

PRI Association
25 Camperdown Street
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Att: PRI Board of Directors

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Consultation on the PRI Reporting & Assessment Framework: Phase Two

We appreciate the opportunity to comment on the proposed changes to the PRI reporting and assessment framework. The reason for this letter is that we find it challenging to provide meaningful feedback on the proposed structure given significant ambiguity over the types of questions to be included in the “core” and “plus” modules, as well as their development over time. We have nevertheless answered the survey as best we can.

1. How does the PRI use signatory consultation feedback?

In our experience, the PRI’s approach to reporting on signatory feedback is unnecessarily opaque. Rather than report a high-level summary, we would suggest publishing the responses per question, organized by type of signatory. It is also unclear how PRI takes into account feedback through channels other than the survey, e.g. comments made in webinars and roundtables. Do the figures cited for signatory participation in the consultation document reflect responses to the survey or to participation in the workshops or webinars as well? How does the PRI adjust for potential double counting for signatories that participate through more than one channel?

PRI’s method for determining the objective for the reporting and assessment framework illustrates the challenge in understanding how the organization uses signatory feedback. The consultation document notes that survey respondents expressed relatively equal support for all objectives, and that the PRI therefore exercised its discretion in determining which of these objectives reflects PRI’s mission. If the ultimate objective of the reporting and assessment framework was already clear, then why did the PRI pose the question to signatories?

2. Why does the PRI bundle reporting and assessment in the consultation questions?

PRI has not elaborated on how the secretariat plans to simplify the framework while implementing an “evolved and more challenging” assessment of signatories. As noted in Folketrygdfondet’s May 10, 2019 letter to the PRI during the first consultation round, we find PRI’s assumption of a normative role in grading signatories to be problematic from a governance perspective. It weakens the PRI’s accountability to signatories by granting PRI the authority to

enforce its own definition of responsible investment through changes to the scoring system. For example, does PRI intend to move questions from the “plus” to “core” category at its own initiative, or would such changes arise only through a future consultation process?

As the membership base grows and includes a more diverse group of signatories, the PRI’s normative role in defining best practices through the assessment framework has become increasingly challenging. Moreover, the emphasis on assessment encourages reporting on what is easy to measure rather than what is most meaningful. We would argue that the framework would benefit by including open-ended questions in the core module that probe *how* signatories apply the six principles.

3. What does it mean to be a membership organization?

As a member of the PRI, we support the six principles and support the organization’s work in serving as a forum for signatories to meet and learn from one another. We recognize and expect that not all PRI activities will be relevant for the Government Pension Fund Norway.

At the same time, we observe a drift in the organization’s priorities away from supporting and facilitating signatory interactions. The emergence of a de facto new principle related to “real-world impact aligned with the SDGs” in the absence of a signatory vote is illustrative of this trend. Despite underwhelming signatory support in the last consultation for inclusion of this new principle in the reporting and assessment framework, the PRI now proposes inclusion through “plus” questions that can migrate to the “core”, assessed module “as the industry matures.” The emergence of new white papers outlining “advanced” practices that gradually find their way into the reporting and assessment framework is another example of this development.

By setting the agenda and enforcing compliance through the reporting and assessment framework, the PRI risks challenging membership democracy. That is not how the Government Pension Fund Norway understood the PRI’s mandate when we signed on to the six principles. There should be room for signatories to innovate and adopt a wide variety of approaches to responsible investment, reflecting the diversity in our respective mandates.

We welcome the opportunity to elaborate on our views as needed.

Yours sincerely
Folketrygdfondet

Kjetil Houg
CEO

This document has been approved electronically