

# MINIMUM REQUIREMENTS

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## INTRODUCTION

In 2016, the PRI conducted an extensive stakeholder consultation on strengthening accountability and recognising diversity which assessed signatory opinion on the potential of introducing accountability measures. To do this, the PRI proposed using data provided by signatory organisations via our Reporting Framework. Results of the consultation showed overwhelming support for strengthening accountability measures.

Building on this in 2017, the PRI conducted a consultation on [strengthening signatory accountability](#), which proposed the methodology for introducing minimum requirements for maintaining membership and showcasing leadership activity, in line with commitments in the [PRI's Blueprint for responsible investment](#).

## MINIMUM REQUIREMENTS

The PRI is implementing the following minimum requirements for existing and future asset owner and investment manager signatories. Failure to meet these requirements by 2020, following extensive engagement (see "Engagement" section below) with the PRI, would result in delisting. Signatories that do not meet the criteria will be informed privately and delisting will only be as a last resort following unsuccessful engagement over the two-year period.

The three requirements are:

- **Investment policy that covers the firm's responsible investment approach, covering >50% of AUM [SG 01]**

It is crucial for PRI signatories to have an investment policy/policies that set out their overall approach to responsible investment (RI) **OR** have formalised guidelines on environmental factors **OR** social factors **OR** governance factors. The PRI recognises that RI "policies" can take many different forms and can have a variety of titles.

- **Internal/external staff responsible for implementing RI policy [SG 07]**

Once an organisation has policies and processes in place it is important that a member of staff is responsible for putting them into action. This requirement is not looking at full-time employees, a metric also currently captured separately in this indicator, or ESG/RI dedicated staff.

■ **Senior-level commitment and accountability mechanisms for RI implementation [SG 07]**

Individuals with oversight and accountability roles are those with management or governance responsibility for ensuring that the organisation implements its policies and achieves its objectives and targets in relation to responsible investment performance. PRI signatories should have senior-level oversight and accountability mechanisms with regards to the implementation of RI policies.

The aim was to have the same requirements applicable to every signatory regardless of individual characteristics. For example, the chosen indicators are from modules all reporting signatories complete and are mandatory to report. This will:

- make it easier to communicate and provide clarity for signatories; and
- reduce the risk of disproportionate effects on certain categories of signatory.

To help signatories the PRI has further developed the explanatory notes for the affected indicators and also provided links to PRI resources that may be able to support organisations.

## ENGAGEMENT

Signatories that do not meet the requirements will be contacted confidentially by the PRI within six weeks of the reporting period closing (3 April 2018). At this point the two-year engagement period will begin.



The PRI will aim to agree a proposed engagement plan with the signatory setting out an agreement on the engagement timetable over the two-year period and provide support/resources where appropriate.

While it is important to set uniform requirements across our signatory base, the PRI will adapt to the diverse needs of stakeholders throughout its engagement and follow-up process. The PRI may offer different types of support to asset owners, smaller signatories and first-time reporters and use the process as an opportunity to engage signatories that have historically received less attention.

## DELISTING

Delisting a signatory for failing to meet the minimum requirements is a last resort measure following an unsuccessful engagement. Typically it will only happen if:

- no contact has been made with the PRI during the two-year engagement process;
- there are clear indications that engagement has failed;
- progress has not been made; and/or
- there is no communication from the signatory that they are undertaking improvements.

The board will disclose, via the PRI website, an annual progress update of the number of signatories engaged with and delisted. Once a signatory has been confirmed by the board as delisted, it will be publicly disclosed on the PRI website. Signatories will be able to appeal the decision before it is final. For further information please see the [Signatory Accountability Rules](#).

A signatory can choose to voluntarily delist at any stage of the process and will not be individually identified as delisted based on not meeting the minimum requirements.

## RELISTING

Signatories that have been delisted and wish to relist will be required to wait one calendar year and then provide evidence that they meet the minimum requirements in place at that time. These signatories will be required to report in the next reporting cycle and the grace year will not apply to them.