

PRI BOARD MEETING REPORT

The PRI Board had a meeting on 23 & 24 September 2017, in Berlin, Germany.

ATTENDANCE

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

Board members present:	PRI Executive in attendance:
Geeta Aiyer (Boston Common Asset Management)	Mark Blair
Marcel Barros (PREVI)	Nathan Fabian
Sandra Carlisle (HSBC)	Peter de Graaf
Angela Emslie (Hesta Super)	Mandy Kirby
Eva Halvarsson (AP2)*	Fiona Reynolds
Priya Mathur (CalPERS)	Christopher Sperling
Hiro Mizuno (GIPF)	
Renosi Mokate (GEPF)	
Gavin Power (UNGC)	
Martin Skancke (Chair)	
Eric Usher (UNEP FI)*	
Xander den Uyl (ABP)	
Peter Webster (Vigeo Eiris)	

*Attended for 24 September only.

WELCOME FROM THE CHAIR

The Chair outlined the key agenda item for the Board meeting: the draft 2018-21 strategy.

DECLARATION OF INTERESTS

Vigeo Eiris is a client of HSBC Asset Management.

SIGNATORY AND STAKEHOLDER INTERACTION

The Board discussed feedback from recent meetings with signatories and potential signatories in Australia, the Nordics, Singapore, Taiwan, UK and the US.

The Board also reflected on the United Nations Private Sector Forum 2017, focused on *Financing the 2030 Agenda: Unlocking Prosperity*. At the event, UN Secretary-General António Guterres reiterated the critical role private finance and investment must play in delivering the Sustainable Development Goals. The Secretary-General also announced plans to host a multi-stakeholder Finance Summit in New York in September 2018.

CHAIR REPORT

The Chair reported to the Board on key activities since the June 2017 Board meeting and activities planned from September to December 2017. Key activities since the June meeting included:

- providing direction to the Executive on the draft 2018-21 strategy;

- preparation for the September Board meeting;
- representing the PRI in meetings with potential signatories, stakeholders and partner organisations in Singapore, Malaysia and at the International Forum for Sovereign Wealth Funds; and
- participating in the FSB Taskforce on Climate-Related Financial Disclosures (TCFD).

MANAGEMENT REPORT

Fiona Reynolds, Managing Director, presented the management report. The Board discussed several topics as part of the management report.

- **PRI in Person.** The forthcoming PRI in Person in Berlin was very over-subscribed. This has raised issues for consideration for future events, including ticket allowances per signatory and venue capacity. San Francisco (PRI in Person 2018) has capacity for 1000 attendees. The location for 2019 is yet to be decided.
- **Positive momentum.** The PRI has been asked to participate in several new government driven initiatives, the EU High Level Expert Group, the UK and China green finance taskforces. More are likely, for example in Canada, and there is a really positive momentum about responsible investment at present.
- **PRI Francophone network.** The network will be launched at PRI in Person. The Board welcomed the appointment of Daniel Simard, CEO of Batirente and former PRI Board director, as chair of the network.
- **Signatory accountability.** Signatories have been providing feedback on the minimum standards and the leadership criteria. There is an accountability session at PRI in Person and the Executive will continue to encourage signatories to respond to the formal consultation.
- **PRI Board and CWC leadership team meeting.** A meeting is scheduled during PRI in Person and the aim is to agree on a collaborative project or projects on social issues.
- **Human Resources.** The PRI has recently appointed its first head of China and first policy person in the US.
- **Climate group collaboration.** The PRI is increasingly trying to partner with aligned climate groups. The aim of effective collaboration is to have a greater impact and reduce the duplication of resources. At the annual event the PRI (with AIGCC, Ceres, IGCC and IIGCC) will announce a new five-year investor-led initiative to engage more than 100 of the largest corporate greenhouse gas emitters.

COMMITTEE REPORTS

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

Finance, Audit and Risk committee (Peter Webster)

The committee had:

- reviewed the governance structure of the PRI affiliates, PRI US Inc and PRI Hong Kong;
- asked the Executive to raise the profile of the risk register and consider the risks to the strategic objectives in the next iteration of the register.
- reviewed the consultancy spend process;
- requested further details on the long-term funding model, spend per objective, regional spend and grant funding pipeline, to ensure that the Board has the appropriate information for discussion.

