

PRI BOARD MEETING REPORT

The PRI Board had a conference call on 12 June and an in-person meeting on 19 & 20 June 2018, in Beijing, China.

The Executive also arranged a number of outreach meetings, to better educate board members on the (responsible) investment market in China, and inform the PRI's strategy in China. This included: an ESG Investment for Insurance Investors hosted by the Insurance Asset Management Association of China; a roundtable with senior executives of Chinese asset management companies and stakeholders in the Chinese Pension system hosted by Asset Management Association of China; a dinner with current PRI signatories in China; and 1-1 meetings with representatives from China Investment Corporation, National Council for Social Security Fund, Asian Infrastructure Investment Bank, State Administration of Foreign Exchange, China Security Regulatory Commission and People's Bank of China.

12 JUNE CONFERENCE CALL

ATTENDANCE

The meeting was attended by the following PRI Board members and PRI Executive staff.

Board members present: Angela Emslie (Hesta Superfund) Eva Halvarsson (AP2) Marcus Madureira (PREVI) Priya Mathur (CalPERS) Renosi Mokate (GEPF) Martin Skancke (Chair) Tycho Sneyers (LGT Capital Partners) Eric Usher (UNEP FI) Xander den Uyl (ABP) Peter Webster (Vigeo Eiris)	PRI Executive in attendance: Fiona Reynolds Christopher Sperling
Apologies: Sandra Carlisle (HSBC Asset Management) Hiro Mizuno (GPIF)	

DECLARATION OF INTERESTS

The PRI Chair has been recently appointed to the board of Summa Equity, a private equity manager based in Sweden and a PRI signatory.

CHAIR REPORT

The Chair reported to the Board on key activities since the March 2018 Board meeting and activities planned from June to September 2019. Key activities since the March meeting included:

- Meetings with the Executive on Climate Action 100+ and the Sustainable Development Goals strategy.
- Keynote at the Business for Peace Summit.
- Meetings with the PRI Networks team.
- Leading the PRI asset owner consultation roundtable, Oslo.

HUMAN RESOURCES

Lian Hillier, Director of People and Culture, presented the annual pay review process and recommendations.

Renosi Mokate, chair of the Human Resources and Remuneration committee welcomed the proposal, commenting that the review was well structured: it was fair, seeks to retain staff and reward excellent performance. The Board questioned: the benchmarking processes; the approach to regional inflation levels; the rationale for the percentage range; the communications plan to staff; and the procedure for future years.

The Board approved the pay review structure.

LEADERSHIP AND ACCOUNTABILITY

Mandy Kirby, Director of Reporting, Assessment and Accountability presented the agenda item.

The 2016 *'Accountability & Differentiation'* consultation gathered strong support from a significant number of signatories for the PRI to use the Reporting & Assessment process to further differentiate signatories at different stages of implementing the Principles. This included:

- Delisting signatories who do not fulfil minimum requirements for membership; and
- Showcasing leadership across different signatory types, sizes, regions to encourage other signatories to improve their performance and share good practices.

The main objectives therefore are to:

- Recognise best practices;
- Engage signatories that have been failing to implement the Principles;
- Help signatories committed to the Principles but not highly engaged with the PRI; and
- Delist signatories who are not committed to the Principles.

Showcasing leadership

During the consultation process the proposals have been thoroughly discussed by the Reporting and Assessment advisory committee. The focus on showcasing leadership, from within the identified leadership group, on topic areas that rotate every year will provide opportunities for different signatories to showcase their excellence over the years.

The Board raised multiple issues with the proposal:

- Alignment with the spirit of the PRI initiative, to inspire and encourage signatory action;
- The complexity of the methodology and difficulty of communicating the criteria;
- The resources required to effectively run the showcasing leadership programme;
- The importance of showcasing leadership from different geographical regions, to inspire and enable regional peer-to-peer comparison

There was consensus that signatory communication is critical. There are numerous different strands to the PRI's efforts to showcase leadership and ensure accountability and it is difficult at present to grasp a holistic picture and the high-level messages. The Board asked the Executive to report back on the signatory communications plan.

The board agreed to the methodology for showcasing leadership via the reporting framework.

Accountability

The paper also included an update on the signatory accountability process, including high level figures on the engagement list.

