

PRI BOARD MEETING REPORT

The PRI Board had a call on 30 November 2017.

ATTENDANCE

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

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

Fiona Reynolds, Managing Director, presented the management report. Recent updates include:

- In the new year the PRI will consult asset owner signatories on the PRI Blueprint objective, how to Empower Asset Owners.
- 225 signatories with over \$26 trillion AUM have signed up to the Climate Action 100+ engagement.
- The Executive has a number of climate change focused projects. The Executive will be considering a holistic climate action strategy. The strategy will be for discussion at the March 2018 Board meeting.

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 risk register;
- Reviewed the consultancy spend and process;
- Reviewed the cash reserves policy and discussed significant and uncertain costs for the Executive;
- Reviewed the PRI subsidiaries governance structures and tax arrangements;

- Conducted an annual review of its performance and terms; and
- Drafted a committee schedule for 2018.

Human resources and remuneration committee (Renosi Mokate)

The committee had:

- Received an update on relevant employment law, turnover and any risks;
- Discussed possible human resources implications of Brexit for the PRI;
- Reviewed the Whistleblowing Policy (see below);
- Provided feedback on the annual employee engagement survey and MD assessment process.

Policy committee (Xander den Uyl)

The committee had:

- Provided feedback on the sustainable financial system measurement framework;
- Discussed the prioritisation of future SFS activities; and
- Received an update on the PRI's Sustainable Development Goals aligned work.

Signatory and stakeholder engagement committee (Priya Mathur)

The committee had:

- Reviewed a proposed 2018 work plan;
- Provided feedback on the results of the signatory accountability consultation; and
- Reviewed signatory classification cases.

CORRESPONDENCE

The Board had received formal correspondence.

1. **Rainforest Action Network (RAN)**. RAN's two main areas of concern are bank financing of fossil fuels and deforestation, and associated human rights abuses such as land rights violations. RAN engaged with the PRI over the proposed accountability measures and PRI signatory investment in banks that lend and underwrite to fossil fuel based industries.
2. **Vigeo Eiris**. The letter raised the issue of the involvement of ESG rating organisations in the ongoing ESG in Credit Ratings Initiative.

The Executive has had productive conversations with both organisations.

2018-21 PRI STRATEGY

Fiona Reynolds, Managing Director, presented the strategy consultation feedback and next steps.

The strategy consultation¹ closed in mid-November. Signatory responses have generally been positive, especially on the alignment between the strategy and the Blueprint. Signatory feedback was lower than in previous consultations, which was disappointing but not surprising considering the extensive Blueprint consultation. Also because of this extensive consultation, the Executive did not hold signatory roundtables as had been conducted in the past.

¹ https://www.unpri.org/download_report/42642

The Executive is now in the business planning process. At the March 2018 meeting the strategic measures and 2018/19 budget will be for discussion and Board approval. At the start of April 2018, the Executive will communicate the approved strategy and 2018/19 business plan to signatories.

There were some cautious comments about the PRI's work on the Sustainable Development Goals. Signatory response is very dependent upon geography. However, feedback on the SDG Investment Case² publication has been well received and according to the recent UNGC–Accenture Strategy CEO Study³ the majority of corporate CEOs surveyed (87%) believe the SDGs provide an opportunity to rethink approaches to sustainable value creation—and 78% already see opportunities to contribute through core business.

The Board approved the 2018-21 strategy and agreed that it was a good platform for the PRI.

PRI REPORTING AND TCFD ALIGNMENT UPDATE

Mandy Kirby, Director of Reporting and Assessment, presented the update.

At the September 2017 meeting, the Board discussed the Executive's plans to align elements of the PRI reporting framework with the TCFD recommendations. The Board welcomed the work of the Executive, noting that: the work aligns with the climate strategy and the Blueprint; and will provide real value to signatories, the PRI will be a single point of reporting, with the possibility of extracting a TCFD aligned report.

Since the September meeting, the Executive has consulted with signatories on the incorporating FSB task force recommendations into PRI's reporting framework. Signatories and the TCFD Secretariat have generally been very supportive of the alignment and the relevant reporting framework questions.

2018 will be the pilot year for TCFD reporting via the PRI reporting framework. It will be voluntary for signatories to report on the TCFD questions, but the Executive will be explicit that TCFD reporting alignment will require signatories to respond in full to the relevant questions.

ACCOUNTABILITY AND LEADERSHIP

Mandy Kirby, Director of Reporting and Assessment, presented the agenda item.