Signatory and stakeholder engagement committee (Priya Mathur)

The Executive presented the signatory coverage model at the most recent committee call. The model was well received by the committee and is for further discussion as part of the asset owner update.

Skills, Diversity and Elections committee (Angela Emslie)

The committee recommended the election candidates and has provided guidance on the elections communications. The Board agreed that in future the PRI needs to work towards more competition for the asset owner positions.

FINANCIAL RESULTS AND MID-YEAR BUDGET REVIEW

Mark Blair, Chief Financial Officer, presented the latest financial results. The planned break-even results at the end of the financial year will probably depend on the consultancy spend. The Board discussed the shift in the Sterling. It is still immaterial for the PRI budget. However, the shift has helped emerging market signatories.

The Finance Audit and Risk committee is scheduled at its November meeting to discuss the level of core reserves at the end of the financial year.

The Board welcomed the very high percentage of signatory membership renewals.

2018-21 STRATEGY AND FUNDING

Fiona Reynolds, Managing Director, presented the outline of the 2018-21 strategy. The Board provided feedback on the strategy:

- The level of ambition for the three-year strategy is appropriate.
- The strategy should have more emphasis on signatory value, progress and impact.
- The digital strategy is critical for effective communication and interaction with signatories.
- The local networks, in their current ambassadorial role, should be strengthened.
- The measures of success should be complimentary 10-year, 3-year and 1-year goals.
- The PRI can leverage further its convening power.
- The Executive must be cognizant of regional differences.

Peter de Graaf, Chief Operating Officer, presented the strategic initiatives within the nine Blueprint objectives:

- Empower asset owners
- Support investors incorporating ESG issues
- Foster a community of active owners
- Showcase leadership and increase accountability
- Convene and educate responsible investors
- Challenge barriers to a sustainable financial system
- Drive meaningful data throughout markets
- Champion climate change action
- Enable real world impact aligned with the Sustainable Development Goals

Mark Blair, Chief Finance Officer, presented the long-term funding model. The Board agreed that the grants policy had been well framed: grants can enhance the existing strategy, rather than fund projects beyond the scope of the strategy.

The Board agreed to:

- not raise fees beyond adjusting for inflation.
- the grants policy.
- grant emerging market signatories a fee discount in exceptional circumstances, upon application, as authorised by the Executive.

The Executive will incorporate the Board's feedback into the strategy consultation document. The formal signatory consultation will be conducted over a minimum of four weeks. The aim is to sign off the 2018-21 strategy at the November 2017 PRI Board call.

REPORTING AND ASSESSMENT

Mandy Kirby, Director of Reporting, Assessment and Accountability joined the meeting to present the service provider reporting plans and progress on the alignment of the reporting framework with the TCFD framework.

Service provider reporting

The Board agreed that service provider reporting was an opportunity to shape the responsible investment provision of service providers. The PRI must engage with asset owners to ensure that the information requested of service providers is valuable, otherwise it can be reporting for the sake of reporting. The Executive must ensure that the reporting framework and data received are integrated and aligned with work across the organisation.

The Board agreed to mandatory service provider reporting, starting in 2018.

Taskforce on climate-related financial disclosure

The Executive has drafted a revised reporting framework that is aligned with the TCFD framework. The Executive has undertaken outreach to 65 stakeholders and conversations are ongoing. The climate indicators will be voluntary for the next reporting cycle. In the current design, the Executive has tried to strike a balance between being too prescriptive, getting meaningful data and driving action at these early stages. One concern raised by the Board was that the focus of the reporting is on the board and management monitoring of climate risk, and not how investors are using the information in their investment decision-making.

The Board welcomed the work of the Executive to align the reporting framework to the TCFD framework. The work aligns with the climate strategy and the Blueprint. The PRI will be a single point of reporting, with the possibility of extracting a TCFD compliant report and this will provide real value to signatories.

INVESTMENT CONSULTANTS SUSTAINABLE FINANCIAL SYSTEM PROJECT

Nathan Fabian, Director of Policy and Research, joined the meeting to present the research on investment consultants and possible next steps.

