

## UN PRI – Making Sense of Your Score

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### Overview

The UN PRI is an independent industry body dedicated to promoting responsible investment. Its core objectives encompass understanding how ESG factors affect investment decisions and supporting signatories in integrating these factors into investment and ownership choices.

All signatories are bound by six fundamental principles for responsible investment:

1. Incorporation of ESG considerations into investment analysis and decision-making
2. Active ownership practices integrating ESG factors
3. Pursuit of transparent disclosure on ESG issues by invested entities
4. Promotion of widespread adoption of the Principles within the investment industry
5. Collaborative efforts to enhance effectiveness of Principle implementation
6. Commitment to report on individual activities and progress in aligning with the Principles

Both asset owners and investment managers can sign onto the PRI. Overall, Limited Partners (LPs) are increasingly requesting General Partners (GPs) become PRI signatories, as it enhances a GP's credibility and LPs' visibility into specific responsible investing practices.

Signatories are required to report annually on a series of modules. Scores were recently released for firms that reported in 2023. In conjunction, UN PRI also confirmed that only signatories entering their first mandatory reporting year will be required to report in 2024. As a result, most signatories will not be required to report in 2024. The update to PRI's reporting cycle will offer GPs and LPs approximately two years to improve ESG programming based on their scores and thus remain in-line with others peer improving their practices.

### Scoring Methodology

UN PRI's Reporting Framework consists of 12 modules with CORE and PLUS indicators. CORE indicators are mandatory to report, public, assessed, closed-ended; PLUS indicators are voluntary to report, public or private, not assessed, and can be closed or open-ended. Specific mandatory reporting modules depend on the signatory's category (e.g., asset owner, investment manager) and asset class. Signatories must report on asset-class-specific modules (Real Estate, Fixed Income, etc.) for any asset class which comprises at or above [10% of AUM](#) or \$10B of total invested funds. Signatories then receive distinct scores for each module reported.

One common misconception around PRI scoring is that signatories can receive an overall average score. In fact, each module receives a distinct score, and these distinct scores [are not intended to be disclosed individually](#) as they are representative of holistic firm-level posture. Individual module scores are instead used to provide

an overall assessment of responsible investment practices. These scores are instrumental in providing transparency and accountability in implementation of ESG principles, enabling signatories to track progress and identify areas for improvement.

UN PRI provides a “star” score to signatories based on their performance relative to peers in each module. Performance is scored on a bell curve, meaning most firms receive two, three, or four stars (note that the specific criteria used to determine the below scores is not explicitly, publicly disclosed):

- One Star: Signatories considered to be in the initial stages of ESG integration. They may have basic policies in place, but efforts are limited and may not be consistently applied.
- Two Stars: Organizations have made some progress in ESG integration. They might have more comprehensive policies and practices in some areas, but with room for improvement.
- Three Stars: Signatories have demonstrated a moderate level of commitment to responsible investment. They have established policies and practices and are working towards comprehensive ESG integration.
- Four Stars: Organizations are considered advanced in their ESG integration efforts. They have well-developed policies and practices for responsible investment and have shown an in-depth commitment.
- Five Stars: Signifies an exemplary level of ESG integration. These signatories have demonstrated outstanding commitment, comprehensive policies, and practices consistently applied across areas.

### Improving Your Score

One of the first questions Malk often receives from clients is “how can we improve?” Score improvement not only demonstrates a GP’s commitment to aligning investment strategies with ESG principles, but also signifies a proactive approach to mitigating portfolio risks. As the landscape of responsible investing evolves, a consistently improving PRI score, even if minor, bolsters credibility to investors and stakeholders. It also helps attract a growing base of ethically minded investors and creates long-term resilience in the dynamic responsible finance environment.

Signatories often struggle to pinpoint actionable steps to achieve higher score allocations. Malk has identified several common elements for score improvement across varying asset classes and levels of programmatic maturity. Such elements include policy creation, adequate documentation of processes, and ESG considerations in due diligence. As GPs progress, they can consider developing long-term initiatives to enable score improvement, which may include completing fulsome portfolio emissions estimations across Scope 1, 2, and 3 categories. Another long-term initiative can be portfolio ESG monitoring, comprised of annual check-ins on ESG updates and performance.

How GPs decide to achieve programmatic improvement can vary widely. Multi-strategy GPs might achieve high marks for equity and control scenario programs but are hindered by lower scores in non-control asset classes. Thus, tailoring asset-class ESG diligence processes often reaps the most benefit without sacrificing critical resources or opportunities for point allocation. Malk often recommends that these GPs scale ESG diligence up or down to tailor the intensity of evaluations. Findings can then still be incorporated into investment committee decisions and considered in underwriting without necessitating an overbearing process.

The importance of UN PRI scores for GPs extends beyond numerical benchmarks. Scores represent industry-standard waypoints on an ongoing journey toward responsible investment practices. A lived commitment to enhancing ESG integration year-over-year provides the foundation for long-term success, ensuring GPs not only meet current ESG expectations from LPs and regulatory bodies but also proactively adapt to market expectations for responsible investment.

Malk has supported dozens of clients across asset classes through each stage of the UN PRI lifecycle, including preliminary gap assessments, full annual reporting, and actioning score improvement recommendations. Malk considers clients' investment strategies, LP base, fundraising goals, and position in their own ESG journeys. The process can be complex and time consuming, particularly for GPs that do not maintain extensive internal responsible investment or ESG leads. Malk's expertise can support GPs in integrating with the PRI community.

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### About Malk Partners

Malk Partners is the preeminent advisor to private market investors for creating and protecting value through environmental, social, and governance ("ESG") management and impact investing. Founded in 2009, Malk Partners advises many of the world's leading alternatives managers investing across private equity, growth equity, venture capital, and private credit by helping them define ESG goals, achieve ESG results, and guide their portfolio companies in driving value creation and mitigating risks. The firm is headquartered in La Jolla, California with a second office located in New York. For more information about Malk Partners, please visit [www.malk.com](http://www.malk.com).