

PRI BOARD MEETING REPORT

The PRI Board had a meeting on 8 & 9 March 2018, in London, UK.

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) Marcus Madureira (PREVI) Priya Mathur (CalPERS) Hiro Mizuno (GPIF) Renosi Mokate (GEPF)* Gavin Power (UNGC) 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
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*Attended for part of 9 March only.

WELCOME FROM THE CHAIR

The Chair welcomed the new directors, Marcus Madureira and Tycho Sneyers, to their first in person PRI Board meeting.

DECLARATION OF INTERESTS

There is a joint interest between ABP and LGT Capital Partners.

SIGNATORY AND STAKEHOLDER INTERACTION

The Board discussed feedback from recent meetings with signatories and potential signatories in the UK, Nordics and US. The Chair had a very positive meeting with DanSIF in December 2017.

CHAIR REPORT

The Chair reported to the Board on key activities since the September 2017 Board meeting and activities planned from March to June 2018. Key activities since the September meeting included:

- Meetings with potential signatories in Malaysia and attendance at the Khazanah Megatrends Forum.
- Participation in the FSB Task Force on Climate related Financial Disclosures and sessions with the Executive and signatories on climate-related issues.
- Meetings with signatories on the PRI strategy and work streams, including meeting with DanSIF and other 1-1 meetings.

- Meeting with Oxfam on PRI's inequality work.
- Working with the Executive in preparation for the Board meetings, the December video conference and March in person meeting.

MANAGEMENT REPORT

Fiona Reynolds, Managing Director, 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 PRI's digital strategy, climate collaboration, PRI in Person 2018 and the EU High-Level Expert Group on Sustainable Finance.

The Board discussed several topics as part of the management report.

- The **asset owner survey**, which is live until 30 April¹. The Executive is seeking a variety of perspectives: trustee, CIO / CEO, ESG practitioner. After the survey has closed the PRI will convene asset owner roundtables. Board members have been invited to host a roundtable in their markets. The Executive will work with the asset owner advisory committee to develop an asset owner strategy, in advance of the Board discussion.
- c.450 participants have registered for **PRI in Person 2018**. The expectation is that the conference will sell out soon. The capacity is 1100, including attendees, speakers and staff.
- **LatinSIF** has made the PRI aware that it is ceasing its operations. LatinSIF's Board plans to encourage its members to join forces with the PRI as a way to further enhance and support responsible investing strategies across Latin America. The PRI continues to collaborate with the regional SIFs on a number of responsible investment issues.
- The Executive expects to meet the 2017/18 **asset owner targets**.

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:

- Proposed 2018/19 business plan budget and the information provision to the Board.
- Operational and strategic risk registers. The strategic risk register considers the risks that might affect achieving the Blueprint objectives.

Human resources and remuneration committee (Eva Halvarsson)

The committee reported to the Board on its discussions:

- 2018 staff engagement survey results.
- Managing Director annual performance assessment.
- Dignity at Work policy and a revised terms of reference for the committee.

¹ For more information on the asset owner survey see: <https://www.unpri.org/pri/pri-governance/formal-consultations>

Policy committee (Xander den Uyl)

The committee reported to the Board on its discussions:

- Outcomes from the EU High-Level Expert Group on Sustainable Finance and the PRI's role.
- Ongoing Sustainable Financial System work programme.

Signatory and stakeholder engagement committee (Priya Mathur)

The committee reported to the Board on its discussions:

- Impact of the 2017 'development' sessions, the in-person meetings with signatories to go through reporting results.
- Signatory categorisation policy and precedents.

Skills, Diversity and Elections committee (Angela Emslie)

The committee reported to the Board on its discussions:

- Review of the 2017 PRI Board elections.
- Guidance for the 2018 PRI Board elections.
- Chair annual performance assessment.

2018/19 BUDGET

Mark Blair, Chief Finance Officer and Peter de Graaf, Chief Operating Officer joined the meeting.

