

PRINCIPLES FOR RESPONSIBLE INVESTMENT 2016 SIGNATORY GENERAL MEETING MINUTES

6 SEPTEMBER 2016, 14:00-15:40

Marina Bay Sands conference centre, Singapore

The PRI sought input from signatories on the Signatory General Meeting (SGM) draft agenda in June 2015 and invited signatories to contribute agenda items and resolutions to be put to a vote. No agenda items or resolutions were received. The SGM papers¹ were sent to all signatories electronically on 5 August, with the PRI's 2016 Annual Report².

In attendance:

- Fiona Reynolds, PRI Managing Director
- Martin Skancke, PRI Board Chair (meeting Chair)
- PRI Board members: Angela Emslie, Sandra Carlisle, Priya Mathur, Colin Melvin, Niels Erik Petersen, Gavin Power, Eric Usher, Xander den Uyl and Peter Webster
- 200+ in-person signatory representatives

Watch a [full recording of the SGM](#), or specific sections via the links below:

- [Message from the Chair](#)
- [Consultation Recommendations \(plus Q&A\)](#)
- [Management and Financial Report \(plus Q&A\)](#)
- [2016 PRI Board candidate presentations](#)

See here for a copy of the [SGM presentation slides](#).

1. MESSAGE FROM THE CHAIR

Martin Skancke, PRI Chair, called the meeting to order at 14:00 and welcomed signatories present in person or via webcast and introduced the audience to the PRI Board members present.

The PRI has used its 10-year anniversary as an opportunity to consider the vision for the PRI and how the PRI can shape the responsible investment agenda over the next ten years. The PRI is planning a Responsible Investment Blueprint that will cover three areas:

- The main obstacles to implementing responsible investment;
- The obstacles that the PRI is well positioned to make a unique contribution; and
- The measures of success.

Signatories have been consulted on these elements over the past year.

¹ [Signatory General Meeting papers](#)

² [2016 PRI Annual Report](#)

The Chair gave the Board's perspective on some of the challenging issues that face the PRI. Having addressed in recent years the accountability of the Board to signatories and the accountability of the Executive to the Board, the mechanisms must now be introduced to ensure each individual signatory is accountable – to the PRI, and to one another collectively – if the PRI is to remain relevant to investors. Being a signatory is not a badge to be bought but a public commitment to act and therefore the PRI needs to set a minimum standard for signatories. The external environment expects this from the PRI and each individual signatory expects this from their fellow signatories. There has been broad signatory support from the consultations for signatory accountability to the Principles.

The Board also considers that it is important for the PRI to be a 'big tent' organisation, welcoming to signatories at the start of their responsible investment journey. The PRI should be both aspirational and inspirational. The PRI will put more effort into showcasing best practices to share with signatories.

Signatories have been consulted on work related to the sustainable financial system. The PRI has always undertaken work on these systemic issues, how the financial system works, such as the Fiduciary Duty in the 21st Century project, the Sustainable Stock Exchange initiative and guidance on long-term mandates. As part of the consultation exercise the PRI wants to ensure that it has a good system in place to prioritise between projects, that PRI work adds value to signatories and that projects are focused with appropriate plans and resources.

As part of the consultation the PRI asked if it should adopt a 7th Principle. The response from signatories was that this was not needed, the PRI can work with signatories on systemic issues without the need for another Principle and for many it would involve a time-consuming approval process within signatory organisations.

The Chair spoke about the growth of diversity of the PRI signatory base, to a global organisation with 1500 plus signatories in 50 countries; asset owners, investment managers and service providers; signatories from developed markets and emerging markets; small and large pension funds. The challenge for the PRI is to remain relevant and add value for all signatories. But that signatories also have an obligation, Principle 4 states that signatories must promote the work of the PRI, and more advanced signatories can share best practices and disseminate learnings. All signatories can collectively benefit from raising best practices, through the promotion and support of the PRI. This has been part of the success of the PRI, the willingness of leaders to share best practices in the form of guidelines and resources for those at the start of their journey.

Over the past 18 months the PRI has consulted extensively with signatories. The Board will now make decisions on the priorities for the PRI. To aid the Board's decisions and to give direction and a stronger strategic focus the Board, utilising the signatory input, will develop a 10-year blueprint that will set out the direction of travel and make sure that the PRI stays focused on the Mission and Principles.

