

PRI BOARD MEETING REPORT

The PRI Board had a meeting on 9 & 10 December 2019, in Melbourne, Australia.

ATTENDANCE

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

Board members present: Wendy Cromwell (Wellington Management) Angela Emslie (HESTA) Sharon Hendricks (CalSTRS) Renshi Mokate (GEPF) Martin Skancke (Chair) Laetitia Tankwe (Ircantec) Eric Usher (UNEP FI) Xander den Uyl (ABP) Peter Webster (Vigeo Eiris)	PRI Executive in attendance: Fiona Reynolds Christopher Sperling
Apologies: Eva Halvarsson (AP2) Lise Kingo (UNGC) Hiro Mizuno (GPIF) Tycho Sneyers (LGT Capital Partners)	

WELCOME FROM THE CHAIR

The chair thanked Angela Emslie and HESTA for hosting the board meetings.

DECLARATION OF INTERESTS

No new interests declared.

MINUTES

The Board approved the minutes from the 8 & 9 September 2019 meeting.

MATTERS ARISING

Fiona Reynolds, CEO, outlined plans to encourage more asset owners and trustees to PRI in Person Tokyo in 2020.

CHAIR REPORT

The Chair reported to the board on activities since the September 2019 board meeting. The four agreed Chair priorities for 2019/20 are:

1. Leadership of the Board (including working with the Executive on strategy)
2. Climate (including TCFD role)
3. Sustainable Development Goals
4. Drive meaningful data

The chair noted recent speaking opportunities and events in Japan and China. The Japanese market has made impressive progress on the implementation of the Taskforce for Climate-related Financial Disclosures. Discussions with the Keidanren, the federation of Japanese businesses, have also progressed well over the past few years. Lastly, in Japan, there have been encouraging reports on progress on the Climate Action 100+ engagement, a positive engagement between international investors and Japanese corporates. Recent PRI-organised events and meetings in China were positive. The PRI is committed to building a high quality signatory base in China from the outset, that is committed to implementing the Principles.

CEO REPORT

Fiona Reynolds, CEO, presented the agenda item. Included in CEO 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.

The board discussed:

- Proposed changes by the US Securities and Exchange Commission to Rule 14a-8 and regulations for proxy advisory firms. The PRI has coordinated a signatory letter on the recent SEC proposals on investor voting.
- The PRI's Sustainable Development Goals work programme. The PRI plans to release a flagship report in May 2020. The PRI has a very diverse signatory base and therefore it has been important for the Executive to consider carefully the guidance and terminology, and to try to ensure that the report is useful for signatories, amongst the proliferation of other SDG reports and initiatives.

REPORTING FRAMEWORK REVIEW

Elina Rolfe, Director of Reporting and Assessment, joined the meeting to present the agenda item. The board complimented the Executive on the work undertaken since the September 2019 board meeting. The board discussed a number of issues from the materials presented:

- **Ambition.** The board discussed the difficulty of judging the level of ambition for the 'core' and 'plus' modules. One risk is not making the new reporting framework ambitious enough. The first year will be a pilot year and the framework will evolve.
- **Signatory preparation.** Limited signatory preparation for a completely reformed reporting framework could be a significant issue. The current timetable doesn't allow of much signatory interaction on the modules in advance of the official launch. To mitigate this risk the Executive could establish signatory focus groups to provide feedback on the modules.