The Blueprint for responsible investment sets out our high-level ambitions for the next decade. The 2018/19 budget represents the first of the 2018-2021 planning cycle. More specifically, the budget for next financial year provides for:

- strengthening of PRI capacity and expertise in key markets, including Southern Europe and Spanish-speaking Latin America.
- growth of the Sustainable Financial System and SDG work programmes;
- growth in policy and research work;
- a continuing investment in education and the PRI Academy;
- further development of the PRI's digital capabilities, including ongoing development of the collaborative engagement platform;
- improvement in the company pension scheme, which also reflects new auto-enrolment legislation.

The proposed budget plans for a loss of c.£450k. The Board discussed the risks set out in the budget paper, including falling AUM and shifting fee bands, and exposure to growth in signatory numbers. The Finance, Audit and Risk committee recommended the budget.

The Board also discussed longer term plans, including signatory fees for 2019 and beyond. The PRI has an ambitious Blueprint, endorsed by signatories, and certain areas have required a growth in funding. The Board agreed that new investment should provide signatory value, such as the investment in digital and networks staff. Nonetheless there should be efficiencies to be gained across the organisation and there is potential for increased grant funding. The Board approved the 2018/19 budget.

2018-21 STRATEGY MEASURES

The Executive presented the proposed measures:

1. **Blueprint measures.** 10-year outcomes for the nine Blueprint objectives. These measures are a general direction of travel, an outcome, that the three-year measures build towards.
2. **2018-21 strategy measures.** Three-year strategy outcomes for the nine Blueprint objectives and three enablers². As part of the measures exercise all teams were encouraged to develop measures that are outcomes orientated. These measures are as *Specific; Measurable; Achievable; Realistic; Time-bound* (SMART) as possible.

The Board welcomed the work undertaken by the Executive on the measures. The Board discussion concentrated on the level of ambition, attribution of the PRI's impact, prioritisation of activities that will contribute to the measures and how the three-year measures build towards the ten-year outcomes.

The Board agreed to the Chair's proposal to work further with the Executive to refine the measures. The most difficult task is how to frame the ten-year measures and the framing requires a broader qualitative context and analysis, which the quantifiable measures will contribute towards. Otherwise there is a risk that the Board, Executive and / or signatories focus too much on what can be measured and these are the only indicators of success (or not), rather than a more holistic picture.

The Board proposed that the Executive present to the Board an annual qualitative and quantitative assessment of progress against the nine Blueprint objectives. This could include an assessment of PRI actions, the external environment, signatory engagement, resources deployed or required and a traffic light rating. This will be an opportunity for the Executive and Board to question the theory of change assumptions for each objective.

The presentation to signatories, via the annual report and Signatory General Meeting, on progress against the nine objectives should be candid and open. The report on progress will be an opportunity to be self-critical, invite signatory participation and challenge signatories to act.

The Board agreed that it would be beneficial to review the Blueprint after a period, perhaps three years.

EU HIGH-LEVEL EXPERT GROUP ON SUSTAINABLE FINANCE

Nathan Fabian, Director of Policy and Research and Paul Fisher, High-Level Expert Group member joined the meeting to present the recommendations from the EU High-Level Expert Group on Sustainable Finance and the European Commission's recently released *Action Plan: Financing Sustainable Growth*³.

The Board discussed various elements of the proposals and possible implications, including: investor awareness of the proposals; the potential disconnect between the European market and other markets; risks inherent in the proposals; the evolution of fiduciary duty / investor practices and implications for investor governance and practices; the role of retail versus institutional

² Three strategic enablers: 1. Develop our staff to better support signatories; 2. Enhance our digital capacity to improve communication; 3. Expand our global footprint to support signatories. For more information on the 2018-21 strategy see: https://www.unpri.org/Uploads/m/g/u/PRIStrategy_2018-21_v2.pdf

³ For more information see https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en

investors in the reform agenda; current barriers, including regulatory and reporting, to long-term investing; and expectations for future UK legislation considering Brexit.

