when the logic link could impact the score of sub-indicators. They help promote the use of basic responsible investment practices.

Some indicators are applicable for reporting based on the response to previous indicators. When the score of an indicator is impacted by another indicator, it means there is a scoring pathway.

Key scoring pathways determining the applicability and scoring of other modules are in the Organisational overview module (see pages 11 to 14).

"Other" answer options

- The full list of scoring pathways can be found in the Logic guide
- Scoring pathways are also outlined in the Assessment section of each indicator in the Reporting Framework. Example:

Assessment		
Assessment criteria	100 points for this indicator. 100 points for A. 50 points for 1 selection from B–C. 0 points for D.	Further details: Selecting 'D' will result in 0/100 points for this indicator and the following indicator: PGS 31.

Indicator level assessment – Multipliers

How the indicators scores are weighted.

Multipliers are reflective of the indicator's relative importance with respect to responsible investment practices and/or the PRI's overall mission. The descriptive 2023 assessment multipliers (low/ medium/ high) have been added to the Reporting Framework modules on the Investor Reporting Framework page.

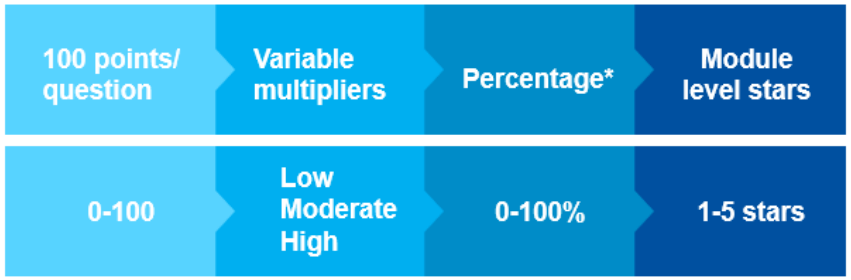
Multipliers available:

Low

Moderate

High

Assessment process



- A multiplier is applied to every indicator's score (100 points available).
- The points resulting from the indicator scores and multipliers are then used to calculate the module score.

The numerical multipliers will be visible to signatories in the Reporting Tool and in their Assessment Reports.

