Principles for Responsible Investment

PRI SIGNATORY SIGN-UP GUIDELINES

ELIGIBILITY AND CATEGORISATION

These guidelines were approved by the PRI Board on 15 November 2019. If you have any questions, please contact the PRI at info@unpri.org.

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OVERALL APPROACH

These guidelines explain the criteria and process the PRI uses to assess eligibility and categorisation of potential signatories.

The PRI's overall approach to assessing eligibility and categorisation aims to:

- ensure that signatory status is granted only to relevant organisations;
- promote asset owner sign-up first, given their impact throughout the investment chain;
- increase the breadth of the PRI's adoption;
- provide clarity in the marketplace of signatory status;
- encourage a simple and transparent sign-up process.

To provide clarity over who is a signatory, signatory status will be granted to clearly identifiable businesses operating in the market. For example, the signatory name as listed on the PRI website should correspond to a clearly defined brand, but need not necessarily correspond to a distinct legal entity.

For more information on the actual sign-up process and annual fees, see the becoming a signatory page on the PRI website as well as relevant articles and rules.

WHO CAN BECOME A SIGNATORY?

The PRI works to understand the investment implications of environmental, social and governance (ESG) factors, and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

Signatories to the PRI are institutional investors – such as pension funds, endowments, foundations, insurance providers, development finance institutions, sovereign wealth funds, family offices, wealth managers and asset managers (multi asset or single asset) – as well as businesses that provide services to investors – such as investment advisors, sustainability/financial consultants, assurance providers, rating agencies, data/research providers, brokerage firms, proxy voting firms and stock exchanges.

Responsible investment can be applied across all of an investor's portfolio – that is, across asset classes, product solutions and client types – so while signatories may decide to focus their responsible investment efforts on particular assets (and may/may not subsequently choose to build the breadth and depth of their practice over time), their application to become a signatory – and their subsequent reporting – must cover all of their assets. For example, an investor may not sign up particular green/SRI-branded funds only.

Not an asset owner, investment manager or service provider?

Signing up to the Principles for Responsible Investment is an act reserved for institutional investors and their service providers. There are a number of paths available to other types of organisation.

- ***Other commercial organisations:*** Commercial organisations that are not institutional investors or investment service providers should look at the initiatives of our two UN partners, UN Environment Programme Finance Initiative (UNEP FI) and UN Global Compact. In particular:
  - Non-financial corporates interested in sustainability can sign up to the UN Global Compact.
  - Commercial banks can sign up to UNEP FI's Principles for Responsible Banking.
  - Insurance companies interested in the sustainability of their liability products (as opposed to their investments) can sign up to UNEP FI's Principles for Sustainable Insurance.

- ***Governments, regulators, membership bodies, advocacy groups, etc.:*** While the PRI works with organisations such as governments, regulators, membership bodies and advocacy groups to advance responsible investment, only institutional investors and investment service providers can sign up to the PRI. However, the PRI welcomes as ***network supporters*** any non-profit membership-based industry associations or peer organisations (such as regional sustainable investment forums) that would like to publicly express support for the PRI within their constituency. Network supporters are not signatories but can make use of the PRI's publicly available services, activities and resources. They do not pay fees but are required to report annually on how they have been promoting the PRI to their members. They have no role in the PRI's governance. Further information can be found here.

The PRI is a UN-supported organisation and all PRI signatories must be listed on the PRI website as headquartered in a country recognised by the UN as either a member state or observer.

WHY AND HOW ARE SIGNATORIES CATEGORISED?

Signatories are categorised into three types: two investor types – asset owners and investment managers – and one non-investor type – service providers.

WHY WE CATEGORISE SIGNATORIES

The PRI is an investor initiative, and so distinguishes between signatories that are directly involved in making investment decisions (asset owners and investment managers), and those that support them (service providers).

Between the investor types, the PRI believes that asset owners are in the best position to lead market transformation, because they sit at the top of the investment chain as the ultimate institutional clients of all financial services, and their long-term liabilities align their interests with sustainable growth. Through the mandates they set for external managers, they set the direction of markets: if asset owners fully and effectively implement responsible investment commitments, they will accelerate its development throughout the investment chain.

Accordingly, the PRI is an asset owner-led organisation, and this is reflected in the PRI's governance and activities.

HOW WE CATEGORISE SIGNATORIES

The majority of signatories are straightforwardly categorised based on the criteria in the table below, but each application is assessed on a case-by-case basis.