2. CONSULTATION RECOMMENDATIONS

Fiona Reynolds, PRI Managing Director thanked all the signatories and stakeholders that have participated in the PRI consultations over the past 18 months: more than 500 written submissions

to the *Recognising Diversity, Strengthening Accountability*³ consultation; nearly than 200 written responses to the *Sustainable Financial System, 7th Principle, Sustainable Development Goals and PRI impact*⁴ consultation; more than 2000 individuals attending the workshops.

As part of the PRI's 10-year Responsible Investment Blueprint the organisation will respond to recommendations from the independent evaluation of the PRI's impact after ten years⁵:

- create more clarity and consensus about the purpose and mission;
- enhance focus and add value;
- improve the accountability process; and
- support real-world change.

The Managing Director gave an overview of the decisions taken already following the consultations.

Strengthening signatory accountability

The PRI will develop an objective, criteria-based approach to delisting signatories that do not achieve a minimum standard of progress each year, as measured by the Reporting and Assessment process. Signatories at risk of delisting will be placed on a confidential watch list and provided further support and development by the PRI. If the signatory does not improve within two years, they will be publicly identified and delisted. There will be an appeals process. The criteria will not be designed as a hurdle to entry for beginners, or to deter those that are committed to responsible investment but slow to progress for valid reasons. It is designed to delist the worst offenders, who have signed the Principles primarily for marketing purposes or to secure mandates, but have no intention to progress.

The PRI will introduce measures to increase confidence in the data that signatories submit. Reporting submissions will need to be signed off by the CEO, CIO or Board of the signatory organisation, and it will become mandatory for signatories to disclose whether they have had their submissions audited. The PRI will introduce random audits of its own, to ensure that the information submitted is a true and accurate reflection of signatory practices.

The PRI will also explore whether it can develop additional criteria to delist organisations that contravene the spirit of the Principles. Signatories will be consulted on the details of these delisting proposals.

No changes to the Principles

There was strong support for the PRI's work on systemic risk, but not support for adding another Principle. Signatories did respond that it would be beneficial for the PRI could present the Mission and Principles together. The Mission states the belief that an *'economically efficient, sustainable financial system is a necessity for long-term value creation. Such a system will reward long-term responsible investment and benefit the environment and society as a whole.'*

³ For more information, see the [PRI website formal consultations page](#).

⁴ For more information, see the [PRI website formal consultations page](#).

⁵ [From principles to performance. An independent evaluation of the PRI's achievements and challenges at ten years](#)

Signatories also wanted more guidance on implementing the Principles. The PRI will update the possible actions and best practices for each Principle. The first in depth guide will be for Principle 2 on active ownership.

Showcasing leadership but no public tiering

Respondents to the consultation want the PRI to showcase responsible investment leadership so that signatories can learn, but not to tier signatories into gold, silver or bronze categories. The PRI will consider how to showcase best practices through a leadership board or awards. Reporting submissions will have to be independently audited to be showcased as leaders.

To support asset owner and investment manager dialogue and decision-making the PRI is developing a data query tool. The tool will allow asset owners to view the reports and assessments of their investment managers, to enable asset owners to utilise the data and drive responsible investment forward.

Assessment reports will not be made public, remaining private between asset owners and investment managers. This policy will be reviewed in two years. The PRI will also produce more guidance for signatories on how to interpret the assessment data.

Provisional membership

The PRI will introduce a new 'Provisional' member category designed for organisations at the early stages, particularly for organisations in emerging markets, who want to learn more about responsible investment but are not ready to commit to being a full PRI signatory. Services will focus on learning and development, including access to the PRI Academy. There will be a 2-year limit for Provisional members, after which organisations will have to decide to be a signatory or not. Provisional members will have to privately report to the PRI and the reporting will be designed to facilitate the shift, with PRI help, from Provisional member to PRI signatory.

Sustainable financial system

There was strong support for the PRI's sustainable financial system work. The consultation asked signatories to prioritise the most important financial risks for the PRI to work on, out of the thirty listed. Following the signatory response, five projects will be detailed in the Responsible Investment Blueprint.

