

## PRI BOARD MEETING REPORT

The PRI Board had a meeting on 10 & 11 September 2018, in San Francisco, US, preceding PRI in Person 2018.

### ATTENDANCE

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

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

### WELCOME FROM THE CHAIR

The chair welcomed Lise Kingo, CEO & Executive Director UN Global Compact, to the PRI Board.

Since the last meeting Marcus Madureira, PREVI, has resigned. To recruit for the position vacated one extra asset owner position has been added to the 2018 election process.

### DECLARATION OF INTERESTS

The PRI Chair is chairing the Climate risk taskforce for the Norwegian government.

### MINUTES

The Board approved the 12 June 2018 video conference and 19 & 20 June 2018 meeting minutes.

### MATTERS ARISING

The board discussed five items mentioned in the matters arising:

1. **Signatory categorisation.** The Board will discuss categorisation at the December 2018 meeting.
2. **Measures.** The Executive will report back on the measures at the December 2018 meeting.

3. **China strategy.** At present the Executive is focused on education and capacity building.
4. **Digital strategy.** The Executive will report to the Board on the digital strategy in early 2019.
5. **Elections.** The Board will review the elections process at the December 2018 meeting, including the voting rules.

## SIGNATORY AND STAKEHOLDER INTERACTION

The Board discussed a letter from a signatory about the reporting and assessment of responsible investment practices for sovereign bonds. The letter will be one input into the wider Reporting Framework review, due for 2019. At the December meeting the Board will discuss the reporting framework review consultation, including the proposed timetable. The implementation will depend upon the complexity of the reform agreed.

## CHAIR REPORT

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

- Participation in the Taskforce for Climate-related Financial Disclosures and related presentations.
- Outreach in China, Japan, and South Korea, including meetings with signatories and key stakeholders.
- Keynote at the PEI conference, London.

## 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: signatory assessment scores; the asset owner consultation; the organisational effectiveness review; and grant opportunities.

The board discussed several items noted in the management report:

- **Hewlett grant.** The Hewlett Foundation has a focus on climate action and wants to act in China. The proposal aligns with the PRI strategy and work in China.
- **Organisational effectiveness review.** The proposed organisational structure is logical and has been well received generally by staff. The Board welcomed the improved span of control for the CEO. The new structure allows for a more coordinated and controlled regionalisation of the signatory relations functions, with directors of Americas, EMEA and Asia Pac. There isn't gender balance at the 'Chief' level at present, but the organisation has a good pipeline of female talent. The Executive will need to ensure that signatory relations is not just a 'sales force', but that there are feedback loops and signatory priorities inform and are integral to all of the PRI's work. Part of the role of the Director of Planning and Operations is to enable signatory priorities to inform the business planning as well as measuring organisational performance and efficiency.
- **Reporting and Assessment scores.** After the reporting framework review the supporting infrastructure will be reviewed.

- **Brazil.** Marcelo Seraphim has been appointed as the new PRI Head of Brazil. The Brazilian network remains very active with participation from key signatories.
- **PRI communications.** Board members expressed the opinion that the PRI could improve communications. The Executive has identified communications as a department that is under-resourced at present.

## 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:

- Audit review;
- Compliance report;
- Operational and strategic risk register; and
- Auditor review.

### **Policy committee (Xander den Uyl)**

The committee reported to the Board on its discussions:

- PRI's policy priorities and activities.

### **Signatory and stakeholder engagement committee (Priya Mathur)**

The committee reported to the Board on its discussions:

- Signatory categorisation cases; and
- Asset owner signatory growth.

### **Skills, Diversity and Elections committee (Eva Halvarsson)**

The committee reported to the Board on its discussions:

- 2019 elections nominations; and
- Election voting rules.

## PRI BOARD EXTERNAL REVIEW ACTIONS

The Chair introduced the recommendations following the external review. In April 2018 the PRI retained Nestor Advisors to facilitate the review. The reviewers concluded that the PRI has a well-functioning board with committed and engaged board members. However, Board members feel that they can perform better as PRI ambassadors, with better support from the Executive. To maintain engagement and quality of discussion the Board wants to meet more frequently, raising their commitment from three to four in person meetings annually.