Category	Typical criteria
Asset owner	■ long-term investment motivation *and* ■ institutional investor at the top of the investment chain, directly accountable to beneficiaries or the government *and* ■ investment discretion*, including asset allocation, over all or most of its assets, (e.g. not subject to the direction of independent financial advisors (IFAs), or beneficiaries) *and* ■ stable non-commercial governance arrangements or legislative frameworks* (i.e. capital preservation and/or retirement provision is the primary motive, and they are ultimately answerable to pensioners or the government rather than shareholders)
Investment manager	■ make investment decisions according to guidelines stated in investment management agreements (IMAs) or fund formation documents *and* ■ majority of assets subject to the direction of asset owners, IFAs or beneficiaries
Service provider	■ provide investment advice to asset owners or investment managers, such as asset allocation and manager/product selection *or* ■ deliver services such as proxy voting, data, etc.

* To see a detailed list of factors used when assessing discretion and commerciality, please contact info@unpri.org.

WHAT CATEGORISATION MEANS FOR SIGNATORIES

Categorisation determines an organisation's rights and responsibilities, and the activities open to them.

Category	Governance	Reporting	Activities	Fees***
Asset owner	Hold 7/10 of the signatory seats** on the PRI board	Report annually and are assessed	All	£511 – £ 9,396 (Based on AUM)
Investment manager	Hold 2/10 of the signatory seats** on the PRI board	Report annually and are assessed	Some activities restricted to asset owners	£ 1,213 – £ 15,218 (Based on AUM)
Service provider	Hold 1/10 of the signatory seats** on the PRI board	Report annually but are not assessed	Some activities restricted to investors	£ 511 – £ 9,396(Based on number of staff)
	***The board also includes an independent chair, and two UN permanent advisors. For more details, see the PRI website.*			****2022/23 numbers*

HOW DOES THIS APPLY TO GROUPS?

There are a number of approaches that guide how PRI categorises groups, although ultimately each case is considered individually. The scenarios below intend to ensure that there is clarity in the market over who is a signatory, and over which parts of a group or organisation need to be signed up.

Most group applications are for investors of **only one category**, e.g. an investment management firm split into multiple subsidiaries that cover different regions or asset classes, but that all perform the same investment management function.

For these interdependent investors, if operating under similar branding across subsidiaries, **all of the operation must sign up** (e.g. an investment manager cannot sign up just its listed equity arm or its European arm if the firm is primarily identifiable in the market as a single over-arching global brand).

Joint ventures and entities in a group which are less than 50% owned can be excluded from the application if desired.

While all of a group must sign up, the organisation can still decide whether it achieves this by:

- signing up the entire group as one consolidated signatory;
- individually signing up all subsidiaries (at the same time) as multiple signatories.

Groups that span multiple signatory categories

Where a group includes a combination of asset owner, investment manager and/or service provider businesses, the following guidelines apply.

- **No cross-category consolidation:** A signatory cannot span multiple categories, so when a group does include constituent parts that fit various signatory categories, it must sign its relevant operations up under each of the relevant signatory categories separately.
- **Asset owners first:** The group must sign up one function/category at a time in its entirety, in cascading order: all of its asset owner functions must be signed up before any other parts can sign; once all asset owner functions are signatories, all remaining investment functions must sign before any service provider functions can sign.

For example, an insurance group that comprised both an asset owner and an investment manager arm must sign up its asset owner activities first. If desired, it could then also sign up its investment manager arm, as a separate signatory.

The PRI precludes signatories from spanning multiple categories because there are different governance arrangements and activities open for each. Prioritising asset owner sign-up reflects the PRI's belief that asset owners, at the top of the investment chain, are in the best position to lead market change.

SIGN UP AS A SINGLE, CONSOLIDATED GROUP

Where a group signs on behalf of multiple entities, all subsidiaries' assets should be included as part of the group's application and ongoing reporting. As long as a subsidiary's activities are captured in their group's reporting and assessment responses, it can then represent itself as a signatory through its group**.** In this scenario, the organisation is one signatory with one report and one fee.

- **Note on overlapping signatories:** Some organisations that sign first at the wider group level are keen to also showcase some entities within their group separately. Subsidiaries (or joint ventures) can sign up *in addition* to the wider the group if desired. They will need to complete the reporting and assessment in their own right, and they will pay their own additional fee, based on their own AUM.

