

PRI BOARD MEETING REPORT

The PRI Board had a meeting on 20 and 21 June 2016 in London, UK.

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)	Kris Douma
Mark Chaloner (West Midlands Pension Fund)	Nathan Fabian
Angele Emslie (HESTA)	Fiona Reynolds
Priya Mathur (CalPERS)	Lorenzo Saa
Renosi Mokate (GEPF)	Christopher Sperling
Niels Erik Petersen (Unipension FAIF A/S)	
Martin Skancke (Chair)	
Xander den Uyl (ABP)	
Peter Webster (Vigeo EIRIS)	
Apologies:	
Sandra Carlisle (Newton)	
Colin Melvin (Hermes EOS)	
Gavin Power (UNGC)	
Eric Usher (UNEP FI)	

CHAIR'S WELCOME

The Chair thanked the Board committees for their work since the February 2016 meeting and reminded those present of the five agreed Board goals:

1. Oversight of the implementation of the strategy;
2. Oversight of the delivery of the 10 year anniversary plans;
3. Asset owner recruitment and stakeholder outreach;
4. Working towards the right balance between the decision making of the Executive and the Board; and
5. Board committee work plans

COMMITTEE REPORTS

Finance, Audit and Risk committee

Priya Mathur, Finance, Audit and Risk committee member, presented the report from the committee.

The Board approved:

- the retention of Buzzacott LLP as the PRI Association's external auditors;
- that the PRI continue to invoice in sterling and the Executive explores further emerging market fees;
- measures to improve the budgeting process; and

- a revised format for financial reporting to the Board.

Skills, Diversity and Elections committee

Angela Emslie, chair of the Skills, Diversity and Elections committee, presented the report from the committee.

The Board discussed the 2016 election process, the voting rules and the Board self-assessment framework. The Board approved that the terms for directors elected at mid-term elections are increased to up to three years. The proposed revision to Article 10.5 will require a signatory vote, to take place in late 2016, alongside the elections.

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.

The Board discussed with the Executive:

- *Signatory engagement workshops*: the sessions to date have been an invaluable in engaging signatories on the consultation issues and potential PRI reforms.
- *Organisational KPIs*: the Board agreed that the targets had been calibrated well and the results are generally positive. The KPIs will be reported to signatories in the annual report.
- *Proxy voting*: proxy voting and voting transparency are increasingly important responsible investment issues. The Executive will consider how to encourage greater shareholder engagement, reflecting on regional norms, private engagement versus public voting, and the role proxy voting advisors.
- *PRI in Person*: the 2018 annual event will be in San Francisco.
- *Data query tool and platform*: there is an increasing demand from asset owners for a tool to analyse and compare the responsible investment performance of investment managers. The proposal is aligned to the PRI strategy and the drive for accountability. The Board approved the development of a data query tool and platform.
- *PRI Accounts*: oversight of the accounts of PRI Association, PRI US Incorporated, PRI Hong Kong Incorporated and PRI Enterprises.

SIGNATORY SATISFACTION AND ENGAGEMENT SURVEY

Lorenzo Saa, Director of Global Networks and Outreach, presented the survey results¹ and analysis undertaken by the Executive. High level results:

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

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.

The Executive analysed the results via several lenses (signatory region, category, size and signature date) as well as considering the role of PRI interactions, communication, tools, events and governance. The Board discussion focused on how the PRI can provide value to different signatory types, including to thought leaders and the most advanced signatories who appear less engaged; how the PRI can better articulate the role of different types of signatories, from the newest to the most advanced; and the balance between strategic priorities and reacting to the survey results with short term measures.

PRI 10 YEAR IMPACT EVALUATION UPDATE

Fiona Reynolds, Managing Director, gave a presentation on the recommendations of the *From Principles to Performance, An independent evaluation of the PRI's achievement and challenges*² report. This exercise was an opportunity for an external independent assessment of the PRI's impact over the past ten years and has generally been well received by signatories. The report states that the PRI is the leading global platform bringing together global investors to demonstrate their commitment to responsible investment and well positioned for the future. There are three main recommendations, for the PRI to progress responsible investment practices and support real-world change:

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

The Board reflected on the recommendations throughout the meeting, but specifically during the discussion on signatory accountability.

SIGNATORY CONSULTATION ON 'RECOGNISING DIVERSITY, STRENGTHENING ACCOUNTABILITY'

Fiona Reynolds, Managing Director, presented the findings of the recent signatory consultation on '*Recognising Diversity, Strengthening Accountability*'. More than 500 organisations participated in our consultation on accountability and differentiation: a record number for any voluntary PRI initiative to date, signalling both the interest and appetite for change on these topics among the signatory base.

The broad feedback from the survey and signatory engagement workshops is that signatories support:

- accountability measures for organisations that are making no effort to implement the Principles and no progress over time;
- a mechanism for delisting signatories that act in a manner that contravenes the spirit of the Principles;
- the PRI reporting framework, the PRI better utilising the reporting and assessment data, but not publicly releasing the assessment reports;
- showcasing leadership, but not categorising all signatories into three tiers; and
- the introduction of an associate membership signatory category.

