

PRI BOARD MEETING REPORT

The PRI Board had a meeting on 24 and 25 February 2016 in Tokyo, Japan.

ATTENDANCE

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

<p>Board members present in person:</p> <p>Geeta Aiyer (Boston Common Asset Management)</p> <p>Sandra Carlisle (Newton)</p> <p>Priya Mathur (CalPERS)</p> <p>Colin Melvin (Hermes EOS)</p> <p>Gavin Power (UNGC)</p> <p>Martin Skancke (Chair)</p> <p>Xander den Uyl (ABP)</p> <p>Peter Webster (EIRIS)</p> <p>Board members present by phone*:</p> <p>Mark Chaloner (West Midlands Pension Fund)</p> <p>Niels Erik Petersen (Unipension FAIF A/S)</p> <p>Eric Usher (UNEP FI)</p> <p>Apologies:</p> <p>Marcel Barros (PREVI)</p> <p>Renosi Mokate (GEPF)</p>	<p>PRI Executive in attendance:</p> <p>Mark Blair</p> <p>Kris Douma</p> <p>Nathan Fabian</p> <p>Fiona Reynolds</p> <p>Lorenzo Saa</p> <p>Christopher Sperling (by phone)</p>
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*Board members attending by phone attended the following agenda items:

- 2016/17 budget and human resources
- UN resolution on ESG
- Board assessment and 2016 elections
- Chair assessment and contract

MANAGEMENT REPORT

The management report presented updates from all of the PRI work streams: ESG engagements, Research and Policy, Investment Practices, Reporting and Assessment, Communications and Events, PRI Academy, Operations and Finance.

In addition the Managing Director gave a verbal update on several ongoing projects, including the Credit Rating Agency project funded by the Rockefeller Foundation; the PRI commissioned legal guidance on fiduciary duty for the US market following the Department of Labour announcement; and scoping work on the investor relevance of the Sustainable Development Goals.

SIGNATORY CATEGORISATION

The Board had asked the Executive to devise more detailed criteria for signatory categorisation, working with the Signatory and Stakeholder Engagement (SSE) committee. Priya Mathur, chair of the SSE committee, presented a revised list of characteristics for systematically categorising organisations as asset owners, investment managers or service providers.

The Board was generally supportive on the proposed signatory categorisation guidance and proposed that the PRI provide more transparent guidelines. The Executive was asked to consider any impacts on current signatories, signatory fees, current consultations and the PRI Articles and report back to the Board at the June meeting.

BOARD INVOLVEMENT IN ASSET OWNER RECRUITMENT

Priya Mathur, chair of the SSE committee, led the discussion on the Board involvement in asset owner recruitment. The initiative can better leverage the seniority, expertise and networks of the PRI Board members to assist with asset owner recruitment.

The Board agreed that they have a responsibility to assist with asset owner recruitment and to the proposed recruitment protocol.

CHAIR ASSESSMENT AND CONTRACT

Martin Skancke, the Chair, did not take part in the discussion on the Chair's contract. The discussion was chaired by Xander den Uyl, member of the HR and Remuneration committee.

In late 2015 the Executive coordinated a chair assessment focused on two areas:

1. leadership of the Board, ensuring its effectiveness and working with the Executive; and
2. feedback on focus activities for the Chair in 2016/17.

The results of the assessment were very positive.

The Chair's priority activities for 2016/17 agreed by the Board are:

1. Leadership of the Board (agendas, papers, meetings, induction, committee oversight);
2. PRI strategy and consultations (10 year impact report, signatory accountability, RI blueprint);
and
3. Targeted outreach to potential asset owner signatories and stakeholders.

The Board gave the HR and Remuneration committee the mandate to finalise and authorise the Chair's 2016/17 contract.

SIGNATORY SATISFACTION AND ENGAGEMENT SURVEY

The Managing Director presented the high level survey results¹, including:

- Signatories continue to have high levels of engagement with the PRI (84%), increasing significantly since 2014 (81%);

¹ 346 representatives of Signatory organisations completed the survey, a response rate of 23% and comparable to the 2014 survey. Industry standard response rates for surveys of this type is 10% and samples of this size provide a strong indication of group opinion.

- Signatory satisfaction is positive (75%) and has increased since 2014 (69%);
- 88% of respondents agree that '*being a PRI signatory enables my organisation to publicly demonstrate its commitment to RI*'; and
- 85% of respondents agree that the '*PRI's core activities are aligned with The Principles*'.

The Board will have the opportunity to discuss in depth the results and analysis, by signatory category, size and membership term, at the June meeting.

