

PRI BOARD MEETING REPORT

The PRI Board had a meeting on 2 & 3 March 2017, in London.

ATTENDANCE

The meeting 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>Sandra Carlisle (Newton)</p> <p>Angele Emslie (HESTA)</p> <p>Eva Halvarsson (AP2)</p> <p>Priya Mathur (CalPERS)</p> <p>Hiro Mizuno (GIPF)</p> <p>Gavin Power (UNGC)</p> <p>Martin Skancke (Chair)</p> <p>Xander den Uyl (ABP)</p> <p>Peter Webster (Vigeo Eiris)</p> <p>Apologies:</p> <p>Renosi Mokate (GEPF)</p> <p>Eric Usher (UNEP FI)</p>	<p>PRI Executive in attendance:</p> <p>Mark Blair</p> <p>Kris Douma</p> <p>Nathan Fabian</p> <p>Peter de Graaf</p> <p>Graeme Griffiths</p> <p>Lian Hillier</p> <p>Mandy Kirby</p> <p>Fiona Reynolds</p> <p>Lorenzo Saa</p> <p>Christopher Sperling</p>
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WELCOME FROM THE CHAIR

The Chair welcomed the new directors, Eva Halvarsson (Chief Executive Officer, Second Swedish National Pension Fund (AP2)) and Hiro Mizuno (Executive Managing Director and Chief Investment Officer, Government Pension Investment Fund, Japan).

CORRESPONDENCE

The Board noted that there had not been any formal correspondence since the December 2016 meeting.

The Chair briefed the Board on the 1 March meeting for UK investment manager signatories facilitated by the Investment Association. The PRI gave a presentation on: the FSB task force outcomes; the general themes of Responsible Investment Blueprint (Blueprint); and the Sustainable Financial System programme. The meeting was constructive and most questions asked were about the proposed signatory accountability measures.

Fiona Reynolds, Managing Director, reported on a recent trip to Continental Europe. Post Brexit there are increased expectations of more substantial support for signatories in continental Europe. The role of the PRI is shifting from raising awareness across markets to increasingly supporting signatory action in local markets. The Board will discuss the PRI's tailored market support as part of the 2018-21 strategy discussions.

MANAGEMENT REPORT

Fiona Reynolds, Managing Director, presented the management report. The Board noted the strong asset owner signatory growth, the location options for PRI in Person 2019 and the positive recruitments to the Investment Practices team.

The main items for discussion:

- **US market.** There has been very positive momentum in the US market. The current political climate is more uncertain. The US network will continue to support US signatories, with a particular focus on stewardship and governance.
- **Stewardship codes.** The proliferation of stewardship codes has encouraged a greater awareness of the role of institutional investors in the governance of companies. The Board will discuss at its July 2017 meeting the PRI's role in increasing the awareness and implementation of the codes.
- **Principles for Investors in Inclusive Finance (PIIF).** The PIIF were launched in 2011 and are housed at the PRI. The Board will discuss at its September 2017 meeting how to more effectively support the PIIF and its investor commitments.

COMMITTEE REPORTS

Finance, Audit and Risk committee

Peter Webster, Finance, Audit and Risk committee chair, provided an update on the work of the committee. At the February 2017 meeting the committee discussed how to support the Board in the budget process and reviewed the risk register. The committee provided feedback on the PRI Academy strategy, oversight of the budget for multi-year programmes such as the website and tracking the planned consultancy spend.

HR and remuneration committee

Xander den Uyl, HR and remuneration committee member, provided an update on the work of the committee. The committee reviewed the draft HR strategy, draft Human Rights Policy and Managing Director assessment. The committee also received the regular reports on employee turnover, UK employment law updates and employment risk.

PRI staff pension provisions will be discussed at the at next meeting and the committee will make a subsequent recommendation to the Board at the July 2017 meeting.

Signatory and stakeholder engagement committee

Priya Mathur, Signatory and stakeholder engagement committee chair, provided an update on the work of the committee. The committee reviewed its terms of reference, proposed annual work plan, the associate membership Board proposal and recent signatory categorisation cases. The committee also received the regular reports on organisational KPIs and development sessions.

Skills, Diversity and Elections committee

Angela Emslie, Skills, Diversity and Elections committee chair, provided an update on the work of the committee. As set out in the PRI Articles the Directors must instruct an independent expert to conduct, and report in writing on, an independent review of the functioning of the Board no sooner than two years nor more than four years after the date of adoption of the Articles. The committee proposed an external Board review in 2017, based on the 2016 self-assessment survey and

conducted by an external consultant. The review will be appropriate to the PRI Board and will be conducted in October with an initial report back to the Board in December 2017. This will be an opportunity for departing directors to provide their feedback. At the February 2018 Board meeting, there will be a more forward looking discussion based on the Board review, facilitated by the external consultant.

