

A black and white photograph of a conference room with a long table and several chairs, positioned on the left side of the cover.

PRI Association Board External Assessment Report

Executive Summary by Nestor Advisors

9th August 2018

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Assessment Process

The PRI Association, in accordance with its Articles of Association, retained Nestor Advisors, a specialised corporate governance advisory firm, to undertake the Board External Assessment in April-June 2018.

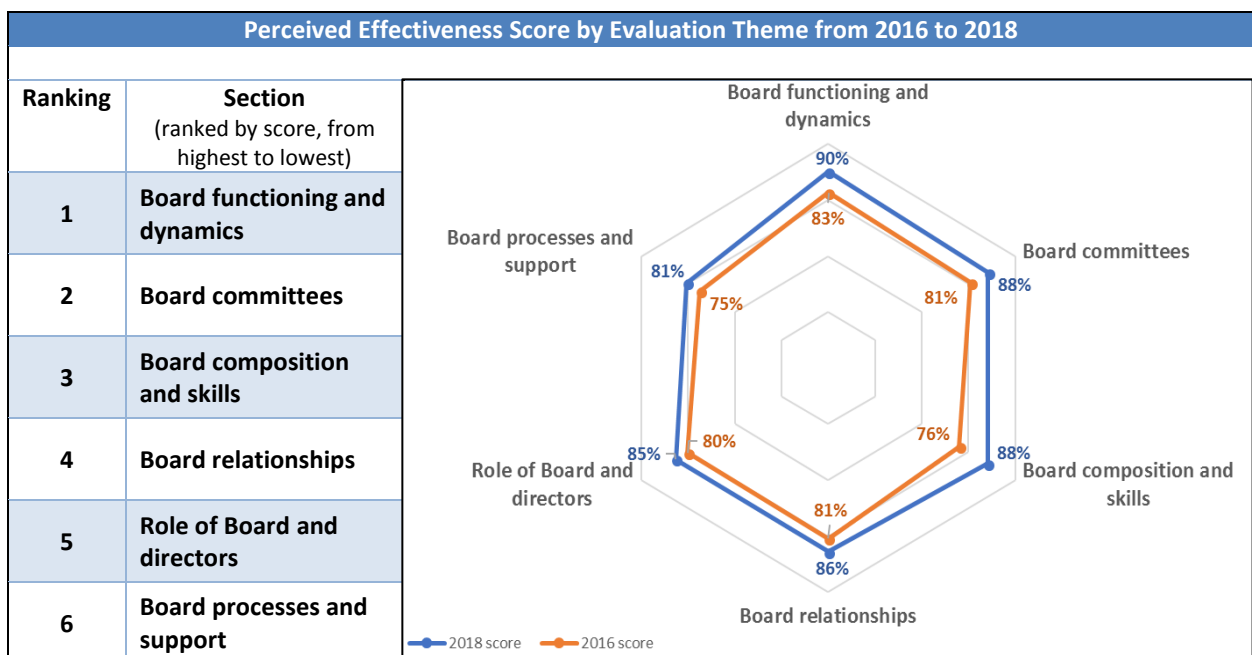
The approach and mandate were to reflect the views of Board members, but also those of key rapporteurs to the Board—in an anonymised format. These views were complemented by Nestor Advisors’ own views and comparative experience. The perspective of the assessment involved an analysis and dynamic review of the Board’s effectiveness over the past two years. The assessment involved an online questionnaire and a series of interviews with all Board members, UN representatives, the CEO, and the Executive.

Preliminary findings were presented and discussed with the Skills, Diversity and Elections Board Committee, followed by a written assessment report which highlighted strengths, areas for improvement, progress made from previous board reviews, and 12 accompanying recommendations within six “Evaluation Themes”: “**Role of the Board and Directors**”, “**Board Relationships**”, “**Board Composition and skills**”, “**Board Functioning and Dynamics**”, “**Board Processes and Support**”, and “**Board Committees**”.

Overall Findings

The results of the online questionnaire demonstrated an improvement in Board effectiveness from 2016. A comparison of the same questionnaire across the two surveys highlighted a 7 percentage point increase in perceived effectiveness overall, and an increase of 5-12 percentage points across each respective Evaluation Theme.

As in 2016, the highest performing area of review in the questionnaire, was Board Functioning and Dynamics. Board Processes and Support continued to perform the least well of all Evaluation Themes, despite improving its overall performance by 6 percentage points, and achieving a wholly satisfactory perception of its effectiveness among questionnaire recipients. Board Composition and Skills saw the highest increase, of 12 percentage points, in perceived effectiveness from 2016.



Assessment Findings by Theme

Role of the Board and Directors

There is a good consensual understanding among directors regarding the role and strategy of PRI. Board members feel positive about their contributions. Directors balance well their strategic direction and oversight role with the need to hold management accountable for their conduct and the implementation of strategy, without straying into micromanagement. However, the Board considers that strategic risks could be better addressed as part of the strategy process and the Board would benefit from a closer monitoring of strategy implementation and its relationship with the signatory base. This may require more direct Board contact with PRI staff other than the CEO and top executives.

Board Relationships

The Board has a duty to oversee “external” relationships, primarily with (i) signatories, (ii) the UN, and (iii) partner organisations and stakeholders. In relation to signatories, the Board largely performs well but could further improve relationships by increasing its focus on specific markets and by ensuring there exist opportunities for director outreach and engagement in regions where PRI is active, such as Africa. Regarding the UN, the Board maintains a strong relationship through Board membership of the Permanent UN Advisors. Finally, regarding partner organisations and stakeholders, PRI would benefit from more comprehensive processes and fora for overseeing and monitoring relationships.

Directors also expressed that they would benefit from clarifying their role as ambassadors for PRI and could better engage in outreach to current and potential signatories, especially within their own respective regions.

Board Composition and Skills

The composition of the Board is adequate. It includes competent and knowledgeable directors across asset classes representing all regions within which PRI is active, and strikes an appropriate gender balance. The inclusion of two Permanent UN Advisors enhances the credibility of the PRI Association, and helps nurture the crucial relationship with the UN.

Board Functioning

Board meetings provide ample scope for constructive discussion, and the Board successfully prioritises discursive matters over presentational ones. The Chair skilfully manages discussions allowing all Board members’ views to be heard and considered. The Board also has an open relationship with the CEO. However, meeting frequency might be insufficient: the six-month gap between the September and March in-person meetings is too large, and not sufficiently alleviated by an interim call.

Board Processes and Support

One of the primary areas of concern in previous Board assessments was the induction process for new directors. This has subsequently improved and now functions well. Nevertheless, certain areas of routine support can be improved. Board packs, including committee papers, would benefit from more timely circulation and brevity, and directors should be able to receive clarifications ahead of Board meetings. Certain processes, including the Annual Board Assessment, should be reviewed and further strengthened.

Board Committees

Committees have proved useful in enabling Board members to engage in key strategic topics, allowing them to take greater ownership of PRI decisions in spite of the few board meetings. Nevertheless, committees could improve their support to the Board through concrete recommendations. Some committees would also benefit from having more clearly defined roles, structured agendas and formalised procedures.

Conclusion

The PRI Association has a well-functioning Board which has notably improved in areas identified as requiring improvement in previous assessments. The report was accompanied by 12 recommendations across all Evaluation Themes. These recommendations were mostly focused on the directors' role as ambassadors for the PRI Association; the Board annual agenda; committee effectiveness; oversight of strategic and risk management planning; and supporting Board information/documentation.

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