

PRI BOARD MEETING REPORT

The new PRI Board, formally established in April 2015, met in-person for the first time in San Francisco on 30-31 June 2015.

The PRI has been devoting additional resources to the US Network over the past year and the PRI took the opportunity to convene several signatory events alongside the Board meetings. It was a great chance for the Board to learn about local factors shaping long-term investment in the US market and for signatories to benefit from the global expertise of the Board members. The PRI organised a lively signatory discussion with the Board members, hosted by Wells Fargo, on the *Divestment vs Engagement* debate and its role in the transition to a low-carbon economy. University of California hosted a PRI meeting for endowments for Board members, signatories and non-signatories to share insights into how their organisations incorporate ESG, to exchange ideas on the global fossil fuel divestment trend and to share examples of challenges faced by management and investment staff at universities and their endowments. Bloomberg hosted a PRI-organised investment consultant roundtable, designed for Board members to share their insights on global trends and areas of emerging European demand.

The PRI Chair, Martin Skancke, and Managing Director, Fiona Reynolds, also attended the UN Global Compact's 15-year anniversary celebrations the week before in New York.

ATTENDANCE

The meeting was attended by the following representatives from the PRI Board, their designates and staff from the PRI Executive.

<p>Present:</p> <p>Geeta Aiyer Masaru Arai David Atkin Marcel Barros Mark Chaloner Priya Mathur Colin Melvin Renosi Mokate Niels Erik Petersen Gavin Power (UNGC) Daniel Simard Martin Skancke (Chair) Eric Usher (UNEP FI) Peter Webster Eric Wetlaufer</p>	<p>In attendance:</p> <p>Mark Blair (PRI) Acyr Moreira Fiona Reynolds (PRI) Lorenzo Saa (PRI) Christopher Sperling (PRI)</p>
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WELCOME

Martin Skancke, Chair, opened the meeting and welcomed Masaru Arai, ex-CIO of Daiwa Asset Management and current Chair of Japan SIF, elected in the recent mid-term election until the end of the calendar year.

MANAGEMENT REPORT

Fiona Reynolds, Managing Director, updated the Board on the activities of the Executive since the Advisory Council and Board meeting in March.

Nathan Fabian has been appointed Director of Research and Policy and will start full-time in August. Lorenzo Saa was promoted to Director of Networks and Global Outreach at the beginning of June.

The Board approved the delisting process for signatories failing to pay the annual fee and for signatories failing to report.

PRI RISKS

The Board is responsible for the establishment of effective procedures for monitoring and controlling operations including internal procedures for audit, risk and compliance. The Board led the discussion on the PRI risk management framework, including: the ownership of the framework and roles of the Board, of the Finance, Audit and Risk Committee and of the Executive; the process for developing the latest iteration of, and ongoing monitoring of, the risk register; and the risk register itself. The risks fall within five broad categories: governance, strategy, reputation, finance and projects/operations. Regular discussions of the PRI's risks are scheduled in the Board's annual plan.

STRATEGY MEASURES

The initial draft of 2015-18 PRI strategy measures was first discussed at the March 2015 Advisory Council and Board meeting. The second iteration of the measures, approved by the Board, better reflect the "From awareness to impact" strategic theme, in particular focusing more on measuring the impact of the PRI's activities rather than the activity levels. There are five themes to the measures: Impact; Convene, collaborate and share; Educate; Accountability; and Shared value.

MEASURES:

Impact:

- Asset owners considering ESG and active ownership in the selection and/or monitoring of external managers
- Signatories integrating ESG in depth in listed equity and increase of integration and active ownership across asset classes
- Active ownership among listed equity holdings
- Impact of PRI-coordinated engagement activities (targets for awareness, acceptance, performance)

Convene, collaborate and share:

- Signatory collaboration through the PRI's online platform
- Policy consultation responses

- Case studies showcasing implementation approaches across regions and asset classes and downloads of PRI publications
- Participation in PRI events

Educate:

- Focused research investigating market problems
- Formal education of signatories and external audiences on responsible investment

Accountability:

- Asset owner use of Transparency Reports by signatories and other stakeholders

Shared value

- Success of key projects with UN partners
- Outcomes of collaborations with key stakeholders

The Board will monitor a number of other measures, focused on the organisation's foundations and operations. These include targets for communications, asset owner signatory growth, signatory satisfaction and capabilities and governance.

RULES, POLICIES AND TERMS OF REFERENCE

Following the signatory consultation, the Board approved the Rules, Policies and Terms of Reference that underlie the Articles of Association. These will enshrine the procedures and practicalities required to give effect to each Article in more detail:

- [Signatory Rules](#)
- [Election Rules](#)
- [Procurement Policy](#)
- [Code of Ethics](#)
- [Diversity Policy](#)
- [Signatory General Meeting Rules](#)
- [Directors' Terms of Reference](#)
- [Chair's Terms of Reference](#)
- [Managing Director's Terms of Reference](#)

The Board also approved the Terms of Reference for the Board committees that have been established within the new governance structure to facilitate the workings of the Board.