SIGN UP ALL ENTITIES SEPARATELY

Where all entities within a group sign up separately, all applications must be submitted at the same time, and the parent entity (if it does not manage its own assets) is not required to be a PRI signatory. Under this scenario, the organisation is multiple signatories, all reporting and paying fees based on their own assets. If a part of the group subsequently delists (unless it is a uniquely branded and autonomous subsidiary as described below), either the parent entity must sign to capture those assets, or all the other entities will be delisted by the PRI after one year.

- **Note on overlapping signatories:** If the parent would like to *also* sign up as a wider entity (even when all the underlying assets are signed up from the group businesses), the parent will still be required to report some general modules on overall approach across the group. It will also need to pay its own additional fee, based on its total AUM across all businesses.

EXCEPTION: INDEPENDENT SUBSIDIARIES

Parents or subsidiaries that are branded/marketed as distinct entities, *and* are strategically and operationally autonomous, will be able to sign the PRI without the rest of the group. (If one part of a wider group signs up, the listed signatory name must accurately reflect not only which group the signatory is from, but which parts of the group are signed up.)

- **Separate branding** will be assessed by a set of characteristics (with no one characteristic being more important than another) including: name, logo, website, email domains, marketing documents, distinct sales channel and distribution team.
- **Strategic and operational autonomy** will be assessed by a set of characteristics (with no one characteristic being more important than another) including: the business's ability to prove its own independent governance body, strategy, distinct investment philosophy, style, product family, investment research team, risk management team, etc.[*]

Where a subsidiary has signed up on the basis of being an independent subsidiary, the wider group cannot inherit signatory status solely from its subsidiary having signed. This does not preclude the parent from also signing up in its own right as a wider entity.

[*] To see a detailed list of factors used when assessing if a signatory meets the branding and autonomy criteria, please contact info@unpri.org.

DECISION-MAKING AND GOVERNANCE

Signatory categorisation is ultimately the responsibility of the PRI Board. The board's Governance Committee (link)provides guidance and recommendations to the PRI Executive and the board.

- The PRI Board sets the eligibility and categorisation principles described in these guidelines, for the executive to implement on a day-to-day basis.
- If the executive judges that an applicant is applying to the wrong category, the applicant will be advised as such, citing the guidelines.
- If the applicant disagrees with the executive's decision, it can choose to take their case to the Governance Committee (see Appeal Process below). The burden of proof resides with the applicant.
- Cases not covered by the guidelines are reviewed by the Governance Committee and new categorisation recommendations are presented to the board for approval.
- The board has ultimate authority to decide signatory status and signatory categorisation, as set out in the PRI Articles of Association and Signatory Rules.

Appeal process

- The applicant disagrees with the interpretation of the executive.
- The applicant writes a formal letter to the Governance Committee (via the executive), explaining why it disagrees with the categorisation and the proposed reasons for re-categorisation.
- The Governance Committee discusses the case and makes a recommendation to the board.
- The board makes the final decision on signatory categorisation.
- The executive sends a formal letter to the applicant notifying them of the decision.
- Signatory categorisation guidelines are updated if necessary and made available on the PRI website.

RESOLVING HISTORICAL CASES

Any update to these guidelines will not automatically be applied retrospectively. However, a formal process of engagement may be undertaken with organisations signed up under previous versions of the eligibility and categorisation guidelines if the PRI deems necessary.

Such cases could be a result of potential inconsistency having been:

- identified by PRI's own research on the characteristics of existing signatories;
- captured by information collected within the PRI Reporting Framework;
- noted by other signatories or stakeholders;
- revealed by a signatory providing additional information on itself.

APPENDIX: TYPES OF ORGANISATION

The list below outlines examples of existing agreed categorisation cases. In many edge cases, a useful test to assess the relevance of the PRI for an organisation is to establish whether the organisation would be able to complete the relevant parts of the PRI Reporting Framework. Reporting Framework modules are available to review here.

Advocacy and campaigning groups

If advocacy and campaigning groups provide services to investors, for a fee, they can become service provider signatories based on that activity. Typically, however, while the PRI works with such groups when there is a common goal, they are not directly involved in the investment process and so do not qualify as asset owners, investment managers or service providers.

Asset managers

Multi-asset class or single-asset class managers can sign up, and when doing so must sign up all of their underlying assets.

