

## PRINCIPLES FOR RESPONSIBLE INVESTMENT 2018 SIGNATORY GENERAL MEETING MINUTES

**12 SEPTEMBER 2018, 10:45-12:15**

**San Francisco Marriott Marquis**

The PRI sought input from signatories on the Signatory General Meeting (SGM) draft agenda in June 2018 and invited signatories to contribute agenda items and resolutions to be put to a vote. No agenda items or resolutions were received. The SGM papers<sup>1</sup> were sent to all signatories electronically on 10 August, with the PRI's 2018 Annual Report<sup>2</sup>.

In attendance:

- Fiona Reynolds, PRI CEO
- Martin Skancke, PRI Board Chair (meeting Chair)
- PRI Board members: Sandra Carlisle, Angela Emslie, Eva Halvarsson, Lise Kingo, Priya Mathur, Hiro Mizuno, Renosi Mokate, Tycho Sneyers, Eric Usher, Xander den Uyl and Peter Webster.
- 500+ in-person signatory representatives

Materials:

- [SGM video recording](#)
- [SGM presentation slides](#)

### MESSAGE FROM THE CHAIR

Martin Skancke, PRI Chair, called the meeting to order at 10:45.

2018 is the largest PRI in Person ever, with over 1,200 participants from 35 countries. We welcome signatories present in person or via webcast.

The PRI was launched at the New York Stock Exchange in April 2006. At the centre of the launch was the late Kofi Annan, then Secretary-General of the United Nations. Kofi Annan was instrumental in the foundation of the PRI. His vision formed the basis of what is now a global movement for responsible investment and we are deeply indebted to him.

The PRI Blueprint for Responsible Investment<sup>3</sup> (Blueprint) was launched in 2017 and that has been the framework for the board's discussions over the past year. The board has approved the 2018-21 strategy, based on the Blueprint. The board has discussed a number of the Blueprint objectives in depth:

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<sup>1</sup> [https://d8g8t13e9vf2o.cloudfront.net/Uploads/z/b/u/pri\\_2018\\_boardreport\\_94843.pdf](https://d8g8t13e9vf2o.cloudfront.net/Uploads/z/b/u/pri_2018_boardreport_94843.pdf)

<sup>2</sup> [https://www.unpri.org/Uploads/z/b/u/pri\\_ar2018\\_761642.pdf](https://www.unpri.org/Uploads/z/b/u/pri_ar2018_761642.pdf)

<sup>3</sup> <https://blueprint.unpri.org/>

- The PRI has recently conducted a consultation on the first Blueprint objective, ‘*Empowering Asset Owners*’. The outcomes from the consultation were presented to an asset owner meeting this morning at the conference. The priority for the board now is overseeing the implementation, that the input from asset owners is integrated into the PRI’s work programme.
- The board has had multiple conversations on ‘*Showcasing leadership and ensuring accountability*’. To provide context, this compliments the work of the board over the past three years. There has been a process of ensuring accountability of the PRI Board to signatories; a process of ensuring accountability of the PRI Executive to the PRI Board through transparent measures. Now we are trying to ensure accountability of the signatories to the Principles.
- One prominent outcome from the asset owner consultation was the stated desire for the PRI to have a greater role in ‘*Driving Meaningful data*’. There is a desire for more consistency of ESG data and convergence of reporting standards. The board will reflect on this and consider the PRI’s role going forward.
- ‘*Action on Climate Change*’ remains the highest priority area for PRI signatories. The board has provided guidance on the climate programme to the Executive throughout the past year. There have been a number of climate initiatives, which will be highlighted in the management report.
- There is considerable signatory interest in ‘*Enabling real-world impact aligned with the Sustainable Development Goals*’ (SDGs). We are at the beginning of a journey with regards to how we as investors think systematically about how to incorporate the SDGs into investment practices. The PRI Board had a long and interesting discussion about the SDGs yesterday. The PRI will be consulting with signatories on the PRI’s SDG strategy and how the PRI can provide value to signatories on this issue.

At the 2017 SGM the PRI promised to bring its work closer to signatories. The PRI has added more regional representatives, specifically in the UK, the Netherlands, Latin America (ex-Brazil), southern Europe and China. The PRI is growing geographically, but more importantly the PRI is increasing its capacity to be closer to signatories. The PRI has invested more in translations, bringing out more PRI materials in local languages. The PRI Francophone Network, chaired by Daniel Simard, is now operational. The PRI has put considerable effort into bringing its work closer to signatories and this will be an ongoing priority.