- **Phased approach.** The ‘core’ and ‘plus’ modules have to be developed together, to ensure that they are complimentary. The board discussed the possibility of a phased approach to the roll out of the modules. A phased approach could allow more time for signatory consultation.
- **Signatory ‘leadership’.** PRI’s efforts to showcase leadership¹ is not dependent upon the assessment of the ‘plus’ modules. Leadership will be assessed by quantitative data, to reduce the universe, and then the qualitative data. The PRI must communicate clearly on how leadership will be judged.
- **Outcomes data.** The plan is for ‘outcomes’ related and or SDG questions to be in both the ‘core’ and ‘plus’ modules. Many practices and issues will be covered in the ‘plus’ module, not just ‘outcomes’ and or the SDGs.
- **C-level statement.** The board agreed that the c-level statement was a good proposal, to ensure c-level oversight and provide a concise overview of year-on-year progress or new initiatives. The PRI should provide guidance to signatories on what they might include in the statement.
- **Absolute and relative scores.** The Executive is aiming for a normal distribution of scores in the first year. The Executive plans to provide absolute scores, and if possible relative scores. The PRI must communicate the scoring basis clearly.
- **Alignment and integration with other frameworks.** The aim is for the revised reporting framework to be broadly aligned with other frameworks. The Reporting and Assessment Advisory Committee has asked the Executive to consider wider reporting requirements, and the reporting team is on a number of external working groups.
- **IT testing.** The IT implementation is a significant risk. The Executive will be using an agile approach, with sprints and testing at each phase. The PRI will also be employing an IT tester role, for the new systems and on an ongoing basis. The Executive should also consider a pilot group of signatories to test the new platform.
- **Change management process.** The Executive is planning to employ a project manager to help with planning and cross-team work.
- **Resources.** The Executive is planning to fast track hires to help with the design and implementation, and will seek external help with the communications.

The March 2020 meeting will be a key point in the process, when the board will be asked to decide to proceed with a full launch in 2021. The Executive will also present the budget for the reporting framework reform at the March meeting.

ASIA PACIFIC BRIEFING

Matt Mcadam, Director of Asia Pacific, joined the meeting to present the agenda item, including an update on the Australian Sustainable Finance Initiative (ASFI), and PRI’s work and priorities in the wider Asian region. The board discussed four issues:

1. **India.** The board agreed that it was difficult to state that the PRI was a global organisation without a presence in India. While there are minimal signatories at present, the success of the SDGs will be largely dependent on action in countries like India, the country is increasingly exposed to physical transition risk, and there is increasing focus on India from international investors and

¹ <https://www.unpri.org/signatories/showcasing-leadership>

companies with supply chains in the country. There is interest in good corporate governance practice and MSCI is expanding its coverage to the top 400 Indian companies. The board will consider PRI's plans for India as part of the wider strategy discussions.

2. **Malaysia.** The Malaysian government has an ambition to make Kuala Lumpur a hub for Islamic finance. The board discussed if this could be an avenue to explore the synergies between Islamic finance and responsible investment.
3. **Retail investors.** ASFI includes "community and consumers' interests and expectations" as a critical challenge. The PRI has historically focused on institutional investors and the board discussed if the PRI should consider retail investor related work, with the aim of activating a holistic sustainable financial system. The board agreed to consider the possibility of retail investor related work as part of the 2021-24 strategy discussions.
4. **Translations.** All starter guides have been translated into Japanese and Chinese, together with other important publications. The aim over the next year is to develop local languages pages on the PRI website.

FOSTER A COMMUNITY OF ACTIVE OWNERS

Paul Chandler, Director of Stewardship, joined the meeting to present the Active Ownership 2.0 position paper², as well as give a demonstration of the PRI's new Collaboration Platform. Active Ownership 2.0 is a proposed aspirational standard for improved stewardship. It builds on existing practice and expertise but explicitly prioritises the seeking of outcomes over process and activity, and common goals and effort over narrow interests. The board discussed several aspect of the Stewardship 2.0 proposals and collaborative engagements generally:

- **Stewardship.** The board agreed with the use of the stewardship terminology. In some markets active engagement can be conflated with 'activist investors'.
- **Higher standard for stewardship.** The board approved of the new impetus for stewardship with an emphasis on investor collaboration on systemic issues and an outcomes focus. The PRI can encourage more of a systematic approach to systemic issues, for example a sectoral approach and agreed actions or responses amongst investors (voting against chair / lead director on certain issues), that could be more effective. A lot of current engagement activities are without objectives, don't measure effectiveness, are fragmented and or cancel each other out. However, the board also cautioned that effective engagement on strategy or governance does not necessarily have to be about specific outcomes. Investors don't want to micromanage companies, and there is a distinction between governance and management.
- **Asset owner and investment manager alignment.** The relationship is critical for ensuring a consistent message to corporates. Projects are planned on proxy advice and passive investors.
- **Reporting Framework.** The board discussed how to embed the stewardship proposals in the new Reporting Framework. The PRI can ask questions on the intention, the aimed for outcome, behind the effort, but it will be difficult to prove attribution to the desired outcome.
- **Banks and insurers** could be interested in participating in corporate engagements.
- **Continuum of engagement.** Stewardship 2.0 is a higher standard of engagement that will appeal to more experienced investors. The PRI should not forget or dismiss the mass of signatories that