The aim of the project is to drive ESG integrated consulting services. The Executive has completed the research phase of the project, including a review of the reporting and assessment survey results, industry data, interviews with investment consultants and the recent UK FCA review. The research has concluded that market, practice and or regulatory reforms are required to drive better ESG integrated consulting services.

The Executive sought the input of the Board on the role of investment consultants and possible role for the PRI. Discussion points included:

- The integration of responsible investment into the core advice of investment consultants, a competitive difference, versus an additional extra.
- The structural issues of the market, small asset owners are very dependent upon the guidance of investment consultants.
- The lack of understanding amongst investment consultants, in some markets, of responsible investment and fiduciary duty, and the conflation with ethical investing or impact investing.
- The role of the PRI and large asset owners to set coordinated expectations for integrated investment consultant advice.
- The mapping investment consultant services to see where ESG can be easily incorporated, for example at the board guidance level, to more complex services, for example asset allocation.
- The audit model, with the review / rotation of firms / partners, and the parallels with the investment consultants industry.

The Chair noted that the work links to other PRI projects, reporting and assessment, demonstrating leadership, regulatory change and the role of asset owners. The Chair asked the Executive to scope potential projects before the Board could make an informed decision about next steps and resource requirements.

ASSET OWNER RECRUITMENT AND COVERAGE

Graeme Griffiths and Lorenzo Saa, co-directors of the Global Networks and Outreach team joined the meeting to present on asset owner recruitment and coverage.

The Board noted the strong asset owner growth in, with a net growth of 41 asset owner signatories in 2016/17. The progress is due to a number of factors: more systematic market mapping, more tailored pitch materials, support from PRI Board members, tracking of KPIs and favourable external responsible investment momentum. The Executive also presented proposals for maintaining positive signatory relations on an ongoing basis, including a systematic account management via signatory relationship meetings and expanded translations of PRI materials.

The Board discussed several aspects of the recruitment and coverage:

- The difference between the development session and the signatory relationship meetings. Future development sessions will be more focused on PRI accountability measures. The signatory relationship meetings will be much broader in their scope and coverage.
- The imperative of engaging C-suite leaders within signatories.
- Market penetration in Germany and Switzerland, and local PRI coverage in the Nordics.
- The potential for recruitment of corporate pension schemes.

- The cross-collaboration between the Global Networks and Outreach team and other teams and communicating more strategically with signatories.

US MARKET UPDATE

Chris Fowle, Associate Director, Americas, Ophir Bruck, Senior Network Manager, US, Carol Jeppesen, Senior Network Manager, US joined the meeting. Chris Fowle presented an update on the US market and the PRI's activities. The three pillars of the US work are: local market initiatives, relationship management, and recruitment.

The Board discussed the preconceived ideas about the PRI in the US, recruitment focus and the UN partnership. One continuing challenge in the US is 'myth-busting'. As an investment focused organisation, the PRI continues to focus recruitment efforts on mainstream potential signatories. The PRI is a UN-supported organisation and in the US market, more effort and time is required to explain the partnership. There is also less recognition and understanding about the SDGs in the US market. The materiality of the SDGs is the starting point and the recent SDG investment case publication will provide the foundation for the PRI's work aligned with the SDGs.

The Board welcomed the progress made in the US.

SIGNATORY GENERAL MEETING KEY MESSAGES

The Board agreed to three main messages for the 2018-21 strategy:

1. The PRI's core work remains ESG integration;
2. The PRI will aim to be closer to signatories, enabled by more networks staff, a better digital platform and more translations.
3. Accountability continues to be very important: Board accountability to signatories, Executive accountability to the Board and signatory accountability to the Principles.

The Board also agreed that the PRI should welcome signatory interest in the Sustainable Development Goals and the PRI should continue to stress outcomes and impacts.

FUTURE MEETINGS

The Board will meet next via conference call on 29 and 30 November 2017. Planned discussion points include:

- 2018-21 PRI strategy – post signatory consultation
- Signatory accountability: progress and leadership – post signatory consultation
- PRI in Person review
- Reporting and Assessment updates (TCFD alignment and assurance)
- 2017 PRI Board elections

Signatories wishing to provide input on these agenda items or raise additional issues for Board consideration should email christopher.sperling@unpri.org by 15 November 2017.