Through the reporting framework and on a voluntary basis, the PRI will start to collect information on how signatories are working towards a sustainable financial system.

Sustainable development goals (SDGs)

The PRI will prioritise SDGs that are relevant to investors and aligned with the PRI work programme. An advisory committee will be established to develop the investment case for the SDGs and produce signatory guidance materials. The PRI will collaborate with its UN partners, the UN Global Compact and UNEP FI, on developing work programmes.

Signatories can report, on a voluntary basis, work aligned with the SDGs. A number of signatories anticipate that they will have to report on their SDGs impact and have already asked the PRI to add an SDG element to its reporting framework, to reduce reporting burden.

Reporting framework

The PRI reporting framework will be updated over time to capture impact and outcomes. Currently the framework measures processes, not the impact of signatory actions. The PRI will also develop closer partnerships with other global reporting frameworks, to create better reporting alignment.

Service provider reporting will be piloted in 2017 on a voluntary basis. In 2018 reporting will be mandatory for service provider signatories and an assessment methodology will be developed at a later date.

Priority ESG issues

Signatories have been consulted on priority ESG issues, which will be:

- *Environmental issues*: climate change, water risk, fracking, deforestation.
- *Social issues*: labour standards, human rights, inequality, gender diversity.
- *Governance*: tax, anti-corruption, proxy voting, board accountability, executive pay.

The PRI will be working on these issues across the organisation, rather than in siloes, considering the role of policy, engagement, research and implementation guidance as well as capturing signatories' efforts in the reporting framework.

Signatories reported that climate change was the most important issue that the PRI could assist them with.

Measures of success for the PRI

The independent review of the PRI's first ten years noted the lack of clear organisational targets. The measures for success for the next ten years will include:

- Targeted asset owner growth;
- Signatory growth in new and emerging markets (e.g. Asia and Middle East); and
- Depth and breadth of implementation by signatories across asset classes (measured by PRI reporting).

Within this period there will be three year strategic plans, including underlying KPIs, and annual work programmes.

Responsible Investment Blueprint

The signatory consultations that provide inputs to the Responsible Investment Blueprint closed in August. The PRI Board will review the draft Blueprint at its December 2016 meeting and approve the final publication at the March 2017 meeting, before circulation to signatories. Many of the details of the proposals outlined in the SGM (delistings and provisional members for example) will be for signatory consultation in 2017.

The Responsible Investment Blueprint will set out the general direction and focus for responsible investment and the PRI over the next ten years, including the proposed measures of success.

Signatory Q&A on the consultation recommendations

Signatories asked questions on:

- The PRI's plans to drive proxy voting and provide updated active ownership guidance.
- How the PRI can focus and yet provide a variety of services for the diverse signatory base.
- The Sustainable Financial System consultation and work programme.
- The role of the Principles for Investors in Inclusive Finance (PIIF) in the PRI's ten year plans.
- The proposed targets for the next ten years.
- The PRI's plans to promote an understanding of Responsible Investment and ESG integration in Asia.
- The proposed definition of minimum progress for delisting signatories, the rationale for C-suite or Board sign-off of the reporting submissions and the disclosure of signatory responses.

3. MANAGEMENT AND FINANCIAL REPORT

Fiona Reynolds, presented the management and financial report. The framework for the PRI's annual report is the PRI's fourteen objectives, from the 2015-18 strategic plan. The objectives fall into three broad categories: *from awareness to impact*, *extend our collective influence*; and *capabilities and governance*.

In developing the current strategy signatories requested a more segmented approach to supporting signatories, based on level of expertise and location. Signatories also wanted the PRI to work on issues that mattered to signatories both at the global and local level. This feedback was incorporated into the current work programme.