- [Ethics Committee](#)
- [Finance, Audit and Risk Committee](#)
- [Human Resources and Remuneration Committee](#)
- [Signatory and Stakeholder Engagement Committee](#)
- [Skills, Diversity and Election Committee](#)

RULES FOR ADVISORY COMMITTEES AND WORKING GROUPS

With the PRI governance review complete and the Rules, Policies, Terms of Reference and Board committees in place, the Board focused on the Terms of Reference for all non-Board advisory committees and working groups. These are opportunities for signatories to engage with their peers, share updates on key research, develop strategies, share best practices and advance

ESG issues and the implementation of the Principles. They play an important role in the PRI's many work streams.

The aim of the Rules is to set out clearly how advisory committees and working groups should operate: transparent rules for the purpose, remit, composition, reporting and accountability of each signatory group; and also to ensure that there is a consistent approach across the organisation. The [Rules for advisory committees and working groups](#) were approved by the Board and will be rolled out over the next six months.

BOARD SELF-ASSESSMENT TEMPLATE AND SKILLS MATRIX

The agreed Board self-assessment template focuses on three areas:

- performance on core responsibilities (shaping the organisation's mission and strategic direction, ensuring that there is leadership and adequate resources, monitoring and improving the organisation's performance);
- focus issues for the next one-to-two years;
- effectiveness enablers (size and structure, composition, leadership, processes).

The assessment process will seek to: develop the Board, identifying areas where the Board could improve its discussions, decision-making, monitoring and effectiveness; highlight areas for future Board focus; provide Board candidates and the electorate with more guidance and information on the skills required by Board directors and the skills that the PRI has identified as lacking. The self-assessment will take place in late 2015, with the results for discussion at the February 2016 Board meeting.

US CORPORATE STRUCTURE

With the PRI's increasing presence and activity in the US market, the Board is considering options for the PRI's US corporate structure. The Executive presented advice from US lawyers on several possible corporate structures, including the implications of each for governance, signatory fee collection and tax. The Executive has been asked to follow up on the Board's questions and come back to the September meeting with a proposal for the Board's approval.

10-YEAR ANNIVERSARY PLANS

The upcoming 10-year anniversary of the PRI's founding is an opportunity to reflect on the impact of the PRI and look forward to the next ten years. The Executive is starting to plan a series of 2016 events and a report on the PRI's impact.

The Board reflected on the next ten years: What should responsible investment look like? What are the key issues that we need to address? What role should the PRI play? How can the PRI develop a compelling vision for the future, strengthening, and where necessary redefining, what being a signatory to the Principles means? A signatory and stakeholder consultation to consider these questions will be an important part of the 10-year celebrations and discussions.

The Board asked the Executive to provide more details on the 10-year anniversary plans at the September meeting.

FIDUCIARY DUTY PROJECT

The Executive gave a brief update on the *Fiduciary Duty in the 21st Century* project. It is ten years since the pioneering Freshfields report and yet fiduciary duty is still cited in some markets as a barrier to ESG integration, active ownership and public policy engagement. The central objective of this project is to understand why investors are not systematically integrating ESG as part of their fiduciary duty. The report, to be launched in September, will propose practical actions for institutional investors and policy makers to address these barriers.

PRI IN PERSON

The planning for [PRI in Person London](#) is progressing well: the agenda is finalised, a strong line-up of speakers is booked and several interesting side events are scheduled throughout the week. Scholarships for asset owners from emerging markets are still open for application. A review of the 2015 event is scheduled for the December Board conference call.

PRI in Person 2016 is confirmed for 6-8 September at the Marina Bay Sands Hotel, Singapore. The proposal to have PRI in Person 2017 in Frankfurt was approved by the Board.

INVESTOR ENGAGEMENTS

Olivia Watson, Acting Head of Investor Engagements, provided an overview of the work stream and the Clearinghouse and outlined key elements of the team's strategy over 2015-18.

The Board explored: the criteria for evaluating ongoing engagements; how the team systematically learn across projects to determine successful outcomes; how the Clearinghouse compares to more recent investor platforms; and the effectiveness of the Clearinghouse as a platform for policy engagements. As part of the signatory consultation on new engagement themes, the Board gave input into what ESG issues they saw as critical over the next one-to-two years. The priority engagement themes will be presented for Board approval at the September meeting.

FUTURE MEETINGS

The next in-person meeting will take place in London on 7 September, in advance of PRI in Person on 8-10 September. In addition to regular agenda items, planned discussion points for the London meeting include:

- PRI's US corporate structure
- UN Permanent Advisors' Terms of Reference
- 2016 signatory fees
- Human Resources strategy
- Policy and Research work plan
- Stakeholder ecosystem
- Priority engagement themes
- Signatory accountability
- 10-year anniversary plans
- PRI in Asia discussion

Signatories wishing to provide input on these agenda items or raise additional issues for consideration should email governance@unpri.org by 21 August.