The PRI has already supported the proposed reforms. The PRI plans to:

- Make signatories aware of the reform proposals.
- Re-connect signatories with existing tools and guidance to assist with the proposals.
- Support signatories to engage positively in the process.
- Communicate about the positive investor contribution to sustainable financial markets.
- Support the direction of travel and the crafting of well-defined legislation.
- Reflect on the PRI's programme for system reform and consider next steps in Europe and other markets.

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Kris Douma, Director of investment practices and engagements joined the meeting to present the agenda item.

The PRI has already undertaken a number of initiatives aligned with the broad Blueprint objective of '*Real-world impact aligned with the SDGs*':

- Established the SDG Advisory Committee, supported by two working groups, one looking at asset allocation and another at active ownership.
- Published the *SDG Investment Case*⁴.
- Completed the *Megatrends study*⁵ (with Willis Towers Watson) of which SDGs were a key element.
- Established the *Global Alliance for SDG Finance*⁶, with UNGC and UNEP FI.
- Supported the "Action Platform Reporting on the SDGs"⁷, co-led by the UNGC and GRI.

There was a broad discussion on the SDGs and how the PRI can best enable real-world impact aligned with the SDGs. There are numerous SDG aligned initiatives. The Board agreed that the PRI needs to be consistent and avoid adding to potential SDG fatigue. Discussion point highlights:

- Ensuring that PRI produced SDG guidance is investor relevant, where the PRI can add value.
- The critical framing of the PRI's SDGs work. Presenting the option to be part of the solution rather than the problem. Investors can be directionally aligned without having to measure the exact contribution, which is very difficult to measure and attribute. Reaching the SDGs will require significant private sector for-profit investment.
- The link between ESG integration and the SDGs. ESG integration has tended to focus on risk, whereas the SDGs are a framework for positive impact and identification of investment opportunities.
- New allocation of capital to the SDGs, rather than retrofitting current investment to the SDGs.
- Possible areas for the PRI to explore: mapping investor relevant elements of national SDG plans; a unifying framework to measure and report on SDG impact; sharing concrete

⁴ https://www.unpri.org/download_report/42251

⁵ <https://www.unpri.org/download-attachment/45574>

⁶ <https://www.unpri.org/news-and-press/un-alliance-for-sdg-finance/761.article>

⁷ <https://www.globalreporting.org/resource/library/Stockholm-Declaration.pdf>

examples of investor action on the SDGs; thought leadership on how to make SDGs integral to investment policy and decision-making.

The Board was very engaged on the SDGs discussion and the Executive will consider the opportune time for the next discussion. In the interim the SDG advisory committee will consider the levers for the PRI to further the SDG aligned investment agenda and how to communicate effectively with signatories on the SDGs.

SHOWCASING LEADERSHIP

Peter de Graaf, Chief Operating Officer and Mandy Kirby, Director of Reporting, Assessment and Accountability joined the meeting to present the agenda item.

The Board welcomed the opportunity to discuss showcasing leadership again. There are many positive benefits of showcasing leadership, but also there are a number of significant risks for the PRI.

Showcasing leadership via awards

The PRI committed in the Blueprint to showcasing leadership and increasing accountability. Awards are mentioned specifically as a means of rewarding leadership and highlighting top performers. The aim is to share examples of best practice to educate and inspire the signatory base. Awards will be project-based, self-nominated and independently judged. The Board advised the Executive to start with a small number of awards and develop the programme over time. The Board agreed to the awards process as set out.

Showcasing leadership via reporting framework data

The Executive proposed a combined assessment score as a threshold for qualitative analysis of signatory reporting data, to highlight good practices, that are supplemented by case studies. There would be a verification process for a random sample of the identified leadership group. The aim is to focus on learning outcomes and signatory value, by leveraging the PRI Data Portal to create an online leadership resource.

The Board discussed the assessment criteria, diversity within the leadership group, obligations of the leadership group and the positive and negative implications of churn amongst the identified leaders. The Board agreed that showcasing leadership via the reporting framework should focus on educational benefits and highlight selected leadership topics. Showcasing leadership via the reporting framework will be discussed further at the June Board meeting.