Banks

Typical commercial and retail banks do not qualify as asset owners, investment managers or service providers (see page 5). Banks can become signatories if they have a significant wealth management arm or an asset management arm.

Central banks

Central banks meet three of the four asset owner criteria (see page 5), but will typically struggle to meet the need to demonstrate ”long-term investment capabilities and motivations”. However, some are increasingly investing in new asset classes and markets, as well as expanding investment and trading activities beyond traditional boundaries. Central banks can therefore sign up as asset owners if they provide evidence of their ability to implement responsible investment.

Defined benefit (DB) pension schemes

Defined benefit (DB) pension funds are categorised as asset owners.

Defined contribution (DC) pension schemes

Defined contribution (DC) pension funds can be categorised as asset owners or investment managers, depending on the nature of their operations and activities. Where the DC pension fund acts on behalf of, rather than at the direction of, individual beneficiaries or members, it will be considered an asset owner, conditional to meeting the other asset owner criteria. Where the DC pension fund acts as a platform for individual investors, such that the fund’s asset allocation substantially reflects the judgment of the beneficiaries or their advisors rather than the trustee, the fund will be an investment manager.

The degree of commerciality of a DC pension fund’s operations in securing funds also affects whether it would be an asset owner or investment manager. Non-commercially governed providers with strong governance arrangements or legislative frameworks will be treated as asset owners (conditional on them also meeting the other asset owner criteria – see page 5). Where the DC pension funds are forprofit players with less significant government oversight, they will be categorised as investment managers.

Development finance institutions (DFIs)

Development finance institutions (DFIs) are categorised as asset owners. They are required to report on their responsible investment activities in the programmatic (development finance) AUM rather than their treasuries' AUM, but can report on both if they choose to.

Diversified investment holding companies

In most cases, diversified investment holding companies buy majority shares in companies to run them as multi-sector organisations without a specific goal of trading them, meaning they are not designed for investment management purposes and so are not eligible to be PRI signatories. The UN Global Compact, one of the PRI's UN partners, provides services for diversified investment holding companies. However, if the investment holding company acts more as a vehicle to buy and sell companies, usually after creating efficiencies and introducing value-adding improvements, these organisations can join the PRI.

Endowments and foundations

Endowments and foundations can sign up as asset owners. If stipulated by donors, these organisations can ask to report their AUM to the PRI in confidence, meaning that (if agreed, at sign-up) the PRI will not publish their AUM.

Execution and advisory services

Organisations that solely run execution and advisory services are categorised as service providers. Organisations that also manage assets need to sign their investment management arm first, and then can sign their service provider activities. In this case the investment manager signatory will need to include both the asset management and advisory assets in their AUM figure, but will not be required to report on their advisory assets, as these will be reported on by the service provider signatory.

Family offices

Single family offices (defined as those where at least 90% of assets managed belong to one family) are categorised as asset owners, while multi-family offices are categorised as investment managers or service providers, depending on their underlying activities. Family offices, for confidentiality and security reasons, can choose to report their AUM figures to the PRI in confidence, meaning the PRI will not publish their AUM.

Fiduciary managers

Fiduciary managers – organisations appointed by/on behalf of an asset owner to execute investment strategy/policy/manager-selection – are categorised as investment managers.

Organisations in initial fundraising phase

Investment managers that are in an initial fundraising phase can sign the PRI as provisional signatories. They are granted this status for 12 months, after which their status is reviewed and, if necessary, renewed at the discretion of the PRI. The fee for provisional signatories is based on the target size of the fund. Once they are actively managing assets, they must inform the PRI.

Insurance and re-insurance companies

The PRI categorises insurance and re-insurance companies as asset owners because these organisations have legal ownership of their assets. Insurance companies generally do not compete commercially based on the investment performance or investment beliefs of their funds. Some insurance companies have both an asset owner and investment manager function. In this scenario, unless the two parts are separately branded and autonomous (see page 8), the organisation must first sign up the asset owner arm and then (or at the same time) sign up the investment management arm.

Investment trusts

The PRI categorises investment trusts as investment managers as they are commercial entities exercising the mandates of their clients and are under no obligations of trust law.

Local independent chapters of staff pension funds or endowments/foundations

Local chapters of staff pension funds or endowments sharing the brand of their global peers may sign up separately, even if similarly branded, as long as they can prove independence.