The review also identified recommendations on how the Board committees and Executive can more effectively support the board. With regard to the committees the Board agreed to the proposals to:

- Maintain the Human Resources and Remuneration committee and the Finance, Audit and Risk committee.

- Establish a Governance committee that incorporates the remits of the Skills, Diversity and Elections committee and the Ethics committee.
- Reform the Signatory and Stakeholder Engagement committee to a more restricted remit of a Signatory Status committee.
- Reform the Policy committee.

The revised terms for the committees will be for approval at the December 2018 Board meeting.

## AUDITOR RECOMMENDATION

The Finance, Audit and Risk committee have met with a shortlist of three contenders for the audit of the PRI UK entities and group consolidation. The Board approved the recommendation to re-appoint the auditors, Buzzacott, for a term of three years.

## DRIVE MEANINGFUL DATA

Kris Douma, Director of Investment Practices and Engagements joined the meeting to introduce the work undertaken already by the Executive, principally the investor group engagement with the Corporate Reporting Dialogue<sup>1</sup>.

The Chair asked the Board to reflect on the investor group paper and a series of questions: whether current action takes the effort far or fast enough; what the right end state is; what the right vehicle is; whether signatories have an unrealistic expectation of convergence and if convergence adds value; and how to engage with signatories on the issue of driving meaningful data.

The Board had a wide-ranging exploratory discussion.

- The PRI must be clear on the problem(s) that it is trying to fix. For example, is the issue the interpretation of the data by rating agencies, the delivery or packaging of the data, and or about the underlying (company) data itself.
- Investors are not united, there is no nirvana of one ideal standard, as investors have different styles and perspectives. Investors are concerned with a spectrum of data from ‘material’ ESG to impact aligned with the Sustainable Development Goals (SDGs). The PRI is equipped to look at this issue of data from diverse angles because of its diverse range of signatories.
- The definition of materiality is difficult. The PRI should be wary of promoting a narrow definition of materiality.
- ESG data is on the agenda because it is now about the implementation of responsible investment, how to incorporate ESG into investment decision-making.
- Data and reporting is a competitive landscape. The PRI is not a standard setter, but can represent the investor perspective, without vested interests. The PRI cannot promise convergence, but it can facilitate action. The aimed for solution(s) should not be overly complex but encourage positive action.
- Big data has the potential to disrupt the provision and analysis of ESG data.

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<sup>1</sup> <https://www.unpri.org/news-and-press/pri-icgn-launch-discussion-paper-on-corporate-esg-reporting/3753.article>

The Board agreed that data is an issue for responsible investment and the PRI has a role to play. For the December 2018 meeting the Board asked the Executive to work on a more focused and directional paper.

## **ASSET OWNER EMPOWERMENT**

Fiona Reynolds, CEO, presented the outcomes from the asset owner empowerment consultation as well as the feedback from the asset owner advisory committee.

The Board discussed elements of the consultation, including how dependent the results are on the roles of the participants (ESG vs. investment) or size of organisation (large and well-resourced vs small and resource constrained). The Board agreed that there was potential for: more outreach to larger asset owners to utilise the collaboration platform and in turn bring others along with them; and collaborative asset owner engagement with investment managers on alignment of the investment chain issues.

The Board agreed that it had been a well conducted consultation. The results confirm the drivers of asset owner signatory value and the input will be useful for future work programmes. The challenge now is to ensure that these results contribute to the business plans, that there is a feedback loop with PRI's work driven by signatory input.

## **SHOWCASING LEADERSHIP COMMUNICATIONS**

The Board had requested to review the communication messages for the 'showcasing leadership' initiative. The Board complimented the Executive on the logical and clear presentation.

## **SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

Kaori Shigiya, Head of SDGs and Thematic Investments, and Kris Douma, Director of Investment Practices and Engagements joined the meeting to present the agenda item.

The aim is to consult with signatories in early 2019 on the PRI's SDG strategy. The PRI is in the process of drafting a long-term agenda and therefore consulting with signatories is critical and will encourage signatory engagement.