CLIMATE ACTION 100+ (CA100+)

Fiona Reynolds, CEO, provided an update on the progress of the CA 100+. Signatories have really supported the aims of the engagement and sign up has been strong. Engagement at this scale is a test case for future projects and also how and when the PRI collaborates with partners. The PRI needs to ensure that the governance and resources match the scale of ambition. The Board agreed that collaboration is preferable where practical.

19 & 20 JUNE IN PERSON MEETING

ATTENDANCE

The meeting was attended by the following PRI Board members and PRI Executive staff.

Board members present: Sandra Carlisle (HSBC Asset Management) Angela Emslie (Hesta Superfund) Eva Halvarsson (AP2) Hiro Mizuno (GPIF) Priya Mathur (CalPERS) Renosi Mokate (GEPF) Martin Skancke (Chair) Tycho Sneyers (LGT Capital Partners) Xander den Uyl (ABP) Peter Webster (Vigeo Eiris)	PRI Executive in attendance: Fiona Reynolds Christopher Sperling
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SIGNATORY AND STAKEHOLDER INTERACTION

Board members and the Executive reported on a number of signatory and stakeholder interactions and issues:

- The ongoing asset owner empowerment consultation, which has been well received. One frequently raised issue is the design of the PRI's reporting framework and therefore the planned review is timely.
- Local signatory networks are often very active and perform a vital role for the PRI. The Board asked the Executive to draft a governance of networks, to provide clarity on roles and responsibilities.
- A service provider signatory has complained about the PRI's promotion of a tool supported by 2 Degrees Investing Initiative via the Taskforce for Climate-related Financial Disclosure (TCDF) guide for asset owners. The PRI will include a list of other providers when the tool is launched. The tool is good for initial analysis and the guide and tool will hopefully assist with the development of the market.
- Some signatories have complained about the PRI's communications during the reporting process. The PRI is a membership organisation and the tone of signatory communication is important. The Board asked the Executive to review reporting communications.

MANAGEMENT REPORT

Fiona Reynolds, CEO, presented the management report.

Included in management report are routine reports and exceptional items. The routine reports are updates on human resources, partnerships, management accounts, signatory relationship management and key business initiatives. Exceptional items included updates on: the asset owner consultation; 2019 signatory fees; PRI Data Portal uptake; progress of PRI in Person 2018; and application of the EU General Data Protection Regulations.

The ongoing asset owner empowerment consultation has been well received. The results will help to inform both the PRI strategy and contribute to the organisational design. Practical tools, for example DDQs, guidance on ESG themes and investment practices, and collaborative engagements drive signatory value. Asset owners also want more time with their asset owner peers. The biggest surprise from the consultation is the desire for the PRI to 'drive more meaningful data'. Signatories want the PRI to play a greater role in the convergence of standards. One possible aim would be to drive more meaningful data, through the standardisation of ESG disclosure, but not to be prescriptive on the interpretation of the data. Driving meaningful data also is linked to the adoption of the Sustainable Development Goals. Investors are asking for the data to measure their impact.

The SDG strategy will include a discussion of possible partner organisations for the PRI to work with to implement the strategy. The PRI is a networking organisation and should look to partner with aligned organisations to deliver.

The board will discuss the 2019 signatory fees as part of the budget and business plan discussions in March 2019.

COMMITTEE REPORTS

The Board received updates from the chairs or members of the respective committees.

Finance, Audit and Risk committee (Peter Webster)

The committee reported to the Board on its discussions:

- 2019 signatory fee scenarios
- Efficiencies within the Executive
- Audit tender process
- Operational risks

Policy committee (Xander den Uyl)

The committee reported to the Board on its discussions:

- Resources for the Sustainable Financial System (SFS) work programme
- Impact and depth of current SFS projects

Signatory and stakeholder engagement committee (Tycho Sneyers)

The committee reported to the Board on its discussions:

- Asset owner recruitment
- Signatory minimum requirements
- Showcasing signatory leadership

- Signatory categorisation review
- Signatory categorisation cases

Skills, Diversity and Elections committee (Angela Emslie)

The committee reported to the Board on its discussions:

- PRI Board external review

SIGNATORY CATEGORISATION CASES

The Board discussed several signatory categorisation cases. The Board asked the Executive to conduct further research and present recommendations at the September 2018 meeting.