INVESTMENT PRACTICES AND REPORTING & ASSESSMENT UPDATE

This agenda item was an opportunity for the Board to meet and hear from the new Director of Investment Practices and Reporting, Kris Douma. In his new role Kris will be responsible for overseeing the development of support tools to help investors implement the Principles across all asset classes. He will also oversee the Reporting and Assessment team, which supports signatories' efforts in their implementation of the Principles.

Kris also gave an update on the ongoing alignment of the Principles of Investors in Inclusive Finance (PIIF) work with the Environmental and Social Themed Investing (E&S) work stream that started in 2012.

THE PRI IN ASIA (EX-JAPAN) INITIAL TWO-YEAR WORK PLAN (2016–2018)

Jessica Robinson, Head of Asia (ex-Japan), joined the meeting to present the regional plan including four key activities within priority markets:

1. *Awareness raising and education*: outreach to key stakeholders, policy makers and regulators; support of existing signatories based in Asia; recruitment of new signatories; and building a responsible investment community in Asia.
2. *Delivery of key PRI projects in the region*: including the fiduciary duty project, private equity work stream and the PRI's Blueprint for Responsible Investment.
3. *PRI in Person Singapore*: support the production and delivery of the PRI's annual event, a unique opportunity to promote the PRI in the region, to draw in support and develop a stronger network.
4. *Development of the PRI's Asia Pacific Strategic Plan (2018-2021)*.

The Board discussed how the PRI could leverage signatories outside of the region to assist with signatory recruitment in Asia and which partners to collaborate with to generate awareness and further momentum in the region. The Board's feedback was positive and the PRI in Asia (ex-Japan) initial two year work plan (2015-2018) was approved.

2016/17 BUDGET

The Executive presented a consolidated budget for PRI Association, PRI Enterprises, PRI Hong Kong and PRI USA. Over the past year the PRI has benefited from rising signatory fees (due to rising AUM), less than predicted signatory delisting and higher than expected signatory recruitment. For the forthcoming budget there are a number of sensitivities: uncertainty on AUM inflation, a lower predicted delist rate, higher predicted signatory recruitment, and uncertainty on the revenue from the 10 year events and PRI in Person.

The Board discussion focused on three areas: potential strategic projects without allocated funding; Board monitoring of the budget throughout the year; the future presentation of the annual budget to the Board.

The Board approved the 2016/17 budget and asked the Finance, Audit and Risk Committee to review the core reserves level and delegation of authority to the Managing Director.

UN RESOLUTION ON ESG

The PRI had been approached about the possibility of leading or supporting a UN General Resolution on ESG to support the role of ESG investing in sustainable development. The Board explored several possible pathways for pursuing a UN General Resolution on ESG. The UN partners raised significant concerns, including: the difficulties of achieving a standalone UN resolution; the UN's mandate for financial reform; and the challenge of agreeing a clear resolution that PRI signatories could benefit from.

The Board agreed that the PRI's resources could be better utilised elsewhere and at this time the PRI would not lead on pursuing a UN resolution. If a resolution on the role of ESG investing in sustainable development does materialise then the Board will consider how best to contribute and support.

BOARD SELF-ASSESSMENT & 2016 BOARD ELECTIONS

Angela Emslie, chair of the Skills, Diversity and Elections (SDE) committee led the discussion. The committee recommended five actions following the Board self-assessment:

1. Develop a simple board director self-evaluation;
2. Further improve the induction process;
3. Clarify the expectations of directors;
4. Set simple Board goals for 2016; and
5. Conduct an in depth Board discussion on the self-assessment to explore the results.

Following a discussion of the self-assessment the Board agreed to five goals for the forthcoming year:

1. Develop comprehensive board committee work plans;
2. Effective oversight of the implementation of the strategy;
3. Effective oversight of the delivery of the 10 year anniversary plans;
4. Support asset owner recruitment and stakeholder outreach; and
5. Work towards the right balance between the decision making of the Executive and the Board.

The Board also discussed the balance of skills, diversity and experience on the current Board and considered the guidance for signatories for the forthcoming Board elections. The SDE committee was asked to return to the Board in May with a proposal on the eligibility requirements for the 2016 Board elections.

PRI IN PERSON – SINGAPORE AND LONG-TERM DEVELOPMENT

Kat Nellist, Head of Events, joined the meeting to present the plans for PRI in Person Singapore. The Board provided feedback on the proposed event, including: the aim to focus on mainstream investment and asset owners; maintaining a global perspective, while providing value to current

and prospective Asian signatories; the integration of the Academic Network; ensuring speaker gender diversity; and exploring a variety of formats for the agenda items.