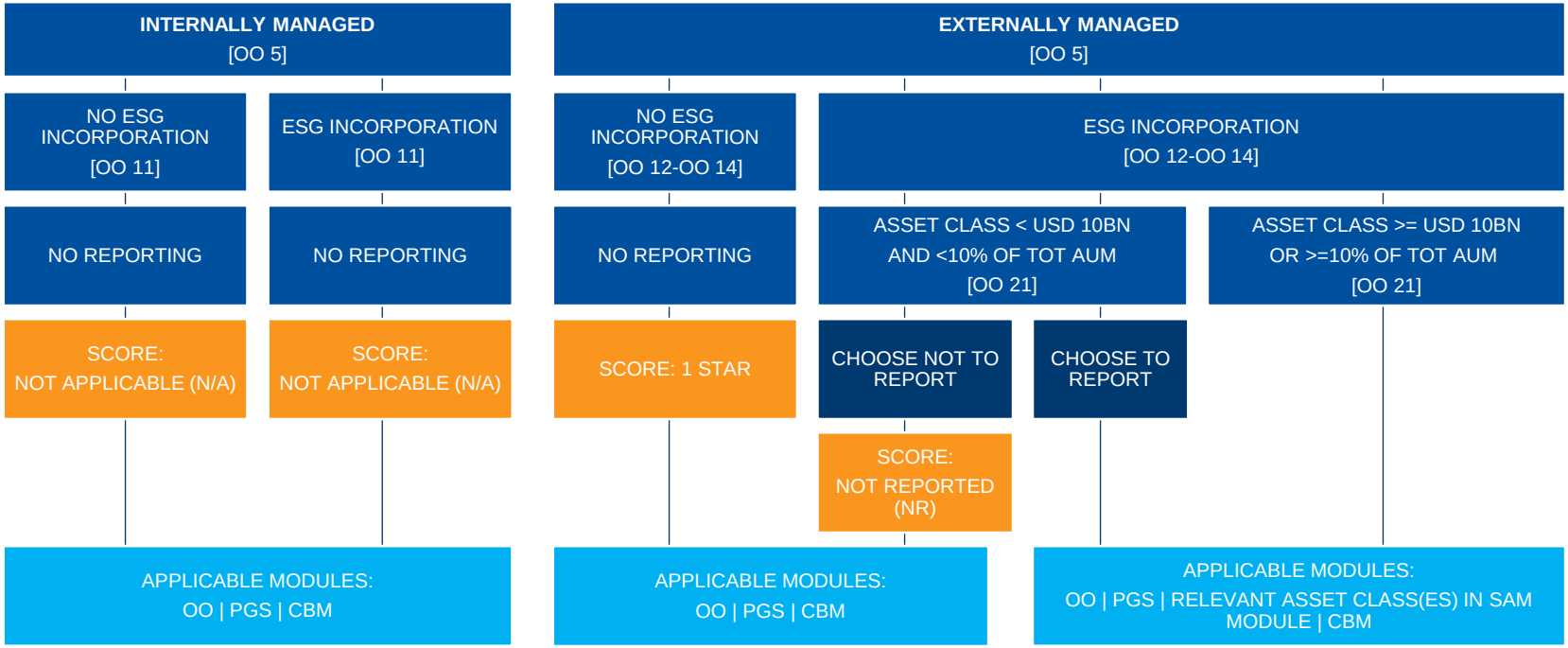
Module level assessment – Scoring

Module scores are based on the sum of indicators' points after multipliers have been applied.

Not scored	Senior Leadership Statement (SLS)		
	Organisational Overview (OO)		
	Sustainability Outcomes (SO)		
Module score	Policy, Governance and Strategy (PGS)		
	Confidence Building Measures (CBM)		
	Private equity (PE)	Infrastructure (INF)	Real estate (RE)
Asset class/sub-strategy score	Manager Selection, Appointment & Monitoring (SAM)		
	Fixed income (FI)	Listed equity (LE)	Hedge funds (HF)

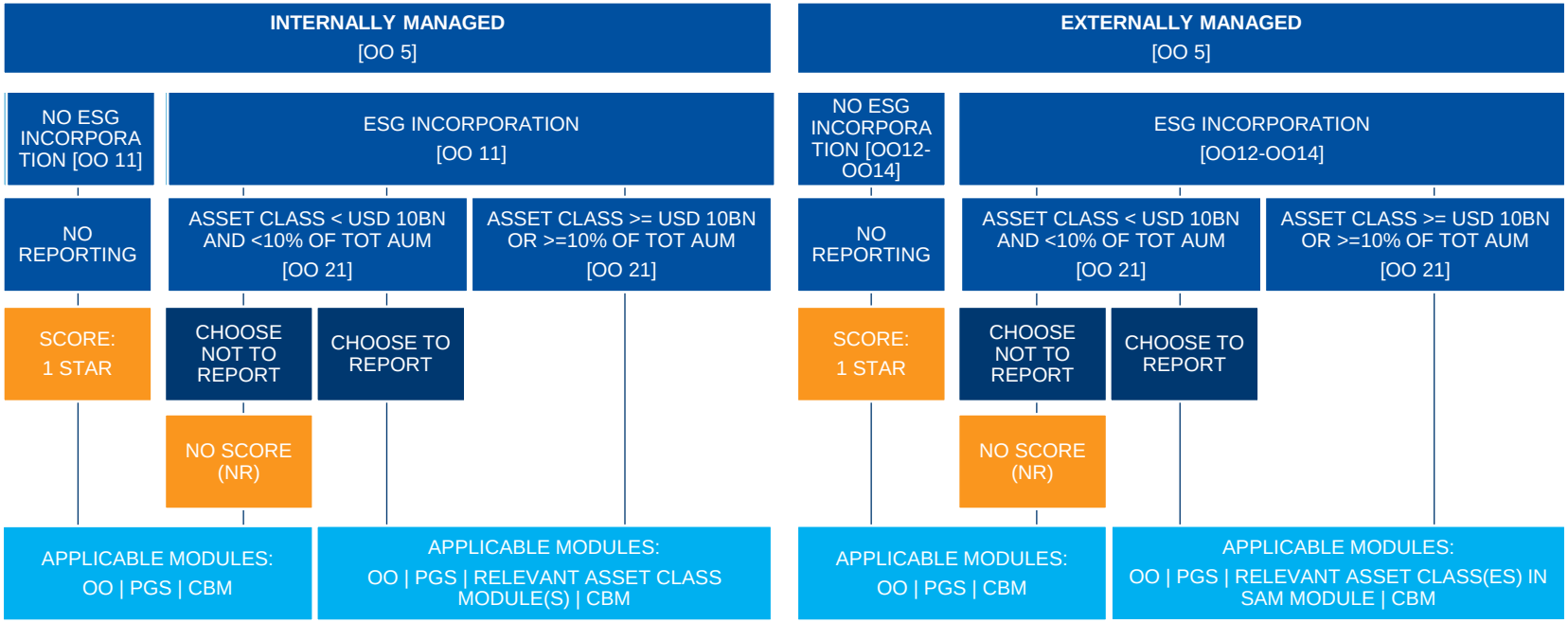
Signatories will not receive an **overall organisation score**. See Appendix for examples of module level scoring.