PRI CHINA UPDATE

Lorenzo Saa, Director of Global Networks and Outreach, Nan Luo, Head of China and Nathan Fabian, Director of Policy and Research, joined the meeting to present an update on PRI's priorities and activities in China.

The Executive plans to partner with key local partners, publicise case studies that are relevant to the local market and build capacity. 15 Chinese organisations have signed up to the Principles, all either investment managers or service providers. With regards to recruitment of signatories, the Executive will concentrate on asset owner organisations. The Executive will return to the Board with a China strategy at a later date.

The Board thanked Nan Luo for her work in preparation for the week.

CLIMATE ACTION

Fiona Reynolds, CEO, provided an update, since the 12 June meeting, on the CA100+.

CA100+ is an opportunity to have an impact at scale. Because of the high profile and investor engagement, it is also a significant reputational risk for the PRI if the engagement does not deliver. Board members raised a number of issues about the CA100+'s governance, capacity and effectiveness:

- **Global initiative.** While some regional engagements are proceeding well, it is important to remember that CA100+ is a global initiative. All regions should be as effective as possible.
- **Clarity on the PRI's role.** It should be clear that the PRI facilitates the engagement, it coordinates and provides background research. The investor(s) engage with the corporates and are responsible for the quality of the engagement.
- **Lead engagement organisation.** For the success of an engagement the lead engagement organisation is critical.
- **Transparency and accountability.** CA100+ must be clear, in its communications and messaging on the website, how companies have been selected and the process for agreeing which investors lead the engagements.

- **Branding and messaging.** The messaging should be constructive. The engagement is with systemically important corporate institutions that can play a significant role in the transition to a low carbon economy.
- **Coordination.** Engagement at this scale requires more centralised support for common functions, including messaging.
- **Asset owner representative.** It is advantageous to have a European asset owner representative on the steering committee.

The Board asked the Executive to keep it updated on the progress of Climate Action 100+.

INVESTMENT CONSULTANTS PROJECT

Nathan Fabian, Director of Research and Policy, joined the meeting to present the agenda item, including an update on the five projects within the investment consultants work:

1. Guidance on ESG-integrated investment consultant services for asset owners
2. PRI Academy roll out to field consultants
3. Examine barriers in US legal counsel
4. UK Competition and Markets Authority policy engagement
5. Asset modelling project

The Board welcomed the work undertaken to date.

PRI BOARD EXTERNAL REVIEW

Angela Emslie, Skills, Diversity and Elections committee chair, presented the agenda item. The Board was asked three questions:

1. Does the report reflect your views on the effectiveness of the PRI Board?
2. Are there any surprises?
3. What are the top three priorities for action over the next year from your perspective?

The overall impression from the review is that the PRI Board is very engaged and performing well.

The Board discussed aspects of the review:

- **Process.** There was general agreement that the review process, including the online questionnaire and 1-1 interviews, was good.
- **Ambassadorial role.** Board members agreed that being ambassadors for the PRI was an important part of their roles and to perform this role effectively Board members need to be kept better informed on an ongoing basis.
- **In person meetings.** There was a consensus that the Board met too infrequently and support for a fourth in person meeting in December.
- **Role of the committees.** Board members agreed that there needs to be more clarity on the roles of committees, how they are expected to support the work of the Board. The Board agreed to review the roles of the committees and their terms of reference.
- **Strategic plan and risks.** Some Board members felt that they didn't have effective oversight of the implementation of the strategy. This included progress on implementing the strategy in

different regions. The Blueprint has helped the Board to structure both the current strategy and future strategic discussions.

- **Board support.** The Board agreed that it is well supported by the Executive. The review has identified areas that can be improved, for example committees and general information provision at and between meetings.

The Board agreed to publish a note from the Chair in the SGM papers on the external review, including the high-level actions, plus a short executive summary from the external reviewers.

FUTURE MEETINGS

The Board will meet next in person on 10 & 11 September 2018, in San Francisco, in advance of PRI in Person 2019. Planned discussion points include:

- PRI Board external review actions
- Auditor recommendation
- Drive meaningful data
- Asset owner empowerment
- Sustainable Development Goals
- Governance of networks and partners