

Proposals to strengthen signatory accountability

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United Nations Global Compact

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Presenters

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SHOWCASE LEADERSHIP AND INCREASE ACCOUNTABILITY

WE WILL:

- launch a responsible investment leadership table and awards, to reward and highlight top performers;
- share examples of what the best are doing;
- define a minimum standard of activity that signatories must achieve;
- monitor and engage with those that are not meeting this standard and delist any that fail to do so over a two-year period;
- delist signatories that contravene the spirit of the Principles.

Principle 6

"We will each report on our activities and progress towards implementing the Principles."

Evolution of the accountability project

From consensus to implementation

- Comprehensive signatory consultation in 2016
 - Consensus on need for increased transparency & accountability
 - Majority support for ‘tiering’ of signatories & delisting chronically non-committed signatories
 - This has evolved into notions of leadership and minimum requirements
- PRI board support for the proposed criteria
 - Accountability measures are first and foremost designed to encourage best practice among PRI signatories in implementing the Principles
 - Emphasis on clear, binary criteria

A matter of commitment to the Principles

Why accountability matters



Basic criteria



Leadership



Data Portal

- PRI's core objective: drive responsible investment through a market approach
- Encourage signatories to implement the Principles and protect credibility of PRI
- Proposed criteria are binary, based on self-assessment and there is no element of judgment

Overview

Building on existing accountability measures

COMMITMENT

Applicants' formal commitment to the principles with C-level sign-off

DELISTING

Signatories that fail to report in the mandatory reporting period are delisted in the same year

DATA QUALITY

Automatic data validation checks

TRANSPARENCY REPORTS

Transparency Reports are published on the PRI website

DATA PORTAL

Request and provide access to private reporting data through the PRI Data Portal

Proposed measures



- **Minimum requirements** based on elements of the Reporting Framework that are mandatory to report on.



- Recognition of **leadership** based on an aggregate of PRI assessment scores and willingness to support other signatories as they strive to improve their RI profile

Minimum Requirements

Methodology for minimum requirements



Proposed requirements

1. Investment policy that covers the firm's responsible investment approach, covering >50% of AUM [SG 01]
2. Internal/external staff responsible for implementing RI policy [SG 07]
3. Senior-level commitment and accountability mechanisms for RI implementation [SG 07]

[PRI reporting framework references]

Attainable and fair



- One set of requirements for all signatories (AO/IM)
- Realistic thresholds
- Applicable to all, based on mandatory reporting to avoid regional / size-dependent drawbacks

Investment policy that covers the firm's responsible investment approach

Coverage >50% of AUM

SG 01	INDICATOR	
SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.	
SG 01.2	Indicate the components/types and coverage of your policy	
	Policy components/types	Coverage by AUM
	<div style="border: 1px solid red; padding: 5px;"> <ul style="list-style-type: none"> <input type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors </div>	<div style="border: 1px solid red; padding: 5px;"> <ul style="list-style-type: none"> <input type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM </div>

Required: either of these boxes

Required: either of these two boxes

Internal/external staff responsible and senior-level accountability

SG 07	INDICATOR			
	Indicate the roles in your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.			
	Roles present in your organisation	Oversight/ accountability for RI	Implementation of RI	No responsibility for RI
	<input type="checkbox"/> Board members or trustees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SG 07.1	<input type="checkbox"/> Other chief-level staff or head of department, specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Portfolio managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Investment analysts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Dedicated responsible investment staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> External managers or service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Investor relations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Other role, specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