Highlights over the past year within the three broad categories of strategic objectives include:

From awareness to impact

- Significant signatory improvement in the depth of implementation of responsible investment across asset classes, as measured by the PRI Reporting Framework.
- Greater signatory collaboration and engagement, with more than a doubling of posts on the new collaboration platform.
- More than 500 students enrolled onto the PRI Academy.
- More than 200 development sessions held globally, 1-1 sessions with signatories to go through assessment reports and provide guidance on useful PRI resources.
- The launch of new collaborative projects on climate change, palm oil and integrating ESG factors into credit ratings.
- Meetings with more than 100 policymakers and regulators, to raise awareness about responsible investment and correct some of the commonly held misconceptions.
- The launch, at the conference, of a new online database of Responsible Investment related regulation and soft law initiatives covering the world's 50 largest economies, developed with the GRI and Harvard Kennedy School.⁶

Extend our collective influence

- The PRI welcomed over 200 new signatories.
- Work with our UN partners, UN Global Compact and UNEP FI, particularly on systemic issues relevant to investors. The Sustainable Stock Exchanges is one successful collaboration and this year the SSE welcomed 12 new stock exchanges.

⁶ [Global guide to responsible investment regulation](#).

- Pioneering work with the Credit Rating Agencies that now moves into its second phase. More than 100 investors and 7 rating agencies have signed the statement of support for a more transparent approach to the consideration of ESG factors in ratings methodology.

Capabilities and governance

- The PRI has continued to strengthen its foundations, the capabilities and governance.
- 12 new staff, with a variety of skills, have joined the PRI, including a new asset owner focused team that will be providing a range of tools and guidance over the next year.
- The majority of signatories that responded to the annual signatory survey are satisfied with the PRI's governance and understand the PRI's governance, including the role of the Board.

Report on progress

The PRI's reporting and assessment process remains a key driver of the PRI's accountability and legitimacy. A record 1072 signatories reported to the PRI. The reporting framework remains the most comprehensive data set of responsible investment information, an unprecedented insight into the global market and a valuable tool for the PRI to identify best practices and areas for further development to move responsible investment forward.

Asset owner focus

Supporting asset owners remains a central focus of the PRI, delivering projects that are relevant to asset owners and increasing their representation and participation in the PRI's work. The PRI welcomed 26 new asset owner signatories during the past year. The PRI has published new guidance to help asset owners have a more meaningful dialogue with investment managers, a new guide on how asset owners can drive responsible investment⁷, and a recent discussion paper on crafting an investment strategy for asset owners⁸. A number of new guides will be released over the next 12 months, with the input of the asset owner advisory committee.

Growing our regional presence to deliver

The PRI has strengthened its capacity to support signatories in local markets, with the expansion of the Global Networks and Outreach team, including the recruitment of new staff in New York and Hong Kong. Before the end of 2016 for the first time the PRI will have network staff in Canada, France and Australia. Network staff help to disseminate the PRI's work and coordinate signatories on local issues, regulations and policies.

PRI in Asia

The Fiduciary Duty in the 21st century report⁹ was launched at PRI in Person London and now the PRI is developing action plans from the report, across eight jurisdictions¹⁰. This year the PRI has extended the project to six Asian markets, China, Hong Kong, India, Malaysia, Singapore and South Korea. The report, to be launched at PRI in Person, will highlight the compelling reasons

⁷ [How asset owners can drive responsible investment – beliefs, strategies and mandates](#)

⁸ [Crafting an investment strategy – a process guidance for asset owners discussion paper](#)

⁹ [Fiduciary Duty in the 21st Century](#)

¹⁰ [Fiduciary Duty in the 21st Century – Scoping paper 2016-18](#)

why policy makers across the Asian region should promote and assist the incorporation of ESG factors into the investment process.¹¹

Environmental issues

The Montreal Carbon Pledge has now entered its second year and more than 100 portfolio carbon footprints have been published. An independent review of the pledge has found that the pledge has accelerated investor disclosure and action on climate change.¹²

The PRI has also been collaborating with the G20 on green finance. PRI and UNEP FI have released a joint paper on greening institutional investment to be simultaneously launched at PRI in Person and the G20 summit on international green finance in China.¹³ The G20's recent green finance synthesis report¹⁴ identified the PRI as an important global platform for capacity building that could be expanded to help the financial system mobilise private capital for green investments. The PRI welcomes the endorsement of the G20, showing that the value of the PRI's work is being recognised by governments and policy makers across the world.

The PRI has also been working with regulators and bodies, such as the Taskforce on Climate-Related Financial Disclosure, to improve disclosure and to enable investors to better integrate climate risks and opportunities into their investment strategies.