Media organisations

Media organisations may sign the PRI as service providers. Signatories that are media organisations have restricted rights to the PRI's services to prohibit access to sensitive information, such as that shared by investors on the PRI Collaboration Platform.

Mutual funds/unit trust

Signatories are organisations, not individual funds run by an organisation, so individual funds – such as SICAVs, collective investment vehicles and unit trusts – cannot sign the PRI.[1]

Outsourced Chief Investment Officers (OCIOs)

Outsourced CIOs (OCIOs) – third-party providers that assume the legal and administrative duties of a chief investment officer – are categorised as investment managers.

Pooled asset owner vehicles

In some markets (especially the UK, US, Canada and Australia) pension funds have pooled their assets and resources together. These do not strictly meet the criteria for asset owners of being at the top of the investment chain, as the individual pension funds still exist above, however these vehicles will be accepted as asset owners if they meet the following three criteria:

1. The pooled vehicle has de-facto decision-making, delegated from the underlying fund.
2. The pooled vehicle manages more than 90% of each underlying fund's assets.
3. The underlying pension funds are government-linked.

Where pools join the PRI while not fully formed, any underlying funds that are to be represented by the pool but are already asset owner signatories will be permitted to remain so on a temporary basis pending full formation of the pool. After this point, they will be required to delist and will be represented by the pooled asset owner signatory.

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[1] These are not asset owners but investment funds that collects capital and then manages the capital via another body. There would typically be an entity that is responsible for running it, even if it is just administrative one. It is at this level (the level responsible for running the investment fund) that the organisation is eligible to become a PRI signatory.

Private banks

Asset managers can become signatories with or without their private bank sister unit, however private banks can only sign without their asset management unit if they are deemed separately branded and autonomous according to PRI's criteria (see page 8).

Professional service networks

International professional service networks (such as the Big Four accounting firms) generally operate a local partnership model with no legal ownership from a central office. However, their shared branding and some strategic direction from a central coordinating entity mean that signing the PRI on behalf of all global operations is appropriate according to the PRI's guidelines on market clarity (page 10). Neither individual country partnerships, nor any regional groups of such partnerships, will be allowed to sign up separately, unless the whole group has signed up first.

Real estate investment trusts (REITs)

A real estate investment trust (REIT) – a type of security that invests in real estate through property or mortgages and often trades on major exchanges like stock – is seen as an investment trust, and therefore qualifying REITs are categorised as investment managers.

Professional service providers that do not service investors

Service providers that provide services *to investors* (directly or indirectly) may join the PRI. These typically include asset consultants, research houses, accounting firms, professional service firms, responsible investment research firms, data providers, rating agencies etc. Providers that only serve companies with no connection to the financial services industry are encouraged to join the UN Global Compact (see page 4).

Sovereign wealth funds (SWFs)

Sovereign wealth funds (SWFs) are categorised as asset owners. Some SWFs do not publish their AUM and often do not share it with partners or providers. SWFs therefore have the option to report or not to report their AUM figures to both the PRI and the public when they sign up and when they report. If they do not disclose their AUM to the PRI they will pay the highest band of asset owner signatory fees.

Stock exchanges

Stock exchanges provide a service to the investment industry and can therefore become PRI signatories as service providers. Stock exchanges can also consider signing up to the Sustainable Stock Exchanges (SSE) initiative.

Third-party management companies (ManCos)

Third-party management companies (ManCos) typically offer risk management and fund governance services to investors to address regulatory compliance in certain markets (for example for UCITS in Luxembourg). As ManCos generally delegate portfolio management and risk management to the fund sponsor's chosen investment manager, and administration and custody activities to an external administrator and custodian (ManCos may also delegate distribution to a global distributor or sub-distribution network), these organisations are categorised as service providers.

Treasuries

Treasuries – public, corporate and DFI – typically manage short-term assets and therefore do not meet one of the asset owner criteria (see page 5), and since they do not manage the assets on behalf of others, they are not an investment manager. However, the PRI recognises that despite their typical short-term approach, treasuries can have a long-term motivation towards a public good (for public treasuries and DFIs) or towards the sustainability of the business (for corporates and banks). Therefore treasuries can sign up as asset owners if they provide evidence of their ability to implement responsible investment.

Wealth Managers

Asset managers can become signatories with or without their wealth management sister unit, however, to ensure that institutional investors have clarity over who is a signatory, wealth managers can only sign without their asset management unit if they are deemed separately branded and autonomous according to PRI's criteria (see page 8).