² <https://www.unpri.org/download?ac=9721>

are starting out and may be engaging on more singular issues via the Collaboration Platform. Signatories get a lot of value from these collaborations and getting investors started is important.

- **New PRI Collaboration Platform.** The board asked about the new signatory induction to the Platform and whether there is enough information available about engagements to enable signatories to join.

The Executive has consulted on Active Ownership 2.0 with the stewardship advisory committee, as well as presenting the proposals at PRI in Person and regional forums. There will be a signatory consultation until January 2020. Active ownership one of the nine Blueprint priorities and the board will discuss routinely over the next year, both in the annual review of progress against the Blueprint and the strategy process.

SIGNATORY AND STAKEHOLDER INTERACTION

The Board discussed the public response from Norges Bank Investment Management (NBIM) to the recent PRI signatory survey. The response had three key issues: the PRI's work on real-world impact aligned with the SDGs; PRI's policy advocacy and connection with signatory views; and de facto principles and signatory approval. The Executive will follow up with NBIM formally with a meeting planned for January 2020.

2019 SIGNATORY SURVEY AND 2021-24 STRATEGY

Fiona Reynolds, CEO, presented the results from the signatory survey and led the strategy discussions.

2019 signatory survey

Overall the board agreed that the signatory survey results were positive, including engagement levels in the various regions, the PRI's value for new and experienced signatories, and the particular value drivers for signatories. The board discussed:

- signatory interest in climate change and social issues;
- the involvement of Service Provider signatories in the Sustainable Financial System and Drive Meaningful Data programmes;
- the importance of considering the value drivers for different signatory categories;
- the theme in the signatory responses of accountability and the PRI taking steps to prevent responsible investment greenwashing;
- PRI website usability; and
- PRI Board disclosure that is timely and accessible.

2021-24 strategy

The board discussed elements for consideration during the strategy discussions and the strategy process. Elements for consideration:

- **ESG issues** such as climate; biodiversity; and human rights.
- **Signatory value drivers** and whether the PRI might do anything differently to serve these drivers in the next strategy.

- **Signatory accountability** and the role of the PRI in minimising responsible investment ‘greenwashing’.
- **Regionalisation**, including possibly an emerging markets specific strategy (and nuances *within* emerging markets); languages; expertise (beyond signatory relations) in different regions; maturity within and between regions; and a hub and spoke model.
- **Signatory led organisation**. The balance on a scale between PRI Executive led and signatory led (according to issue or practice).
- **Signatory growth** and the maintenance of the global, generalist, ‘big tent’ organisation ethos.
- **External environment / investment market trends**, including passive / active, retail / institutional investors, millennials, digital and AI, DB / DC, insourcing / outsourcing and asset class shifts.
- **Projected signatory base composition in 2024** (the end of the strategy period), including number, category mix, maturity levels, geographic diversity, specialisms or breadth, and how the Executive might serve that signatory base.
- **Technology / digital** and how the investment environment might shift; how the PRI can leverage technology; and the expertise required.
- **Strategic risks** discussion, including risks to PRI’s theory of change.
- **Collaboration** with partner organisations for the next strategy period.
- **Key person risk** for the 2020-21 business plan and the 2021-24 strategy.

The board will discuss the strategy in the March, June and October 2020 meetings, with a variety of workshops and sessions. The aim is to draft a strategy consultation paper for the October 2020 board meeting, in advance of a signatory consultation after PRI in Person in October 2020.

DRIVE MEANINGFUL DATA UPDATE

Martin Skancke, Chair, presented the agenda item.