The showcasing leadership programme is scheduled to be launched at PRI in Person 2019.

HUMAN RESOURCES

Lian Hillier, Director of People and Culture joined the meeting to present the agenda item.

The principle subject for discussion was the results of the all staff engagement survey. The HR and Remuneration committee had reviewed the results and welcomed the positive results. Staff engagement is at 75%, the same as the 2015 survey. This was especially pleasing considering that in the two interim years the PRI has had undergone strong growth, almost doubling the

number of staff. The highest scores were around happiness and motivation, a key foundation for improving the lower scores in the survey. Areas identified for improvement include: learning and development opportunities; internal communication and consultation; accountability and collaboration.

The Board discussed four topics:

1. The relationship and communications between staff in the London headquarters and the networks;
2. Formal consultation within the PRI Executive on strategic issues;
3. The management skills of the PRI Executive; and
4. Learning, growth and secondment opportunities for the PRI Executive.

The Board was comfortable with the Executive's proposals to address the issues raised in the engagement survey.

The Board approved the Dignity at Work policy and the revisions to the Terms of Reference⁸.

SIGNATORY CATEGORISATION

Lorenzo Saa, co-Director of GNO, and Graeme Griffiths, co-Director of GNO joined the meeting.

The Executive recommended a review of the signatory categorisation guidelines and the establishment of an Executive committee to review categorisation cases. The Executive also sought guidance from the Board on the status of two potential signatories.

The Board agreed to the Executive's proposals. The Executive will report back to the Board at the June meeting.

2018 ELECTIONS

Angela Emslie, Skills, Diversity and Elections committee chair, presented the agenda item.

There are three positions up for election in 2018, two asset owner positions and one investment manager. For the 2018 elections guidance the committee recommended the encouragement of:

- Asset owner candidates from Australasia
- Female candidates
- Candidates with leadership and governance experience.

The Board discussed multiple aspects of the elections process:

- The advantages and disadvantages of **first past the post** versus **preferential voting** systems.
- That **diversity** is critical. Diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives; it may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the Board; diversity of geographical origin, ethnicity, language and culture, and also gender

⁸ Revised Human Resources and Remuneration committee terms of reference:

<https://www.unpri.org/Uploads/o/g/r/HR-and-Remuneration-Committee-Terms-of-Reference-March-2018.pdf>

diversity. There was agreement that there is sufficient diversity on the Board at present, including geographic representation, gender and skills (ranging from governance to investment). However, diversity was not guaranteed and the Board needed to keep a focus on it.

- **Elections guidance** versus a standalone **Nominations committee** to select candidates with requisite skills and experience for election. The idea of a Nominations committee was put forward by some Northern European signatories during the PRI's governance reform process. It was considered not appropriate for the PRI. The Board has tried to compensate by providing guidance to the electorate during the normal annual election cycle.
- **Competition amongst candidates.** The investment manager elections tend to be more competitive. Although there is a risk of splitting the vote, competition can increase legitimacy.

The 2018 elections will proceed according to the current Articles and Rules, including guidance to signatories on elements of diversity. The Board agreed to the elections guidance recommended by the committee. The formal call for nominations will be in late May 2018.

2018-21 BOARD AGENDA

The Executive presented the high-level agenda (See appendix 1). The aim is to ensure that the Board systematically engages with each Blueprint objective (as well as the strategic enablers) during the three-year strategy cycle.⁹ The agenda items planned for later in the cycle are more indicative. At every March meeting the Executive will present a qualitative and quantitative assessment of progress against the nine objectives.

MANAGING DIRECTOR ASSESSMENT

The Board approved the change in title for Fiona Reynolds, from Managing Director to Chief Executive Officer.

The Board approved the CEO priorities and time allocation for 2018/19.