In the PRI Articles of Association<sup>4</sup> the PRI is committed to having an external board review every three to four years. An external review was conducted in 2018. The SGM report details the results of the review, the board’s reflections and the measures that the board is taking to improve further its efficiency and effectiveness.

The PRI has consulted with signatories a number of times during the past year and the PRI will engage more with signatories. Signatory engagement is critical for the PRI because the agenda of the PRI has to be formed by signatories and the PRI needs to ensure that its work is relevant for signatories. The PRI can ‘over-consult’ – and we thank you for your patience – but the results are very useful for the PRI.

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<sup>4</sup> <https://www.unpri.org/Uploads/g/e/r/2016-11-14-Articles-of-Association-of-PRI-Association-.pdf>

The PRI will be consulting later this year on the reporting framework. The aim is to review how fit for purpose the framework is, considering the reporting burden and the utility of the outputs. The PRI will also consult on the SDGs and how to 'Drive meaningful data'.

These consultations are extensions of the work that we already do with signatories, through advisory committees, working groups, reference groups and regional networks. The PRI would like to thank all signatories that commit time and effort to these various groups. The PRI is not about the one-way dissemination of materials but rather the aim is to engage with signatories to ensure that guidance and tools are based on actual signatory practices and experience. One of the positive developments of the PRI is the high-level engagement in our work. It is gratifying to see that signatories are not just paying the membership fee, but actually contributing in kind by giving us access to their high calibre human resources, helping the PRI to develop the materials that are shared with the wider signatory base.

Lastly, many thanks to Fiona Reynolds and her team who have sought to deliver over the past year excellent value to signatories.

## MANAGEMENT AND FINANCIAL REPORT

Fiona Reynolds, presented the management and financial report for the 2017-18 financial year.

Fiona Reynolds also welcomed signatories to PRI in Person. The PRI's annual event is alongside the Global Climate Action Summit. This is an exciting time, responsible investment and addressing climate change, is drawing people from all over the world to California to discuss how we move these issues forward.

The Blueprint was published in 2017. The Blueprint is divided into three areas: the aim over the next decade is to create *responsible investors*; who work in *sustainable markets*; and who contribute to a *more prosperous world for all*. Under the three overarching goals there are nine objectives, which the PRI has reported against in the annual report.

The PRI is fortunate to have an engaged signatory base. At any time over 500 signatories are involved in advisory committees, working groups or other PRI forums. Individuals from signatories that have participated are listed in the annual report. Signatories give their time, effort and expertise to these groups. In addition to participation in these forums: 480 signatories voluntarily reported in the PRI's voluntary climate change module aligned with the TCFD recommendations; there were 333 signatory posts on the Collaboration Platform; 950+ signatories attended PRI in Person 2017 in Berlin; and there were 700+ requests to view Assessment Reports and Transparency Reports in the Data Portal.

In 2017/18 there was a 14% net signatory growth. There are now 2000+ signatories across the globe. The most significant growth over the past year has been Asia, where signatories have grown by 29%. Also, there has been growth in less established markets, including 23% growth in Southern Europe and 15% growth in Japan. Asset owners, at the top of the investment chain, are critical for the PRI and we been more proactive about the recruitment of asset owners. 39 new asset owners signed the Principles in 2017/18.

The PRI enhanced its presence in China, Latin America and Southern Europe. The PRI also launched the Francophone network to engage French speaking investors globally. French is the second largest language spoken by PRI signatories.

Advancing responsible investment practices is central to the PRI's work. Sometimes there is a real time lag, often 3-5 years, between work produced and evaluating whether investor practices have advanced. From this year's reporting framework results it is notable that:

- fixed income practices are catching up with listed equity practices, with regards to ESG integration and active ownership.
- there has been a significant increase in investors undertaking bond holder engagements
- there has been an increase of 25% of signatories considering ESG in hedge funds, following the release of the PRI's Hedge Funds Due Diligence questionnaire<sup>5</sup>.
- 234 signatories mentioned the SDGs in their reporting submissions, up from 80 last year
- however, only 44% of signatories have policies in place that cover the Environment, Social and Governance for the majority of their assets.