There seems to be a growing consensus on the imperative to converge corporate reporting standards. To be successful the PRI needs to consider the desired end-point. Many elements of good reporting practice exist already, for example within the work of IIRC, GRI and SASB. However, harmonisation or convergence is difficult. For future board consideration is a constructive role for the PRI and signatory expectations.

INEVITABLE POLICY RESPONSE (IPR) BRIEFING

Mark Fulton, ET Advisors, joined the meeting to brief the board on the Inevitable Policy Response programme³. The board discussed the terminology used, how the IPR scenarios could be used by investors, and implications of the scenarios for investors. The board welcomed the ground-breaking and impactful work being undertaken in the IPR programme.

³ <https://www.unpri.org/esg-issues/environmental-issues/climate-change/inevitable-policy-response>

PRI IN PERSON 2019 REVIEW

Fiona Reynolds, CEO, presented the agenda item. Overall PRI in Person Paris in 2019 was a very positive and well-received conference, with significant policy-maker support, a sense of momentum and high level of ambition. For PRI in Person 2020 in Japan there will be high level support and the objective is a global conference. The board suggested speakers, content and themes for the forthcoming conference.

COMMITTEE REPORTS

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

Finance, Audit and Risk committee (Peter Webster)

The committee reported to the Board on its discussions:

- Currency risk policy;
- Breach of minimum reserves policy;
- PRI Association subsidiaries review;
- Compliance report;
- Operational risk register; and
- PRI bank accounts.

Human resources and remuneration committee (Renosi Mokate)

The committee reported to the Board on its discussions:

- Disciplinary policy and procedure review
- Grievance policy and procedure review
- Flexible working policy review
- CEO and Chair annual review process
- Compliance report;
- Employee turnover update; and
- Updates on possible 'Brexit' implications and staff turnover.

Policy committee (Xander den Uyl)

The committee reported to the Board on its discussions:

- preliminary discussions on the PRI's policy related strategy, including priority markets, engagement with signatories and issue-specific policy engagement.

Signatory status committee (Angela Emslie)

The committee reported to the Board on its discussions:

- Approval of the Signatory categorisation guidelines⁴; and
- Signatory categorisation cases.

⁴ https://d8g8t13e9vf2o.cloudfront.net/Uploads/1/1/f/prisignatorysignupguidelines_517995.pdf

GOVERNANCE COMMITTEE UPDATE

Angela Emslie, Governance committee chair, presented the agenda item, and the board discussed three items:

1. **2019 PRI Board elections.** In the 2019 elections two asset owner representatives were elected, Eva Halvarsson (AP2) and Hiromichi Mizuno (GPIF), and one service provider representative was elected, Michael Jantzi (Sustainalytics). Participation in the election process was good amongst both asset owners (50%) and service providers (45%). Terms start on 1 January 2020. The board asked the Executive to consider for the 2020 elections: further guidance on the website for candidates, including the plans of incumbent directors to re-nominate; translated election materials; and mechanisms for candidates to message contacts within signatory organisations that are responsible for the voting. The board agreed to reduce the length of the election process and encourage emerging markets candidates for the asset owner position.
2. **Director travel allowance.** The committee proposed four principles for the travel policy: simplicity; equity between board members and across geographical regions; some financial commitment from signatories; and transparency and accountability to signatories. The board agreed to the proposed travel allowance of up to £5k per meeting. The committee will review the policy in December 2020.
3. **Board evaluation.** The evaluation will be sent to the board in December 2019. There will be a board discussion of the results, facilitated by the governance committee chair, at the March 2020 meeting.

FUTURE MEETINGS

The Board will meet next in person on 10 & 11 March 2020. Planned agenda items include:

- 2020/21 business plan and budget
- Human resources update
- Reporting and Assessment Framework reform
- 2021-24 strategy discussions
- Fiduciary duty and impact project update
- Driving Meaningful Data update
- 2021 elections
- Board evaluation
- Chair review
- CEO review

Signatories wishing to provide input on the agenda items or raise additional issues for board consideration should email christopher.sperling@unpri.org by 28 February 2020.