Agenda item 4. The role of disclosure in risk assessment and enhancing the usefulness of corporate reporting in decision-making

Presented by

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Principles for Responsible Investment
The role of disclosure in risk assessment and enhancing the usefulness of corporate reporting in decision-making
One mission – Six principles

The 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.”

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.
Reporting & Assessment

Measure progress against your targets and your peers

The Reporting Framework was launched in October 2013 to ensure accountability of the PRI and the work of its signatories, to encourage transparency from signatories on responsible investment and to foster continued learning and development through annual assessment.

Key details:

- The largest global reporting project on responsible investment
- Developed with signatories, for signatories: 1,000+ signatories reported in 2016
- Robust and practical disclosure requirements
- Intuitive, efficient and customised online tool to simplify data submission
- More than 80,000 downloads of PRI Transparency Reports per year
- Assessment results are yours to use as you wish: share to demonstrate performance against peers, or keep in-house as an internal learning and development tool
The Blueprint Vision

A framework for the next decade

 Responsible Investors
• Empower asset owners
• Support investors incorporating ESG issues
• Create an industry of active owners
• Showcase leadership and increase accountability
• Convene and educate responsible investors

 Sustainable Markets
• Challenge barriers to a sustainable financial system
• Drive meaningful data throughout markets

 Prosperous societies
• Champion climate action
• Enable real-world impact aligned with the SDGs
Enacting our Blueprint commitments

<table>
<thead>
<tr>
<th>COMMITMENT</th>
<th>Applicants’ formal commitment to the principles with C-level sign-off</th>
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</thead>
<tbody>
<tr>
<td>DELISTING</td>
<td>Signatories that fail to report in the mandatory reporting period are delisted in the same year</td>
</tr>
<tr>
<td>DATA QUALITY</td>
<td>Automatic data validation checks</td>
</tr>
<tr>
<td>TRANSPARENCY REPORTS</td>
<td>Transparency Reports are published on the PRI website</td>
</tr>
<tr>
<td>DATA PORTAL</td>
<td>Request and provide access to private reporting data through the PRI Data Portal</td>
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Collaborating to improve reporting practice

**COALITIONS**
With reporting and standard-setting bodies

**ALIGNMENT**
On definitions, approach and expectations

**DATA QUALITY**
Raising standards and verification, including assurance practices

**CLOSING GAPS**
Between companies and investors, highlighting the role of intermediaries

**ADVOCACY**
To support industry developments with investors, issuers and regulators
Verification of PRI submissions

20% of IM and 30% of AO did not conduct any type of assurance/engagement activity.

N = 1248 signatories
Investors’ internal data verification

Range of teams involved in internal verification of the whole PRI Report

Responses: 158 asset owners, 634 investment managers. 79 signatories conducted internal verification of selected answers.
Use of standards for verification

3rd party assurance of some or all PRI responses

- ISAE 3000 (IFAC) / ASAE 3000: 11%
- (Inter)national accounting standard: 11%
- Unspecified - internal: 8%
- GRI* (guidelines or new standard): 7%
- ISAE 3402/ SSAE18/ AT 101: 5%
- ISO standard: 3%
- ESG tool/ RI label: 3%
- IFC: 2%
- ISAs (IAASB): 1%
- AA1000: 1%

Number of signatories reporting standard
**Investors and internal controls processes**

Use of standards in relation to specific RI processes

*47 signatories (4%) reported 3rd party or internal assurance of their internal controls relevant to RI processes.*