CHAIR ASSESSMENT, PRIORITIES AND CONTRACT

Angela Emslie, Skills, Diversity and Elections committee chair led the Chair assessment discussion, without the Chair in the room.

The Board agreed to four Chair priorities for 2018/19:

1. Leadership of the Board (inc. working with the Executive on strategy)
2. Climate strategy (including TCFD role)
3. Sustainable Development Goals strategy
4. Strategic asset owner recruitment

The Board approved the Chair contract, recommended by the Human resources and remuneration committee.

⁹ For more information on the 2018-21 strategy see: https://www.unpri.org/Uploads/m/g/u/PRIStrategy_2018-21_v2.pdf

FUTURE MEETINGS

The Board will meet next via conference call on 12 June and then in person on 19 and 20 June in Beijing. Planned discussion points include:

- China strategy
- Showcasing leadership
- Climate action
- Sustainable Financial System programme
- Signatory categorisation guidelines
- Board external assessment results
- Human resources

The PRI will be conducting a number of events and 1-1 meetings with signatories, potential signatories and stakeholders while the Board and Executive are in Beijing.

Signatories wishing to provide input on the agenda items or raise additional issues for Board consideration should email christopher.sperling@unpri.org by 18 May 2018.

2018-21 BOARD AGENDA

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
April 2018-March 2019			<p>12 Jun Board video conference - Board business</p> <p>19-20 Jun Board meeting - Beijing - Climate action (8) - Showcasing leadership - China strategy - SFS programme - 2019 signatory fees - Board external assessment results</p> <p>21-22 June Board outreach - Beijing</p>			<p>10-11 Sep Board meeting - San Francisco - Asset owner empowerment (1) - Supporting investors incorporating ESG issues (2) - Signatory engagement results - Mid-year budget review</p> <p>12-14 Sep PRI in Person - San Francisco - Signatory General Meeting</p>	<p>Elections: 2 x asset owner 1 x investment manager</p>	<p>28 Nov Board video conference - 2018 elections - PRI in Person review</p>	Induction for new directors		<p>7-8 Mar Board meeting - London - Foster a community of active owners (3) - 2019/20 budget - Human resources (<i>enabler</i>) - Digital and comms (<i>enabler</i>) - Global footprint (<i>enabler</i>) - Chair contract and priorities - MD assessment</p>	
April 2019-March 2020			<p>26-27 Jun Board meeting - Sydney - Convene and educate responsible investors (5)</p>			<p>8-9 Sep Board meeting - Paris - Challenge barriers to a sustainable Financial System (6) - Mid-year budget review</p> <p>10-12 Sep PRI in Person - Paris - Signatory General Meeting</p>	<p>Elections: 2 x asset owner 1 x service provider</p>	<p>28 Nov Board video conference - 2019 elections - PRI in Person review</p>	Induction for new directors		<p>Mar tbc Board meeting - London - Showcase leadership and increase accountability (4) - 2020/21 budget - Human resources (<i>enabler</i>) - Digital and comms (<i>enabler</i>) - Global footprint (<i>enabler</i>) - Chair contract and priorities - MD assessment</p>	
April 2020-March 2021			<p>Jun tbc Board meeting - tbc - Drive meaningful data throughout markets (7) - 2021-24 strategy discussion</p>			<p>Sep tbc Board meeting - Tokyo - Enable real-world impact aligned with SDGs (9) - 2021-24 strategy discussion - Mid-year budget review</p> <p>Sep tbc PRI in Person - Tokyo - Signatory General Meeting</p>	<p>Elections: 1 x chair 3 x asset owner 1 x investment manager</p>	<p>26 Nov Board video conference - 2021-24 strategy sign off - 2020 elections - PRI in Person review</p>	Induction for new directors		<p>Mar tbc Board meeting - London - 2021/22 budget - Human resources (<i>enabler</i>) - Digital and comms (<i>enabler</i>) - Global footprint (<i>enabler</i>) - Chair contract and priorities - MD assessment</p>	

PRI Association

Registered office: 5th floor, 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E: info@unpri.org