The Board agreed to delegate the decision to approve the external consultant to the Skills, Diversity and Elections committee.

TERMS OF REFERENCE

The Signatory and Stakeholder Engagement committee terms of reference have been revised to focus on oversight of the signatory lifecycle, including signatory accountability measures.

At the December 2016 meeting the Board agreed to establish a committee to guide the preparation of financial system and policy related content for the PRI Board. The committee will provide strategic guidance on the activities to realise the sustainable financial system aspect of PRI's mission, including for example, the Sustainable Financial System and SDGs programmes. The committee will review planned Board papers and related materials, encompassing programme plans, and financial and resourcing plans.

The Board approved the terms of reference.

- [Signatory and Stakeholder Engagement committee](#)
- [Policy committee](#)

Policy committee members: Xander den Uyl (chair), Sandra Carlisle, Priya Mathur, Gavin Power, Eric Usher and Peter Webster. Nathan Fabian, Director of Policy and Research, is the committee secretary.

SIGNATORY CATEGORISATION

Priya Mathur, chair of the Signatory and Stakeholder Engagement committee, led the discussion. The Board agreed to classify Utilities Trust of Australia as an investment manager signatory and Grupo Financiero Banorte as an asset owner signatory. The [Signatory Categorisation Guidelines](#) will be updated to reflect the precedents set.

There continue to be challenges around signatory categorisation. The committee has maintained the principles based approach, but the industry is shifting rapidly and there are an increasing number of hybrid models and different governance structures that are not easily categorised. The Board asked the committee to come back with a longer-term plan for review.

SUSTAINABLE FINANCIAL SYSTEM (SFS) PROGRAMME UPDATE

Nathan Fabian, Director of Policy and Research, joined the meeting to present the proposed SFS programme initial projects. The programme provides a framework to help investors align the financial system with resilient, sustainable economies. The programme aims to enable the PRI to fulfil its mission to '...support the development of a sustainable financial system – one that supports long-term value creation and benefits the environment and society as a whole.' The SFS programme has so far identified 19 projects to address key risks and challenges in the financial

system. These are in addition to existing PRI system-level work on fiduciary duty; sustainable stock exchanges and credit rating agencies. The projects will be delivered over the life of the Blueprint in three phases:

1. Addresses key system blockages and establish an enabling environment;
2. Industry structure and remaining enabling projects;
3. Behaviours, practices and incentives to support a sustainable system.

In 2017/18 the PRI will start with four priority projects:

- Trustee readiness for a sustainable system
- Asset consulting services review
- Promote sustainable system linkages and the role of actors
- Macroeconomic risks - investor response to threats and instability

The Board approved the SFS programme initial projects, subject to the feedback provided.

RESPONSIBLE INVESTMENT BLUEPRINT

Fiona Reynolds, Managing Director, gave a presentation on the Blueprint. The presentation gave an outline of:

- Why the Blueprint was developed;
- How the Executive, with extensive signatory consultation, developed the Blueprint;
- The foundations for the Blueprint, the PRI's comparative advantages and value;
- What the PRI is trying to achieve; and
- Areas of action over the next ten years.

The Board conducted work shop exercises on the 10-year vision statement and the measures of success, as well as providing further feedback to structure the areas of action, frame and launch the Blueprint.

PRI ACTIONS TO SUPPORT THE FSB TASK FORCE RECOMMENDATIONS

Sagarika Chatterjee, Associate Director of Policy and Research, joined the meeting to present the proposal.

Since the December 2016 Board meeting the Executive has re-considered how to support the task force conclusions. The PRI plans four complimentary projects:

1. PRI led collaborative investor engagement programme convening signatories to encourage companies to implement the Task Force recommendations.
2. Partner with signatories to engage with policy makers to implement and promote the task force's recommendations through mandatory and voluntary measures.
3. Provide guidance to signatories on utilising company disclosures to assess and manage climate-related risks and opportunities, including the use of forward-looking disclosures (scenario analysis) and asset class-specific factors.
4. Alignment of the climate change indicators in the PRI reporting framework with the task force recommendations, enabling asset owners and investment managers to use the reporting framework to voluntarily disclose the assessment and management of climate-related risks and opportunities.

The Board considered further actions to support the task force, including: driving the convergence of existing climate change frameworks; developing exemplar reports for investors and companies; and integrating the recommendations into the Sustainable Stock Exchanges model guidance.

The Board approved the PRI actions to support the FSB task force recommendations.

2017/18 BUDGET

The 2017/18 budget represents the third and final year of the PRI's 2015-18 three-year strategy. It is also a bridge to the next, which will be focussed on the delivery of the Blueprint. More specifically, the next financial year provides for: growth in policy and research work; the addition of a climate change work stream; further development of the PRI's digital capabilities and on-line platforms including a new collaborative engagement platform; strengthening the PRI's capacity and expertise in key markets, including the US and Asia; and a continuing investment in signatory education. The PRI has recently hired a new head of partnerships. The aim is to institutionalise fundraising and develop this area of potential revenue beyond event sponsorship.