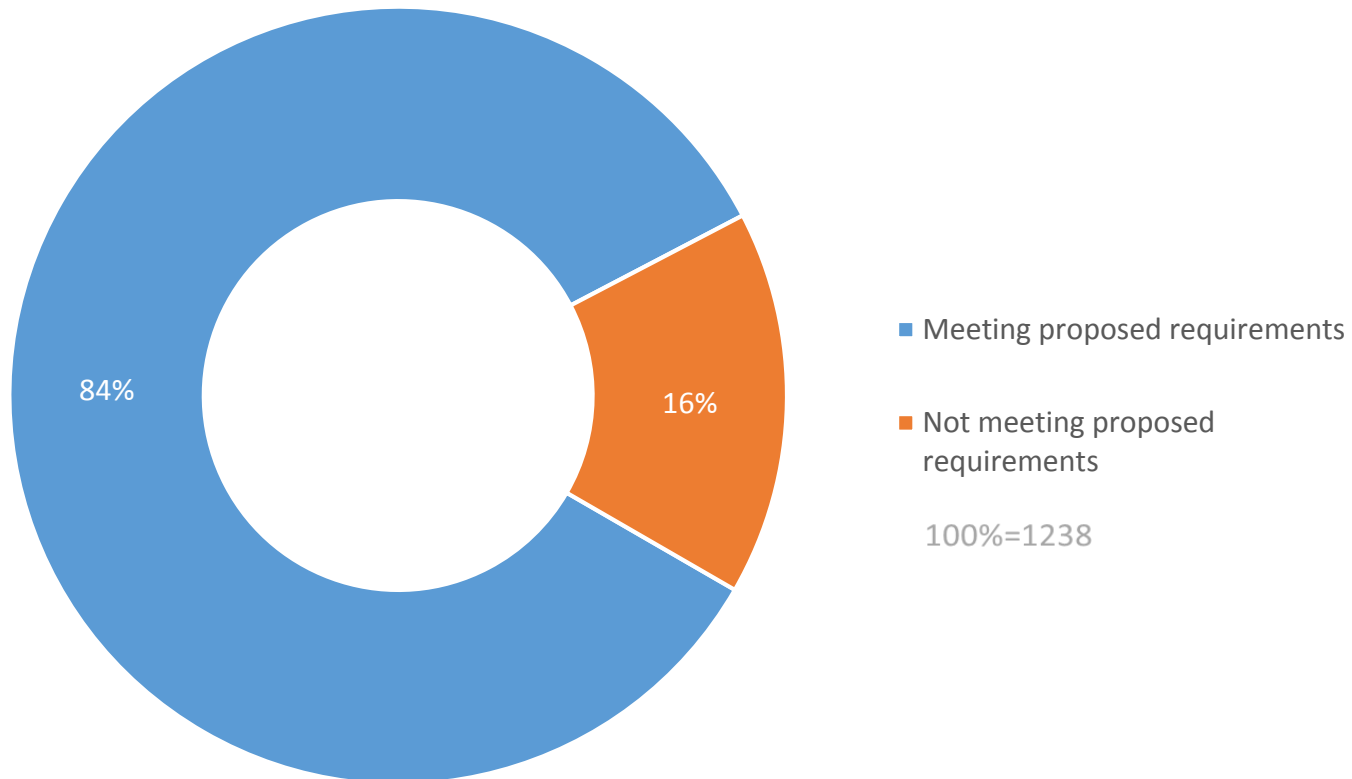
Required: either of these three boxes

Required: either of these boxes

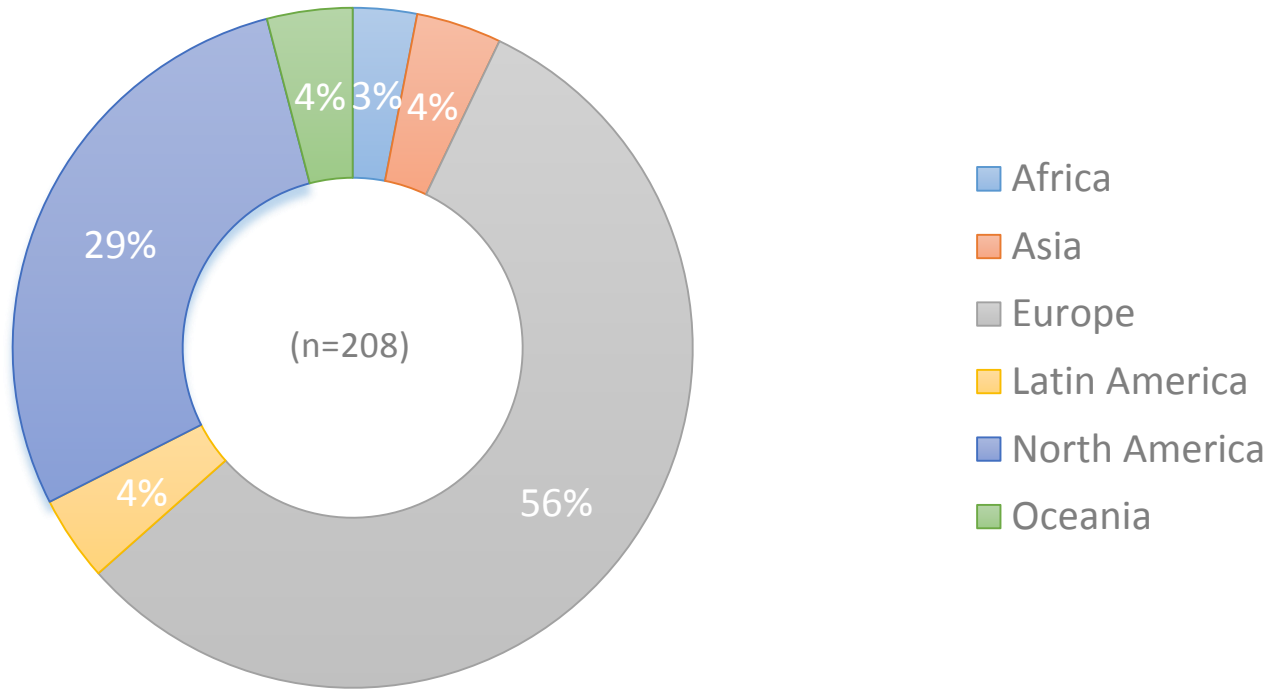
Initial insights

Based on 2017 Reporting Framework data

Investor signatories meeting the proposed requirements



Regional breakdown of signatories not meeting the proposed requirements



- North American signatories are over-represented vs the general distribution of signatories (29% vs 23%). This may be due to PRI experiencing significant growth in North America, resulting in large numbers of signatories who are new to reporting.
- This over-representation shrinks when the 50% RI coverage requirements is suspended

PRI's signatory engagement



- This provides signatories with a 2-year window during which to comply with the proposed minimum requirements
- **The PRI is committed to engaging** with at-risk signatories by means of development sessions, guidance documents and collaborative efforts. **Delisting is a measure of last resort.**

Leadership

Leadership methodology



Combination of eligibility criteria, commitment and quantitative approach

- Eligibility will be centred around timely reporting, completion of a module other than SG & willingness to engage with other signatories to help them advance
- A three-pillar methodology will then be used to calculate an aggregate, confidential score which the PRI will use to draw up a 'leadership group':
 - **Implementation** (50%)
 - **Governance** (25%)
 - **Transparency** (25%)
 - These weightings (% values) are up for consultation.

OVERALL SCORE

Governance
(SG score)

25%

SG module score

Implementation

50%

Asset class module
weighted by AUM

Transparency

25%

% of voluntary
indicators disclosed

- **Governance:** the proposed emphasis of the Strategy and Governance (SG) module aims to promote overarching implementation of RI policies throughout a signatory organisation
- **Implementation:** the bulk of the leadership score is derived from a signatory's scores across asset class-specific modules, weighted by AUM per asset class
- **Transparency:** we propose that measuring a signatory's willingness to submit additional information beyond what is required be a way to determine leadership.

Why leadership matters



Striking the balance between highlighting best practice and recognising diversity

- The PRI aims to recognise those who are already implementing **best practice** while providing guidance to aspiring signatories
- Beginning in 2018, the PRI will publish an **annual leadership report** that will share good practice from different types of signatories
- The report will include a **leadership group** / table based on a combined score per signatory and case studies
- The PRI intends to recognise leadership as measured through the PRI reporting as well as **leadership awards**. The awards will recognise individual leadership and collaborations, for example ‘best engagement’, that aren’t captured in the reporting framework.