Module level assessment – What to report on for Asset owners



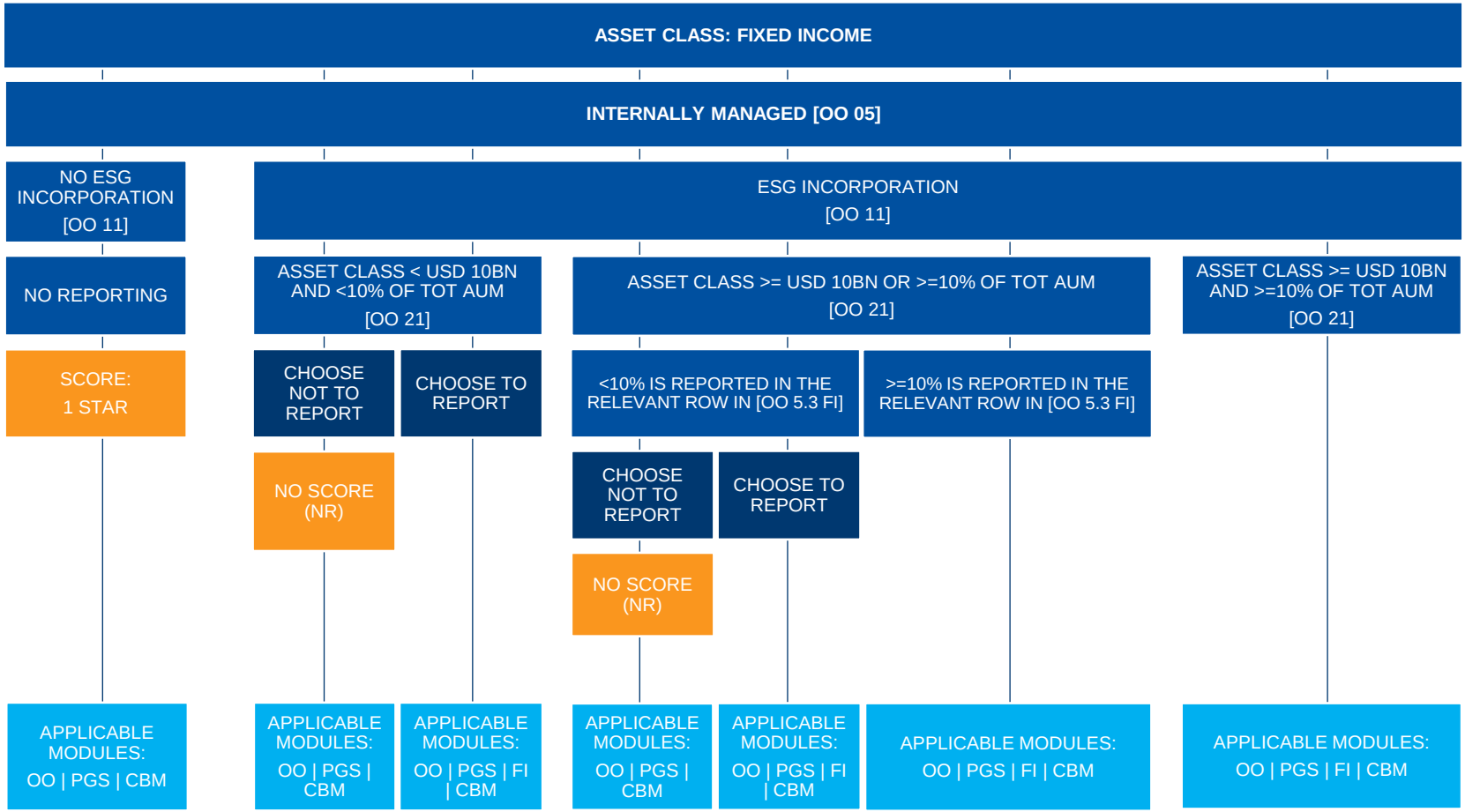
Signatories will not receive an **overall organisation score.**