#### *Empower asset owners*

A core area of work is empowering asset owners, because asset owners can drive responsible investment throughout the markets. This year the PRI consulted with asset owners to understand what asset owners require and value. Over a third of asset owner signatories, from 19 countries, participated. As part of the consultation asset owners identified the PRI's unique value proposition from their perspective: the initiative is global; the programmes cover all areas of responsible investment, Environmental, Social and Governance issues and all the asset classes; involvement in global decision making and thought leadership; convening power, bringing together global parties; the UN link; and an accountability mechanism, the PRI's reporting framework.

A lot of asset owners are resource constrained and they value: the PRI's practical tools; integration guidance across asset classes; ESG themed guidance; selection, appointment and monitoring of investment managers guidance; active ownership guidance outside of listed equities. Asset owners requested more help and awareness about proxy voting, what campaigns were taking place and how they can participate. Signatories value thought leadership and guidance on breaking issues. Signatories also value tools that drive standards, for example due diligence questionnaires.

#### *Support investors incorporating ESG issues*

The PRI has been devoting more resources to responsible investment guidance on asset classes outside listed equities. This year the PRI held its first full day conference on Fixed Income. During PRI in Person we will launch *Guidance and case studies for ESG integration: equities and fixed income*<sup>6</sup>. This report is produced in collaboration with the CFA Institute, because it continues to be important to drive responsible investment in the mainstream investment community. The PRI will also publish the second in a series of reports on credit rating agencies, *ESG, credit risk and*

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<sup>5</sup> <https://www.unpri.org/hedge-funds/responsible-investment-ddq-for-hedge-funds/125.article>

<sup>6</sup> <https://www.unpri.org/investor-tools/guidance-and-case-studies-for-esg-integration-equities-and-fixed-income/3622.article>

*ratings: part 2 - exploring the disconnects*<sup>7</sup>. The report explores the disconnects between assessing the impact of ESG factors on credit risk and evaluating a bond issuers ESG exposure.

The PRI has also launched guidance that clarifies the key concepts of responsible investment in private infrastructure equity and debt and explains how investors can apply the six Principles in that asset class, across greenfield and brownfield investing<sup>8</sup>. In private equity the PRI has delivered the second in a trilogy of tools designed to support LPs and GPs throughout manager selection, appointment and monitoring<sup>9</sup>. Responsible investment in private equity continues to grow: there are now 250+ LPs and 350+ GPs signatories to the Principles. The PRI has also been focusing on the streamlining of ESG reporting over the lifetime of the fund and it is an area that continues to progress and improve.

#### *Foster a community of active owners*

The PRI has also delivered a number of resources and guidance on ESG themes. These include resources on: water resilience, plastics, labour practices in the apparel industry, supply chain issues in cobalt sourcing, corporate tax practices and transparency. The PRI has also coordinated a number of collaborative engagements, including on deforestation, palm oil, climate change for oil and gas companies, methane, water, human rights in the extractive industries, and cybersecurity. The PRI's collaboration platform also supports a number of other organisations in their active ownership endeavours.

#### *Showcase leadership and increase accountability*

In 2018, following consultation, the PRI introduced signatory 'minimum requirements'. The PRI has notified 174 organisations that they are at risk of being delisted because they do not meet these minimum requirements. Signatory responses have generally been positive, signatories want to understand how they can progress. To date only one signatory has decided to delist because they did not meet the minimum requirements. We continue to hold signatory engagement sessions and the PRI's objective is not to delist signatories, but to get every signatory progressing on responsible investment.

The PRI is also aiming to showcase leadership. In 2019 the PRI will publish a leaders group, based on submissions to the PRI reporting framework, and will launch annual awards<sup>10</sup>. Signatories will receive more information about the leaders group and awards. The PRI wants to showcase leadership and inspire other signatories to take their responsible investment activities forward.

