SUMMARY OF ACCOUNTABILITY CONSULTATION RESULTS

INTRODUCTION

In 2016, the PRI conducted an extensive stakeholder consultation on strengthening accountability and recognising diversity, which assessed signatory opinion on the introduction of accountability measures. Results of the consultation – including more than 500 written responses – showed overwhelming support for strengthening accountability measures. To do this, the PRI proposed using data from our Reporting Framework.

This paper summarises the findings from the 2017 consultation on "strengthening signatory accountability", which proposed introducing minimum requirements for maintaining membership and showcasing leadership activity, in line with commitments in the PRI’s Blueprint for responsible investment.

Stakeholder feedback has been captured through an online survey, the PRI in person break-out session on accountability, a webinar explaining the accountability measures and individual interactions that PRI staff have had with signatories. In total this represented over 300 different organisations.

METHODOLOGY

The online survey ran for a nine-week period from 2 August – 6 October 2017 and invitations to respond were sent to all signatories. 185 individual responses were received from every type of signatory (asset owners, investment managers and service providers) and the distribution of organisations were broadly in line with the signatory base numbers as a whole, covering every major region and a total of 25 individual countries (see appendix A).
OVERVIEW OF CONSULTATION FINDINGS

For a full description of all the consultation questions please find the consultation paper here. Full responses to the consultation can also be found here.

2.1 Minimum requirements

The proposed minimum requirements were:

1. Formalised RI policy (or similar) or a policy that covers E/S/G issues covering >50% of AUM [SG 01];
2. Staff (internal or external) explicitly responsible for implementing responsible investment policy [SG 07]; and
3. Senior level oversight of and accountability mechanisms for implementing responsible investment [SG 07].

There was strong agreement about the proposed methodology for minimum requirements from the submitted consultation responses. Over 90% of respondents supported the proposal that signatories have a policy covering their RI approach, internal or external staff implementing that policy and senior level commitment/accountability to responsible investment.

![Summary of Responses - Minimum Requirements](image)

Feedback was mixed on the coverage requirement for the policy (to cover over 50% of AUM), with just over 70% in favour. The feedback received from the 30% who opposed this included:

- coverage should go beyond 50%;
- a 50% coverage could be hard for some signatories depending on their asset class mix; and
- the phased implementation of minimum requirements should consider the time it would take for new signatories to put these policies in place.

To address this feedback, the PRI has updated guidance and explanatory notes more clearly defining what a RI policy is. The PRI recognises that RI "policies" can take many different forms...
and there is no single right way of developing one. The signatory engagement period will allow the PRI to work with signatories to develop the best approach for them.

### 2.2 Timeline for engagement

The following two-year timeline for the implementation of minimum requirements, review of signatory progress and eventual delisting of signatories who do not meet the minimum requirements was proposed.

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Made aware of requirements and enter confidential “at-risk” group</td>
<td>YEAR 1 1st opportunity to meet requirements</td>
<td>YEAR 2 2nd opportunity to meet requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>APRIL Enter delist/appeal process</td>
</tr>
</tbody>
</table>

There was a consensus that the proposed two-year engagement period is appropriately timed with 86% of respondents either "strongly agreeing" or "agreeing" with the proposed timeline. Some signatories who "disagreed" with the timeline felt it should be shortened to one year, but given the lag between reporting year and reporting period (signatories are often reporting on the full 12 month period before the reporting window) two years provides enough time to engage with signatories over one year and for them to report on these activities the following year.

### 2.3 Showcasing leadership

The leadership report proposed in the consultation would contain case studies highlighting good practices identified following the combining of quantitative and qualitative methods:

1. Identify a combined score per signatory to screen in a pool of eligible candidates; and
2. Qualitative analysis performed of the pooled signatories’ free text responses.

An overall score was proposed to be calculated by:

- Governance: 25% (assessment data for the Strategy & Governance module)
- Implementation: 50% (asset class specific module assessment); and
- Transparency: 25% (based on the number of voluntary indicators disclosed).

The majority of signatories agreed with the proposed methods to determine an initial leadership group. About 85% of respondents agreed with the three pillars proposed (Governance, Implementation and Transparency) and the weighting of each requirement.
Responses were divided around publishing an aggregate score, with the majority (52%) in favour of not publishing the final score as a public leader board/table.

There was also mixed feedback about whether voluntary reporting on modules that represent <10% of AUM should be rewarded as part of the transparency pillar. The rationale behind this was to reward signatories doing "extra" reporting and to potentially offset the drop in their "implementation" and continuing to incentivise signatories reporting on more of their AUM. There was also mixed feedback on qualitative analysis approach noting that this could be subjective and lacking in transparency.

OVERVIEW OF NEXT STEPS

Based on the feedback received from signatories and approval from the board, the next section lays out an overview of the next steps for the accountability work. More detailed explanations and an outline of the next steps of minimum requirements and showcasing leadership can be found in the relevant documents. There is also a collection of the most frequently asked questions here.

Minimum requirements

Overall, there was broad public support for the minimum requirements as presented in the consultation and the PRI believes that this support is strong enough to continue with the same requirements.

Further work has been done to improve the explanatory notes in the Reporting Framework for 2018 to provide more details on what a responsible policy is and links to relevant PRI guidance on these issues.

The requirements will come into effect from January 2018 and signatories that do not meet the requirements in the 2018 reporting cycle will be contacted confidentially within six weeks after the
reporting closes on 31 March to discuss engagement. Engagement will continue for two years or until the signatory meets the requirements.

This timeframe should allow for an organisation to put the policies and processes in place (~1 year) and report on this in the following reporting cycle.

This is the first phase of implementing minimum requirements; it will be readdressed in 2020. The PRI also plans to review the requirements on an annual basis to address feedback received during the engagement period.

**Showcasing leadership**

Although there was overall support for showcasing leadership and the methodology proposed for doing this, there was also a lot of concern in the comments received about the PRI becoming a "ratings agency".

The main aims of showcasing leadership continue to be to promote RI best practices among signatories through sharing case studies and also to differentiate signatories based on their RI approach.

The split in public feedback means that the PRI will not publish a "leader board" or similar table showing individual scores publicly. However, the PRI will investigate ways to highlight signatories that meet the criteria and provide access to their public reported information through systems such as the Data Portal.

There was also significant feedback on using the term "leadership" in the final output. This was raised by signatories and also other advisory committees such as the Reporting and Assessment Advisory Committee (RAAC). The PRI will be investigating other terms that reflect the aims of this work.
## APPENDIX A

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment manager</td>
<td>121 (65%)</td>
</tr>
<tr>
<td>Asset owner</td>
<td>43 (23%)</td>
</tr>
<tr>
<td>Service provider</td>
<td>17 (9%)</td>
</tr>
<tr>
<td>Non-signatory</td>
<td>4 (2%)</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>185</strong></td>
</tr>
</tbody>
</table>

### Regional distribution of responses

- **Europe**: 51%
- **North America**: 29%
- **Asia**: 9%
- **Latin America**: 4%
- **Oceania**: 5%
- **Africa**: 2%
- **unknown**: 0%

![Pie chart showing regional distribution of responses](image-url)