

<b>Committee:</b> Financial Investment Board	<b>Date:</b> 25 November 2020
<b>Subject:</b> PRI Framework Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<b>Report author:</b> James Graham – Chamberlain’s Dept.	

### **Summary**

This report updates Members on the new PRI reporting framework, which will apply to the Board’s next annual submission to the PRI in March 2021.

### **Recommendation**

Members are asked to note this report and to delegate authority to Town Clerk in consultation with the Chairman and Deputy Chairman of the Financial Investment Board to approve the Senior Leadership Statement as per paragraph 5(b).

### **Main Report**

#### **Background**

1. The City became a signatory to the PRI in December 2018. In doing so it signalled its intention to aspire to the PRI’s six responsible investment principles and committed to publicly report on its responsible investment activity on an annual basis through the PRI’s reporting framework.
2. The Board will be aware that the PRI has been undertaking a major overhaul of the way in which it assesses signatories’ responsible investment credentials in time for the 2021 reporting cycle. The PRI formally launched the new framework in November 2020.
3. The City’s first two reporting years with the PRI were voluntary and private, thus providing an opportunity to build a familiarity with the PRI’s requirements and assessment process. The City is obliged to reported publicly for the first time in 2021 (under the new framework).

## The new framework

4. The new framework contains a shift in emphasis from quantity to quality. There are fewer questions but the PRI anticipates that the new framework will be a challenge for most signatories and will raise the standard of responsible investment practices for asset owners and across the asset management industry.
5. To accompany the new framework, the PRI has released a high level overview outlining its main features which can be found at the Appendix. Officers have conducted an initial review of the framework and highlight the following key changes for the Board's attention:
  - a) The framework is structured around a "Core/Plus" indicator model which can be summarised as follows:
    - a. Core indicators will include mandatory, publicly disclosed, close-ended questions which will focus on responsible investment processes. The questions are expected to be relatively stable over time.
    - b. Plus indicators will be reported on a voluntary basis and signatories do not have to disclose their responses. Questions are expected to be more open-ended and to focus on outcomes as well as processes.

Initially, only Core indicators will be assessed by the PRI but Plus indicators will be relied upon for identifying leadership. The use of outcomes-focused questions will grow incrementally, and will be further incorporated into core components in later reporting cycles.

- b) Signatories will now need to include a "C-level" Senior Leadership Statement to accompany their annual reporting, which will not be scored but is mandatory. This narrative will allow the Board to discuss its identity, its approach to responsible investment and any significant achievements during the reporting year. The PRI will release detailed guidance on the content to be included in the Senior Leadership Statement, which will be somewhat prescriptive and will specify a word limit. Officers recommend that this statement is authored by the Chairman of the Financial Investment Board. Officers further request that authority to complete this statement is delegated to the Town Clerk in consultation with Chairman and Deputy Chairman of the Financial Investment Board.
- c) The bulk of signatories' reporting content will take place within the Investment & Stewardship Policy module and Asset Class-Specific modules, which closely resembles the format of the pre-existing framework whereby signatories first outlined their strategy and governance approach before discussing asset classes. The Board will use these modules to present its stance on responsible investment as well as the ESG activities it has undertaken over the year.
- d) A new voluntary module titled Sustainability Outcomes will enable signatories to report on targets they have set for priority ESG issues, actions taken to achieve those targets and progress made.
- e) The 2021 reporting session will provide the Board with an opportunity to present the Corporation's climate action plans. The Board will be able to set out how it

exercises oversight over climate-related risks and opportunities, amongst other things, in the Investment & Stewardship Policy module. As the Board's work in this area expands in future years it will be able to capture progress via its annual PRI submissions. Evidencing the climate action strategy work that has already been undertaken to date in the upcoming reporting round should enhance the Board's 2021 submission.

6. The 2021 reporting framework will open in early January next year and signatories will need to complete their final submission by 31 March 2021.
7. Members can access more information on the new reporting framework at the following location: <https://www.unpri.org/signatories/reporting-and-assessment>

## **Conclusion**

8. The PRI has released a new reporting framework for signatories to demonstrate their responsible investment credentials. The framework is designed to challenge signatories and to reflect the evolving responsible investment environment. The Board will report on its responsible investment activities under revised framework in March 2021.

## **Appendices**

Appendix – PRI reporting framework overview and structure

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