#### *Convene and educate responsible investors*

The PRI Academy has gone from strength to strength. The Academy welcomed over 1900 students from 50 countries this year, an increase of over 159% from last year. For the first time this year the Academy ran unsubsidised. The PRI launched its first trustee course via the

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<sup>7</sup> <https://www.unpri.org/credit-ratings/esg-credit-risk-and-ratings-part-2-exploring-the-disconnects/3250.article>

<sup>8</sup> <https://www.unpri.org/infrastructure/primer-on-responsible-investment-in-infrastructure-/2700.article>

<sup>9</sup> <https://www.unpri.org/private-equity/esg-monitoring-reporting-and-dialogue-in-private-equity/3295.article>

<sup>10</sup> [www.unpri.org/leadership](http://www.unpri.org/leadership)

Academy, providing trustees and boards with the foundations to shape investment beliefs, principles and policies that promote responsible investment decision-making.

The PRI launched 13 academic research papers focused on social issues. At PRI in Person we will be launching new research on the just transition, undertaken with the Harvard Kennedy School and the Grantham Institute at LSE. The PRI will also be releasing a tool kit on economic inequality, in collaboration with The Investment Integration Project (TIIP). Economic inequality is an issue of concern that signatories have raised with the PRI. The toolkit looks at inequality from the investor lens, how can investors contribute to solutions. Investors cannot solve these issues alone, but can make a contribution.

#### *Challenge barriers to a sustainable financial system*

The PRI continues to engage with policymakers on regulatory issues, particularly on removing barriers to responsible investment. In the US the PRI is focusing on fiduciary duty, especially in the light of the recent Department of Labor field bulletin that had a more cautious tone on ESG issues and created confusion in the market. The PRI is also engaged in the issue of the Financial Choice Act, which seeks to roll back Dodd Frank regulations, particularly shareholder rights.

In the EU the PRI has been involved in the High-Level Expert Group on Sustainable Finance and supported the EU Action Plan that seeks to finance sustainable growth and embed ESG issues in the European financial markets. In China there has been a significant growth of green finance, consistent with the ecological civilisation plan. Companies are required to disclose environmental indicators and the Asset Manager Association of China has promoted guidelines on green finance. The PRI has also worked with the UK-China partnership on a TCFD pilot and the PRI has been involved in the UK government's Green Finance Taskforce<sup>11</sup>. This week in the UK the Department for Work and Pensions has published new guidance on the inclusion of material ESG issues for defined contribution pension funds with a particular focus on climate change.

#### *Drive meaningful data throughout markets*

In 2018 the PRI launched the Data Portal. The tool allows signatories to gain access to signatory reporting data. The information is particularly useful for asset owners, to understand how investment managers are implementing responsible investment. 80% of signatories that reported in 2018 are already using the Data Portal to view their Assessment Reports and / or view other signatories' Transparency Reports. A total of 1,200 requests from investors to access Assessment Reports and private Transparency Reports of other investors have been made. We encourage signatories to use the data available to learn and advance practices.

A technical error resulted in a small number of signatories receiving an incorrect Assessment Report. The PRI has contacted the affected signatories to advise them of the error and provide the revised Assessment Reports. Thankfully the erroneous scores were lower than the revised scores.

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<sup>11</sup> <https://www.gov.uk/government/publications/accelerating-green-finance-green-finance-taskforce-report>

### *Champion climate action*

We have introduced a new climate reporting module as a pilot this year. The response rate exceeded expectations. 480 signatories completed the module, with good participation from the UK, US, Australia, France and the Netherlands. Judging by the results most asset owners have good board oversight on the issue of climate change. However, while there are some leading signatories, there is progress to be made on integrating climate across portfolios within the signatory base. Less than 35% of asset owners encourage investment managers to monitor emissions risks. Less than 15% of signatories have established a climate integrated asset allocation strategy. Only 9% of signatories undertake scenario analysis based on a 2 degree or lower scenario. To support signatory action the PRI has launched, with 2 degrees Investing Initiative, a new tool, the Paris Agreement Capital Transitional Assessment (PACTA)<sup>12</sup> that will allow signatories to analyse their exposure to transition risk in equities and fixed income portfolios. Signatories will also be able to use multiple scenarios. The tool is free, and the PRI is encouraging all signatories to utilise it.