Consultation

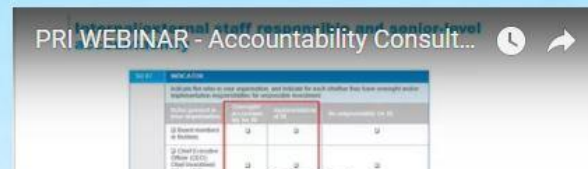
Survey and related materials

Public consultation running until the end of September

- An online [survey](#) allows signatories and third parties to submit their views on the proposed accountability measures until the **end of September**
- A [consultation paper](#) with more detailed information on each proposal is available for download
- A dedicated [breakout session](#) at PRI in Person will take place from 2-3pm on Monday, September 25 2017.

ACCOUNTABILITY

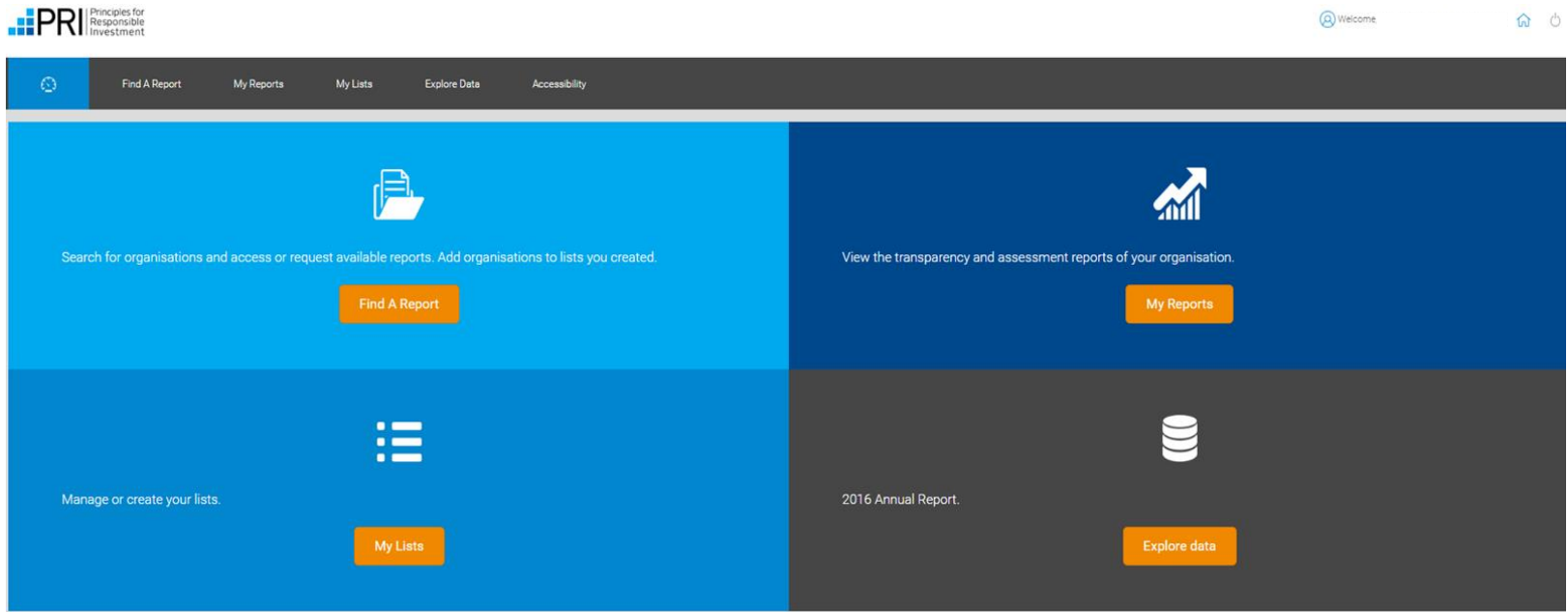
The increased accountability of the PRI is one of our focus areas in the next ten-year blueprint. The PRI is set to implement minimum requirements for membership in 2018 alongside ways to highlight leadership and best practice.



Data Portal

Increased transparency to strengthen accountability

- We recently launched a new platform for signatories to retrieve their assessment and transparency reports, the [Data Portal](#)
- Signatories are now able to request and grant access to private reported data.
- A [webinar](#) was conducted and has been recorded to walk signatories through the functionalities offered by this new platform.



Thank you!

Contact Us

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<https://www.unpri.org/about/pri-governance/consultation>

<https://www.unpri.org/report/accountability>