The Board welcomed the practical framework and investor focused approach proposed, and provided input into the strategy:

- The PRI should be clear from the start about the connection between the PRI's Principles, ESG and the SDGs. The education of PRI's signatories about the SDGs is the most important first step. The SDGs were not developed for investors and the PRI has a role to translate them into an investor framework. ESG has been framed as a risk issue, whereas the SDGs are about opportunities. The PRI should plan for several stages: awareness, interest and action.
- The SDGs require private finance. The PRI could play a critical role as facilitator between private investors, development finance and the UN. Development finance should be more involved in PRI activities and (UN) policymakers need to understand how the SDGs can be investable, scalable

and sustainable. The regulatory environment at present is a barrier, but the PRI can showcase good case studies from around the world. These are very practical measures for the PRI.

- 2/3 of investments in the SDGs must be in emerging economies. Many investors have no way to achieve this, due to lack of knowledge, expertise or access.
- The Board agreed that all the PRI's toolkit could be utilised to aid investors with the SDGs: Investment Practices, the Sustainable Financial System programme, the engagement platform, the PRI Academy. The SDGs aligned work should not be isolated but mapped and aligned across all the PRI's activities.
- Capital allocation within companies is as important as new funds and companies. Investor engagement therefore is critical. Investors are already asking companies to transition from high carbon to low carbon investments.
- Success for the PRI is difficult to measure, to strike a balance between a quantitative measure and a more qualitative measure, such as progress against the investable SDGs. Or between a visionary goal and a goal that is within the PRI's sphere of control, that the PRI can impact upon or facilitate. The Board agreed that for the moment the SDGs 'are the goal'. The Executive should focus on more operational three-year strategy measures.
- The PRI can chart investor trends. The UNGC has published a progress report with companies reporting on their impact on the SDGs. The data will be imperfect, numbers will have to be interpreted with caution, but it is an opportunity to capture, share action and qualify theory of changes.
- The analysis needs to understand drivers as well as obstacles.

The Board will have the opportunity to approve the SDGs strategy, post consultation, in mid-2019.

## GOVERNANCE OF NETWORKS AND PARTNERS

Christopher Sperling, Associate Director, Corporate Office introduced the agenda item.

The Executive presented a framework or toolkit that aims to enable networks and effectively partner with organisations in a way that is aligned with the PRI's mission, while maintaining appropriate governance and controls. The framework allows for the Executive to be more systematic about partnerships as well as managing signatory / partner expectations from the outset.

The Board provided feedback on the proposed framework:

- There was broad agreement on the risk elements: brand, financials and legal. However, the opportunities outweigh the risks and the PRI can have a spectrum of collaborations from supporting organisations to formal partnerships. The intent is important. The PRI should manage the risks, but not seek to over-formalise or over-engineer. There are a multitude of overlapping networks, of which the PRI is one.
- The framework will help the Executive to think ahead and professionalise. However, it is important that the PRI doesn't become too bureaucratic.
- Consider adding to the scoping / partnership agreement: partnership synergies, can the partnership deliver more than acting alone; can the partnership reduce dissonance; what is the

influencing factor of the partners; and what are the resource allocations for each partner organisation.

The framework for working with partners was broadly endorsed. The Board agreed that operationally it is difficult to ensure that it is adhered to as partnerships are owned by different people. Therefore, the framework must be embedded in roles and responsibilities of everyone. Oversight of the partnerships should be included into the terms of the new governance committee.

The governance of self-organising networks is more complex and difficult than the governance of partnerships. The Executive will need to consider further model structure(s) for networks. The broader question is the long-term objective for these self-organised local networks. Being closer to signatories is a priority for the PRI and delivers value for signatories, but the PRI needs to allow for local initiative and be flexible according to the conditions of each market or network.

## **SIGNATORY GENERAL MEETING COMMUNICATIONS**

The Board put forward several communication points for the SGM: the Board's agenda is guided by the Blueprint framework; the importance of 'S' issues (as well as 'E' and 'G'); that the PRI has been working closely with the Global Climate Action Summit and the agendas are aligned.

## **FUTURE MEETINGS**

The Board will meet next in person on 7 December 2018. Planned discussion points include:

- Reporting framework consultation
- Committees terms of reference
- 2018 PRI Board elections review
- PRI in Person 2018 review
- PRI Grants policy
- Drive meaningful data
- Signatory categorisation
- Networks governance