As an overarching framework, the Board agreed that fees are increased by 3% on 1 April 2017 and the Executive seek to achieve a budget surplus of around £50,000 for the 2017/18 financial year.

The Finance, Audit and Risk committee have discussed the proposed consultancy budget. The Executive will track the consultancy pipeline and spend and report back to the committee and Board.

The Board approved the 2017/18 budget.

HUMAN RESOURCES STRATEGY

Lian Hillier, Director of People and Culture, joined the meeting to present the human resources strategy. The high-level strategy paper set out current advantages, challenges and future aims for organisational performance, design, resourcing, development, reward strategy and culture. The director noted the highly engaged and enthusiastic staff, led by a committed director group, and that motivated employees require strong management and leadership. The high-level strategy will be broken down into three-year implementation plans, considering capability, skills and structure. Management capabilities and de-layering the organisation are current focus areas.

The Board discussed the development of the organisational structure; management capacity and further plans for training, support and guidance; capacity to support signatories in local markets; the organisational pay structure; and the alignment of staff values with signatory value and receptiveness to ideas from global staff and signatories.

The Human Rights policy and implementation plan have been driven by the staff. The Board complimented the Executive on the proposed policy.

The Board approved the human resources strategy and the [Human Rights Policy](#).

ASSOCIATE MEMBERSHIP

Lorenzo Saa, Director of Global Networks and Outreach, joined the meeting to present the associate membership proposal. Following the *Strengthening Accountability, Recognising Diversity*¹ signatory consultation the PRI Board agreed to introduce a new associate membership category for asset owner organisations. The associate membership category is intended for asset owner organisations that want to start on their responsible investment journey but need time to address internal challenges and build processes before they can commit to the Principles and the reporting requirements. Membership services will have an emphasis on learning, development and education, and will include access to the introductory module of the PRI Academy. The expectation is that all associate members will automatically progress to PRI signatories at the end of the two-year associate membership.

The Board considered the PRI services for associate members, their participation on the collaboration platform and the use of the PRI logo.

The Executive's expectation is that there will be under ten new associate members per year. The Executive will report on new associate members as part of the regular reporting to the Signatory and Stakeholder Engagement committee and Board, including conversion rate to signatories and perceived impact on asset owner signatory recruitment.

The Board agreed to the associate member proposal.

PRI FRANCOPHONE NETWORK

Lorenzo Saa, Director of Global Networks and Outreach, presented the analysis and proposal. The PRI has operated primarily in English since its inception. However, it has also provided some translation or support services in local languages. The PRI is a global organisation and there are growing expectations to provide more tools and services in local languages. In addition, in some markets, language barriers are limiting the adoption of responsible investment in the investor base due to lack of capacity to interact in English.

Analysis of the language needs of our signatories has identified priorities based on size of the existing or potential signatory base, the extent of English understanding across markets and the level of signatory satisfaction in each market. Following the analysis, the PRI plans to prioritise translation of tools and guidance into French, Portuguese, Spanish, Japanese and Mandarin Chinese. The Board agreed that a translation hub would ensure quality control, a consistent interpretation of responsible investment terminology between publications. Increased translations could also help with emerging market recruitment. The Executive will explore further how to ensure consistent and high quality translations of PRI materials.

In addition, to more effectively serve the francophone network across Europe, Quebec and francophone Africa the PRI has recently hired Marie Luchet, Head of France and Southern Europe, and Nalini Feuilloley, Senior Canada Network Manager. Marie Luchet will lead the multi-country francophone services.

¹ See the consultation page on the PRI website: <https://www.unpri.org/about/pri-governance/consultation>

PRI CHAIR PRIORITIES AND CONTRACT

The Board discussed the Chair assessment results. The Board agreed the Chair's priorities for 2017/18:

- Oversight of the development of the 2018-21 PRI strategy, aligned with the Blueprint objectives;
- Asset owner recruitment; and
- Signatory and stakeholder engagement in the US, Emerging markets and Asia.

The Board approved the 2017/18 Chair contract, recommended by the Human Resources and Remuneration committee.

FUTURE MEETINGS

The next Board meeting will take place on 6 & 7 July 2017 in Oslo. In addition to regular agenda items, planned discussion points include:

- 2018-21 strategy and long-term funding
- Signatory categorisation
- Signatory accountability
- PRI Academy
- Fiduciary duty in the 21st century
- Stewardship codes and the PRI's role
- Sustainable Stock Exchanges
- Investment consultants

Signatories wishing to provide input on these agenda items or raise additional issues for Board consideration should email christopher.sperling@unpri.org by 2 June 2017.