² [*From Principles to Performance, An independent evaluation of the PRI's achievement and challenges*](#)

An executive summary of the results is on the PRI website.³

Specific actions following the consultation and a timeline for implementation will be for discussion at the September 2016 Board meeting. Initial proposals will be put to signatories at the Signatory General Meeting on 6 September 2016.

SIGNATORY CONSULTATION ON THE 'SUSTAINABLE FINANCIAL SYSTEM, PRINCIPLES, IMPACT'

Fiona Reynolds, Managing Director gave an update on the initial feedback from recent signatory engagement workshops.

Signatories have generally understood the rationale for including a Principle on the sustainable financial system and European signatories have been very engaged on the PRI aligning elements of the work programme and impact focus with the Sustainable Development Goals. Signatories to date have not been very engaged on the details of the sustainable financial system proposals or the measures of success for the PRI over the next ten years. The Executive will work to encourage wide participation in the consultation before the 5 August deadline.

SIGNATORY CATEGORISATION GUIDELINES

Priya Mathur, chair of the Signatory and Stakeholder Engagement committee, presented the guidelines.

The PRI Articles of Association and Signatory Rules set out signatory categories and examples of organisations within categories. The guidelines explain in more detail the principles, precedents and process of categorisation. The Executive highlighted to the Board several proposals within the guidelines: to remove depository banks from the examples of asset owner within the rules; to clarify the categorisation of 'captive managers'; and to not require Sovereign Wealth Funds to report on their assets under management.

The Board discussed the issue of 'captive managers' and whether removing depository banks was a material change to the Signatory Rules. The Board agreed that the removal of depository organisations from the list of examples is largely just a clarification and codification of practice in applying the rules and not material, therefore not requiring a formal signatory consultation. The Board committee will clarify the categorisation of 'captive managers' before the guidelines are formally approved by the Board and communicated to signatories.

ASSET OWNER RECRUITMENT

Lorenzo Saa, Director of Global Networks and Outreach, and Graeme Griffiths, Associate Director of EMEA gave a presentation on plans for asset owner recruitment.

The Board welcomed the structured analysis by the Executive on past asset owner recruitment and future targets. The Board and Executive agreed on the importance of targeted, strategic and patient recruitment, as well as the benefits of peer-to-peer recruitment.

³ [Executive summary of the feedback from the Strengthening Accountability, Recognising Diversity.](#)

COLLABORATION WORK WITH THE G20

The PRI is a knowledge partner to the G20 Green Finance Study Group. The Board discussed the opportunity for grant funding to support the G20 programme and expand responsible investment and green finance into emerging markets, especially China.

The Board supported exploring the opportunity for grant funding, provided the terms and proposals were appropriate for the PRI. The Executive was asked to consider the alignment with the PRI strategy, the Executive's desired outcomes and support requirements, governance implications, and expectations of potential donors before returning to the Board with a concrete proposal in September 2016.

ACADEMIC NETWORK AND RESEARCH FORUM

Nathan Fabian, Director of Research and Policy, presented an update on the work of the Academic Network.

The Executive and representatives of the PRI Academic Network Steering Committee have been considering how to build the academic community on responsible investment and ensure that research insights and evidence are flowing to investors. The proposal is to continue to build the Academic Network and initiate a mutually coexisting and reinforcing Research Forum. The forum's objective is to deliver more practical research insights for the investment community; convene research-led roundtables and events for practitioners; and provide good data to the academic community. A current example is PRI's first call for research, *Examining factors of success for investor-company engagements on ESG issues*.⁴

The focus of the discussion was on the value of practical research insights for signatories and the use of outcomes focused measures of success. The Board encouraged the new twin track approach.

PRI BOARD ELECTIONS AND REGIONAL REPRESENTATION

Angela Emslie, chair of the Skills, Diversity and Elections committee, led the discussion.

Two positions are up for election in the 2016 PRI Board elections: one asset owner and one service provider. The PRI is encouraging candidates with governance experience and experience on investment markets outside of the Europe/US, specifically Asia. The deadline for nominations is 5 August. The committee will ratify the candidates in advance of the announcement of the candidates at the Signatory General Meeting on 6 September.⁵

The committee is starting work on the PRI Board self-assessment template and outreach for the 2017 elections, when there will be five PRI Board positions up for election.

FUTURE MEETINGS

The next Board meeting will take place on 4 and 5 September 2016 in Singapore, in advance of PRI in Person. In addition to regular agenda items, planned discussion points include:

⁴ <https://www.unpri.org/about/pri-teams/academic-research>

⁵ For more information see the [2016 PRI Board elections page](#).

- 2016 Report on Progress
- 2016 and 2017 PRI Board elections
- Mid-year budget review
- Service Provider reporting framework
- Measures to recognise signatory diversity and strengthen signatory accountability
- Signatory consultation on the *Sustainable Financial System, Principles, Impact*⁶
- Investor voting expectations
- Collaboration work with the G20
- Signatory General Meeting key messages

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

⁶ [Sustainable Financial System, Principles, Impact consultation](#)