Module level assessment – What to report on for Investment managers



Signatories will not receive an **overall organisation score.**

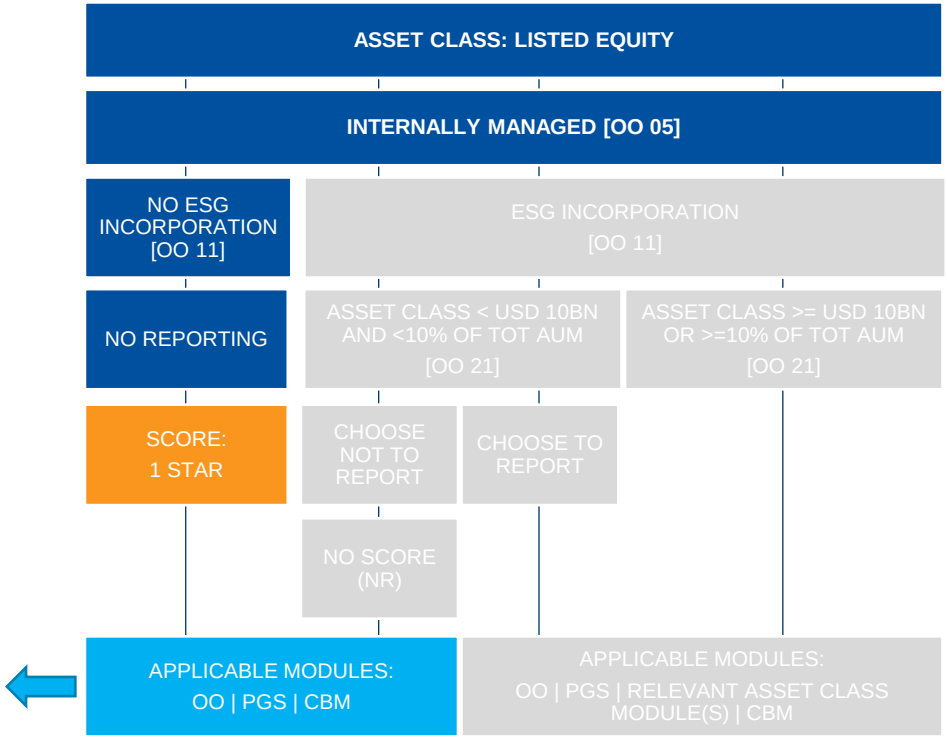
Module level assessment – What to report on for Investment managers (Fixed income)



Signatories will not receive an **overall organisation score.**

Module level assessment – Example: Reporting for Investment managers

Example: a signatory holds < USD 10bn **AND** <10% of total AUM [OO 5] but does not incorporate ESG [OO 11] in one asset class (e.g. Listed Equity).



Assessment pathway used to score this signatory on the LE module.

Signatories will not receive an **overall organisation score.**

Module level assessment – Grading

The scoring thresholds define at which percentage boundary the module level stars are allocated.

These will be published alongside signatories' 2023 Assessment Reports in November.

- The 2023 scoring thresholds will be published in November to ensure a balanced distribution of scores.
- See the Reporting & Assessment archive for more information on previous years' scoring thresholds

N/A – not applicable

N/R – not reported

Allocated per module/asset class/sub-strategy, with **no overall organisation score.**

Resources

More information and resources about Reporting and Assessment is available at www.unpri.org/reporting.

- Find out more about PRI assessment on our webpage, How investors are assessed on their reporting, including guidance on how to publish your future Assessment scores.

- See the Reporting Framework modules explanatory notes for further details on the indicator level assessment criteria.

Appendix

Assessment Methodology: Module Introduction

The indicator level assessment methodology is explained under each indicator in the Reporting Framework modules.

Assessment	
Assessment criteria	Indicates the basis for assessment or “Not assessed”.
“Other” scored as	Indicates whether, and how, selecting “Other” as an answer option is scored.
Multiplier	All indicators have 100 points available to be scored within the initial phase of assessment. A multiplier is then applied, weighted according to the indicator’s importance relative to other indicators. The detailed assessment multipliers will be launched at a later stage, ahead of the 2023 reporting cycle.

Assessment Methodology: Indicator Example

Indicator with multiple sub-strategies. The number of sub-strategies applicable will not affect the points available for the indicator, as each sub-strategy will receive a separate score. This is further specified in the assessment section as shown in the example below.

Indicator ID	Dependent on:		Sub-section	PRI Principle	Type of indicator
FI 3	Dependent on:	OO 21	ESG incorporation in research	1	CORE
	Gateway to:	N/A			

For the majority of your fixed income investments, does your organisation incorporate material ESG factors when assessing their credit quality?