The PRI has also been working with partner organisations to champion climate action and assist signatory action. With other investor groups the PRI is launching at PRI in Person the Investor Agenda<sup>13</sup>. The agenda focuses on four areas: investment; corporate engagement; policy advocacy; and investor disclosure. The PRI is also one partner of the Climate Action 100+<sup>14</sup> initiative, which is engaging with systemically important greenhouse gas emitters. The initiative has gained significant investor interest, with over 300 investors signed up, representing US\$30 trillion AUM. Climate Action 100+ is now the world's largest investor engagement with public companies, which will hopefully drive significant change.

### *Enable real-world impact aligned with the Sustainable Development Goals*

We continue to work on the role of investors in contributing to the SDGs. The PRI has launched the SDG Investment Case<sup>15</sup>. The SDGs were not designed for investors and a lot of signatories are grappling with how they can best incorporate the SDGs into investment practices. The PRI is starting to see more and more signatories engaging on the SDGs and will aim to provide more support over the next few years. The PRI Board spent time at its most recent meeting discussing the PRI's role to support signatories and the PRI's SDG strategy. More communication from the PRI on the SDGs will follow.

### **Financial statements**

The PRI made a profit of 267k for 2017/18. For further information see the Annual Report and the PRI website, where the PRI discloses consultancy spend on projects over 10k.

### **PRI executive and board**

The CEO thanked all of the dedicated and passionate PRI staff. The CEO also thanked the PRI Board and chair.

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<sup>12</sup> <https://www.unpri.org/news-and-press/launch-of-first-online-and-free-climate-scenario-based-analysis-tool/3571.article>

<sup>13</sup> <https://theinvestoragenda.org/>

<sup>14</sup> <http://www.climateaction100.org/>

<sup>15</sup> <https://www.unpri.org/sdgs/the-sdg-investment-case/303.article>

## SIGNATORY Q&A

Signatories asked questions on:

- The progress of the PRI's accountability measures, particularly signatories that have not met the minimum requirements.
- PRI staff turnover rate and measures to develop and retain talent.
- PRI staff diversity, including ethnic diversity.
- PRI plans for encouraging responsible investment and broader sustainable development in developing countries.
- The future of the PRI's reporting framework and the incorporation of national or regional mandatory reporting requirements.

Signatories voiced their support for:

- The PRI's engagement in the US on public policy issues, particularly on US shareholder rights.
- The PRI providing the infrastructure for the Transition Pathway Initiative, an asset owner led initiative which assesses how companies are aligning themselves with the transition to the low carbon economy<sup>16</sup>.
- The pilot TCFD aligned reporting module for the PRI reporting framework.
- The PRI's aspirational leadership on climate change issues.

## PRI BOARD ELECTION CANDIDATES

The 2018 PRI Board election is for **three asset owner** positions and **one investment manager** position. The Board is encouraging candidates with leadership and governance experience. The Board is also encouraging female candidates.

Four candidates have nominated for the three asset owner positions and three candidates have nominated for the one investment manager position.

Signatories will be asked to vote for the candidates from weeks commencing 1 October to 19 November<sup>17</sup>.

Asset owner candidates:

Name	Role	Organisation	Region	Signatory since	Seconding signatory
Angela Emslie	Independent chair of the board	HESTA Super Fund	Australasia	2006	Cbus
Renato Proença Lopes	Equity Director	PREVI	Latin America	2006	CalPERS; Petros
Laetitia Tankwe	Advisor to the President of the Board of Trustees	Ircantec	Europe	2014	Batirente
Xander den Uyl	Trustee	ABP	Europe	2006	PWRI; PREVI; CalPERS

<sup>16</sup> <http://www.lse.ac.uk/GranthamInstitute/tpi/>

<sup>17</sup> For more information on the elections see: <https://www.unpri.org/pri/pri-governance/board-elections>

Investment manager candidates:

<b>Name</b>	<b>Role</b>	<b>Organisation</b>	<b>Region</b>	<b>Signatory since</b>	<b>Seconding signatory</b>
Runa Alam	Co-founding Partner and CEO	Development Partners International	Europe	2017	PGGM; South Suez Capital
Sandra Carlisle	Senior responsible investment specialist	HSBC Global Asset Management	Europe	2006	
Wendy Cromwell	Vice chair, Director, Sustainable investment, Senior Managing Director and Portfolio Manager	Wellington Management	North America	2012	The Vanguard Group; The Hartford Group

*Signatories approve the minutes via an online vote alongside the PRI Board election vote.*