The Board also briefly discussed the longer-term development of PRI in Person, including introducing the presentation of leadership awards at the event. This proposal is for further discussion.

PRI in Person 2017 will be in Berlin and the 2018 event will be in a major US city.

10 YEAR ANNIVERSARY PLANS SUMMARY

The Managing Director presented the 10 year anniversary plans, including the New York and London anniversary events, and the 10 year global workshop series, running from May to July 2016, across 21 cities. The workshops will form part of a consultation with signatories and stakeholders on the PRI's Blueprint for Responsible Investment, which will identify the critical, systemic risks and sustainability challenges and PRI's role in addressing them over the next decade². The recommendations that result from these workshops will be presented at PRI in Person between 6-8 September in Singapore, before the final blueprint is published at the start of 2017.

PRI 10 YEAR IMPACT EVALUATION UPDATE

The Board discussed an initial update on the independent evaluation of the PRI's achievements and challenges at 10 years. Steward Redqueen, the independent evaluator, reported on their high level recommendations to ensure the continued relevance of the PRI for the next decade:

1. Create more clarity and consensus about the PRI's purpose and ambition;
2. Enhance focus and value added
3. Improve the accountability process

The Board consensus was that these independent evaluation was a useful exercise, with the recommendations confirming the importance of the '*Recognising Diversity, Strengthening Accountability*' consultation and the Blueprint for Responsible Investment.

BLUEPRINT FOR RESPONSIBLE INVESTMENT

The Director of Policy and Research and Chair briefly introduced the work on Sustainable Financial System and outlined the involvement of the working group of former PRI Board members. The PRI is developing a Statement of Purpose for the financial system that will lead to projects to address systemic risks and sustainability challenges. Signatories will be consulted on the direction of this work and how it should best be reflected in the PRI's Mission and Principles as part of this second consultation, which will consider potential revisions to the six Principles.

Discussion centred on the 'Statement of Purpose for the financial system' and the Board agreed to focus on the functionality of the system from an investor perspective. The Board recognised that there may be links between the silos of the Financial System, the Investment System and other subsystems of the global economy.

² For more information on the 10 year anniversary events and the 10 year global workshop series see the [PRI website](#).

The Board will discuss the final draft consultation paper on the 19 May Board call.

FIDUCIARY DUTY IN THE 21ST CENTURY UPDATE

The Director of Policy and Research gave an update to the Board on the [Fiduciary Duty in the 21st Century](#) project in collaboration with UNEP FI. The next phase of the project, outlined in the scoping paper³, has three main components:

1. In each of the eight countries of the original report, publish and implement roadmaps on the policy changes required to achieve full integration of ESG issues in investment processes and practices.
2. Extend the research into fiduciary duties – and, more broadly, investor duties – to five major Asian markets, China, India, Korea, Malaysia and Singapore, with recommendations for investors, financial intermediaries and policymakers to clarify the duties investors owe to their beneficiaries on ESG issues.
3. Work with investors, governments and intergovernmental organisations, to develop and publish an international statement on fiduciary duty, which includes the requirement to integrate ESG issues into investment processes and practices.

The Board focused questions on the interest of other countries, the project funding and recent developments in the US market.

PRI FORMAL CONSULTATION – ‘RECOGNISING DIVERSITY, STRENGTHENING ACCOUNTABILITY’

The Managing Director gave an interim update on the ongoing ‘[Recognising Diversity, Strengthening Accountability](#)’. All signatories were emailed on 1 February inviting them to begin submitting their responses via the consultation platform. The PRI has hosted 3 webinars in February to present the objectives of the consultation, the options proposed in the paper, and answer questions. The Executive is receiving fortnightly updates on the progress of submissions in order to target communications and outreach. Network managers will also undertake outreach to signatories. As part of our commitment to transparency, the PRI will be publishing responses in their entirety on the website after the consultation period closes.

The Board will discuss the results and analysis of the formal consultation at the June meeting.

FUTURE MEETINGS

The next Board meeting will take place on 20 and 21 June 2016 in London, coinciding with the PRI 10 year anniversary celebrations. In addition to regular agenda items, planned discussion points include:

- Signatory satisfaction and engagement survey – in depth results and analysis
- [From Principles to Performance: An independent evaluation of the PRI's achievements and challenges at 10 years.](#)
- ‘[Recognising Diversity, Strengthening Accountability](#)’ consultation results
- Signatory categorisation definitions
- PRI research forum

³ [Fiduciary Duty in the 21st Century Scoping Paper 2016-18](#)

- PRI in Person 2018

Signatories wishing to provide input on these agenda items or raise additional issues for consideration should email governance@unpri.org by 1 June 2016.