	Internally managed fixed income asset types				
	All asset types	(1) SSA	(2) Corporate	(3) Securitised	(4) Private debt
(A) We incorporate material environmental and social factors	☐	☐	☐	☐	☐
(B) We incorporate material governance-related factors	☐	☐	☐	☐	☐
(C) We do not incorporate material ESG factors for the majority of our fixed income investments	○	○	○	○	○

Assessment		
Assessment criteria	100 points for this indicator. 100 points for both A and B. 66 points for A. 33 points for B. 0 points for C.	Further details: Selecting 'C' will result in 0/100 points for this indicator. The number of asset types applicable will not affect the points available for this indicator, as each asset type will receive a separate score.
Multiplier	Multiplier will be confirmed ahead of the 2023 reporting cycle starting in mid-May.	

☐ Allow multiple selection ○ Allow single selection

Assessment Methodology: Indicator Example

Learning curve indicator. More advanced practices are worth more points.

Indicator ID	Dependent on:		Sub-section	PRI Principle	Type of indicator
PGS 30	Dependent on:	OO 9	Stewardship: (Proxy) voting	2	CORE
	Gateway to:	N/A			

How is voting addressed in your securities lending programme?

- O (A) We recall all securities for voting on all ballot items
- O (B) When a vote is deemed important according to pre-established criteria (e.g. high stake in the company), we recall all our securities for voting
  Provide details on these criteria: _____ [Mandatory free text: medium]
- O (C) Other
  Specify: _____ [Mandatory free text: medium]
- O (D) We do not recall our securities for voting purposes
- O (E) Not applicable; we do not have a securities lending programme

Assessment		
Assessment criteria	100 points for this indicator. 100 points for A. 75 points for B. 25 points for C. 0 points for D.	Further details: Selecting 'D' will result in 0/100 points for this indicator. Selecting 'E' means the indicator is scored as N/A. Signatories will not be penalised for this indicator.
'Other' scored as	Selecting Other (C) will be scored 25 points.	
Multiplier	Multiplier will be confirmed ahead of the 2023 reporting cycle starting in mid-May.	

Assessment Methodology: Indicator Example

More is better indicator. Potential for multiple answer option selections. The more answer options selected, the more points scored.

Indicator ID	Dependent on:	N/A	Sub-section	PRI Principle	Type of indicator
PGS 16	Gateway to:	N/A	External reporting and disclosures	6	CORE

What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?

- ☐ (A) Any changes in policies related to responsible investment
- ☐ (B) Any changes in governance or oversight related to responsible investment
- ☐ (C) Stewardship-related commitments
- ☐ (D) Progress towards stewardship-related commitments
- ☐ (E) Climate–related commitments
- ☐ (F) Progress towards climate–related commitments
- ☐ (G) Human rights–related commitments
- ☐ (H) Progress towards human rights–related commitments
- ☐ (I) Commitments to other systematic sustainability issues
- ☐ (J) Progress towards commitments on other systematic sustainability issues
- ○ (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Assessment		
Assessment criteria	100 points for this indicator. 100 points for 6 or more selections from A–J. 66 points for 4–5 selections from A–J. 33 selections for 1–3 selections from A–J. 0 points for K.	Further details: Selecting 'K' will result in 0/100 points for this indicator.
Multiplier	Multiplier will be confirmed ahead of the 2023 reporting cycle starting in mid-May.	

Assessment Methodology: Indicator Example

Indicator with coverage. Available points divided equally between lettered and coverage answer options.

Indicator ID	Dependent on:		Sub-section	PRI Principle	Type of indicator
RE 3	OO 21		Materiality analysis	1	CORE
	Gateway to:	RE 3.1			

During the reporting year, how did you conduct ESG materiality analysis for your potential real estate investments?

If signatories did not analyse any potential real estate investments in the reporting year, they should refer to the last reporting year in which they analysed potential real estate investments.

O (A) We assessed ESG materiality for each property, as each case is unique	[Dropdown list] (1) for all of our potential real estate investments (2) for a majority of our potential real estate investments (3) for a minority of our potential real estate investments
O (B) We performed a mix of property level and property type orcategory level ESG materiality analysis	[As above]
O (C) We assessed ESG materiality at the property type or category level only	[As above]
O (D) We did not conduct ESG materiality analysis for our potential real estate investments	

Assessment				
Assessment criteria	100 points for this indicator divided between lettered (50 points) and coverage (50 points) answer options. The final score will be based on the highest-scoring pair of lettered and coverage answer options only.			
	50 points for the lettered answer options: 50 points for A. 33 points for B. 16 points for C. 0 points for D.	AND	50 points for the coverage: 50 points for all (1). 25 points for a majority (2). 12 points for a minority (3).	Further details: Selecting 'D' will result in 0/100 points for this indicator and the following indicator: RE 3.1
Multiplier	Multiplier will be confirmed ahead of the 2023 reporting cycle starting in mid-May.			