Environmental engagements co-ordinated by the PRI have covered: supply chain water risks, hydraulic fracking, palm oil, climate lobbying and carbon emissions disclosure.

Social issues

The PRI has been driving increased disclosure of material Social issues. Since the genesis of the PRI's collaboration platform there have been 249 engagements with a Social element. Over the past year the PRI has coordinated three in depth social themed engagements: labour standards in the agricultural supply chain, human rights in the extractives sector and employee relations. Recently the PRI has started to produce podcasts on ESG issues. The PRI has started new work with the Harvard Kennedy School on economic inequality. Lastly the PRI has produced new signatory guides on engaging on labour practices in agricultural supply chains¹⁵ and engaging retailers on employee relations.¹⁶

Governance issues

The PRI has been working with signatories on anti-corruption, director nominations, and tax responsibility. There are new guides on engaging on anti-bribery and corruption¹⁷ and engagement guidance on corporate tax responsibility.¹⁸

¹¹ [Investor Obligations and Duties in Six Asian Markets](#)

¹² [Montreal Carbon Pledge – accelerating investor climate disclosure](#)

¹³ [Greening Institutional Investment](#)

¹⁴ [G20 Green Finance Synthesis Report](#)

¹⁵ [From Poor Working Conditions to Forced Labour: What's hidden in your portfolio?](#)

¹⁶ [Investor Guide to Engaging Retailers on Employee Relations](#)

¹⁷ [Engaging on anti-bribery and corruption](#)

¹⁸ [Engagement guidance on corporate tax responsibility](#)

That was a snapshot of some of the work of the PRI and signatories over the past year. For the organisation the results of the signatory survey were pleasing. Across all of the satisfaction indicators there was an increase in signatory satisfaction for the work undertaken by the PRI.

Income and expenditure

The audited accounts are set out in detail in the annual report and the work programme published in April details the budget for the current year. In 2015/16 the PRI received income of £6.4m. Income from PRI in Person London was higher than expected, it was the largest ever PRI conference and contributed £350,000 in net annual income. The PRI received grants of £27,000 and the PRI Academy contributed £173,000.

In 2015/16 expenditure rose to £6.4m. The PRI staff are the main asset and largest line item at £4m. Staff costs have continued to grow as the PRI has expanded its global footprint. The PRI contracts external suppliers, where it doesn't have the expertise or capacity. This has risen to £769,000 mainly due to the work undertaken on the ten year plans. As part of the PRI's commitment to being a transparent organisation, published on the PRI website and annual report is a list of all individuals or organisations the PRI has contracted for any project where the cost is greater than £10,000.

Looking ahead

Priorities for the next year include:

- Responsible Investment Blueprint, to be published in March 2017.
- Fiduciary Duty Roadmaps, including report on the Asian markets.
- Commence the Sustainable Financial System projects.
- Sustainable Development Goals advisory committee and work plan.
- Increased focus on asset owners
- Deepen US and Asia strategy.

Lastly Fiona Reynolds thanked all of the signatories that contributed to the consultations and continue to contribute to advisory committees, working groups and sharing best practices, as well as the PRI Board and staff.

Signatory Q&A on the consultation recommendations

Signatories asked questions on:

- The proposed definition of minimum progress for delisting signatories.

4. BOARD ELECTION CANDIDATES

In the 2016 election there are two open asset positions and one open service provider position. The election materials provide guidance to the candidates and the voting signatories on the skills and experience required for the PRI Board role and to complement the existing directors. Signatories will be asked to vote for the candidates from 26 September to 11 November.¹⁹

¹⁹ For more information on the candidates and the election process see the governance pages of the [PRI website](#).

Asset owner candidates:

- Eva Halvarsson, Chief Executive Officer, Second Swedish National Pension Fund (AP2) – [candidate information](#)
- Hiromichi Mizuno, Executive Managing Director and Chief Investment Officer, Government Pension Investment Fund (Japan) – [candidate information](#)

Service provider candidates:

- James Pearson, CEO and Founder, Pacific Risk Advisors Ltd (PRA) – [candidate information](#)
- Peter Webster, Director of International Affairs, VigeoEIRIS – [candidate information](#)

Signatories approve the minutes via an online vote alongside the Board election vote.