Accountability

The comprehensive consultation⁴ on minimum requirements proposed three criteria:

- Formalised RI policy (or similar) or a policy that covers E/S/G issues covering >50% of AUM;
- Staff (internal or external) explicitly responsible for implementing responsible investment policy; and
- Senior level oversight of and accountability mechanisms for implementing responsible investment.

² https://www.unpri.org/download_report/42251

³ <https://www.accenture.com/gb-en/insight-un-global-compact-ceo-study>

⁴ https://www.unpri.org/download_report/38359

There has been widespread signatory support for the to the proposed requirements and the two-year engagement period. The Executive will communicate the accountability measures thoroughly.

The Board approved the accountability measures, the revisions to the Signatory Rules and the Signatory Accountability Rules.

Showcasing leadership

Throughout the consultation recognising leadership has been more controversial. The intention is to emphasise sharing examples of leadership. The Board raised several issues on the proposed approach from the signatory perspective: transparency about the qualitative leadership criteria; how the PRI would publicly recognise leadership; and the difference between recognising leadership and the proposed signatory awards.

The Board provided suggestions for elements of the process and outcomes. Leadership should recognise a variety of signatories, rather than the same signatories routinely. The Executive could select specific themes to recognise leadership, for example climate practices.

There was consensus on the imperative to recognise leadership but not on the modalities. The Board agreed to consider the leadership criteria together with the proposed signatory awards at the March 2018 meeting. The Board agreed that the Executive has to communicate clearly now that the 2018 reporting framework responses (mandatory and voluntary) will be used to recognise leadership.

PRI IN PERSON

Peter de Graaf, Chief Operations Officer, presented the agenda item.

PRI in Person 2018 will be in San Francisco alongside the Global Climate Action Summit, convened by Gerry Brown, the Governor of California. It is anticipated that there will be high demand for the conference and registration is already open.⁵

The Board provided input on the agenda and format for PRI in Person 2018:

- Offer an extended asset owner only session, including networking opportunities.
- Ensure equal weighting for Environmental, Social and Governance issues.
- Include key topical issues relevant for California and the Bay area: immigration, economic inequality and water.
- Consider reflecting key industries for California in the programme: venture capital, technology, entrepreneurship, artificial intelligence and financial markets (from a sustainable development perspective).
- Strive for more interactive sessions, including 'TED talk' formats.

The Board also encouraged close cooperation with the Global Climate Action Summit to really bring the investor perspective to the climate discussions. The Executive is in ongoing conversations with the organisers of the summit.

⁵ <https://www.unpri.org/about/pri-in-person>

WHISTLEBLOWING POLICY

The Human Resources and Remuneration committee recommended the policy to the Board. The process is clear and the tone is positive and accessible.

The Board raised issues for consideration:

- The policy should address sexual harassment as well as referencing the separate bullying and harassment policy.
- Board members are within the remit of the policy. The policy could also cross-reference the Board directors' terms of reference and the ethics policy.
- It should be the responsibility of those named in the policy and not the whistleblower to raise the issue of confidentiality at the outset of the process.
- *Public Concern at Work*, an external body, can advise whistleblowers about raising a matter with the appropriate regulator – such as the Health and Safety Executive.

The Board approved the policy, subject to the suggested changes.

ELECTION RESULTS

The Board approved the election results:

- Martin Skancke confirmed as PRI Chair for a second three-year term, by a majority of signatories voting, including a majority of asset owners voting.
- Marcus Madureira, PREVI, asset owner candidate confirmed for a first term.
- Priya Mathur, CalPERS, asset owner candidate confirmed for a third term.
- Renosi Mokate, GEPF, asset owner candidate confirmed for a second term.
- Tycho Sneyers, LGT Capital Partners, investment manager candidate elected for a first term.

The Chair thanked Geeta Aiyer, Boston Common Asset Management, and Marcel Barros, PREVI, for their commitment to the PRI Board and hoped that they would continue to be great ambassadors for the PRI.

FUTURE MEETINGS

The Board will meet next on 8 and 9 March 2018 in London. Planned discussion points include:

- 2018-21 strategy measures
- 2018/19 budget
- Risk register
- Empowering asset owners
- Climate action
- PRI awards and leadership
- Human resources and staff engagement
- Digital strategy

Signatories wishing to provide input on these agenda items or raise additional issues for Board consideration should email christopher.sperling@unpri.org by 15 February 2018.