

## PRINCIPLES FOR RESPONSIBLE INVESTMENT 2019 SIGNATORY GENERAL MEETING MINUTES

**10 SEPTEMBER 2019, 09:00-10:30**

**Palais de Congrès de Paris**

The PRI sought input from signatories on the Signatory General Meeting (SGM) draft agenda and invited signatories to contribute agenda items and resolutions to be put to a vote. No agenda items or resolutions were received. All signatories were sent the SGM papers<sup>1</sup> and the PRI's 2019 Annual Report<sup>2</sup> in advance of the meeting.

In attendance:

- Fiona Reynolds, PRI CEO
- Martin Skancke, PRI Board Chair (meeting Chair)
- PRI Board members: Wendy Cromwell, Angela Emslie, Eva Halvarsson, Sharon Hendricks, Hiro Mizuno, Renosi Mokate, Tycho Sneyers, Laetitia Tankwe, Eric Usher, Xander den Uyl and Peter Webster.
- 500+ in-person signatory representatives

Materials:

- [SGM presentation](#)

### MESSAGE FROM THE CHAIR

The PRI Chair, Martin Skancke, welcomed everyone to the SGM, those attending in person and via live streaming. The Chair briefed the audience on the SGM agenda and introduced the assembled PRI Board members to the audience.

The Chair stressed that the PRI's activities are guided by the PRI's Blueprint for Responsible Investment<sup>3</sup>. The Blueprint is a 10-year strategy for the PRI, with nine priority areas. The PRI Board is constantly monitoring the PRI's ambition and progress against the nine areas. We feel that we are making good progress and it is a pleasure to report back to signatories. Over the past year the board has spent considerable time on two of the priority areas: *Enable real-world impact aligned with the SDGs*; and *Drive meaningful data throughout markets*.

The PRI has been very encouraged by the investor response to the Sustainable Development Goals (SDGs). It is also clear that the PRI must do more to support signatories on the SDGs. The PRI has published a number of guidance documents and case studies. Feedback from

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<sup>1</sup> [https://www.unpri.org/Uploads/n/l/s/pri\\_sgm\\_boardreport\\_2019\\_96277.pdf](https://www.unpri.org/Uploads/n/l/s/pri_sgm_boardreport_2019_96277.pdf)

<sup>2</sup> <https://www.unpri.org/pri/about-the-pri/annual-report>

<sup>3</sup> <https://www.unpri.org/pri/a-blueprint-for-responsible-investment>

signatories has been encouraging, but there is more work to follow and there will be more information in the management report.

With regards to driving meaningful data throughout markets. The PRI has been actively involved in the Taskforce on Climate-related Financial Disclosures (TCFD), an important area of work. But, investors need good sustainability reporting beyond just climate. Investors are demanding more convergence of existing reporting frameworks and the PRI is exploring how to take that work forward. A related issue is the future of the PRI's Reporting Framework. The PRI has listened to feedback from signatories. To summarise, there has developed an imbalance. Signatories feel that they put more into reporting than they receive back. The board is committed to a major overhaul of the framework, based on signatory feedback. The PRI will consult further on the details of the reform.

It is encouraging that the PRI is increasing its global footprint. The PRI is growing not only in traditional core areas for the PRI, but growing in areas where our footprint was previously very small. The PRI has had significant signatory growth, from a small base, in China, Latin America and Southern Europe. Therefore, the signatory base is growing even more diverse and this is a welcome challenge for the PRI. The PRI needs to make sure that there is a diversity of services to serve an increasingly diverse signatory base. Obviously that means that not all activities will be relevant for every signatory, but the sum of what we do has to be relevant to the signatory base.

At the 2018 SGM the PRI promised to do more to bring the organisation closer to signatories. The PRI is improving our digital and communication capabilities, employing more people on the ground to service local groups of signatories, and devoting more resources to translating PRI materials. The PRI hopes that by increasing our local presence we will be able to engage more with our ever growing signatory base.

In 2020 the board will start to develop the 2021-24 PRI strategy. The strategy will be built on signatory input. The PRI would like to use this opportunity to remind you to complete the current signatory survey. This is an opportunity for signatories to give their input on the value and future activities of the PRI and the survey results will inform the board's discussions on the strategy.

The chair thanked the PRI staff and signatories for the work undertaken over the past year. Being a signatory is a commitment, not just paying the annual fee. Signatories spend considerable time in working groups, advisory committees and other engagements with the PRI. An important role for the PRI is collecting best practices from across the globe and sharing them with the signatory base. The work done by signatories is very valuable and at the heart of the PRI mission.

## **MANAGEMENT AND FINANCIAL REPORT**

Fiona Reynolds presented the management and financial report for the 2018-19 financial year.

Fiona Reynolds also welcomed signatories to the SGM and PRI in Person. With over 1600 delegates this is the largest ever PRI in Person and significantly the largest ever responsible investment conference globally.

The PRI has established an office in France, headed up by Marie Luchet, Director of Continental Europe. There are more than 200 signatories in France, including 24 asset owners, many of whom are attending the conference. Over the next three days the PRI is looking forward to sharing with signatories some of the key pieces of work that the PRI is undertaking, often with signatories. The PRI is also looking forward to hearing from signatories about the work they are undertaking to drive responsible investment. Thank you to signatories for contributing to the PRI in a variety of ways, from joining working groups and advisory committees, to taking part in investor engagements, providing input into guidance documents and generally collaborating on what is a rapidly growing movement. Thank you to the PRI Board. the board is elected and voluntary, and board members put in a lot of time and effort to the PRI.

Today, the presentation will highlight some of the work that has been undertaken over the past twelve months. More details are in the annual report and will feature at the conference. The PRI has grown significantly over the past year. The signatory base grew at a net rate of over 22%, including 433 new signatories, the largest ever increase in a year. Growth has been healthy in both developed and emerging markets, such as China where we have recently welcomed our first asset owner signatory.

PRI signatories represent a significant portion of all the institutional money being managed globally. As the PRI's scale and presence has increased, so too has our impact as investors. One focus this year has been engaging with signatories in emerging markets where the PRI has been representing investor views at the highest level. Stock Exchanges are a key partner for the PRI. Earlier this year Fiona Reynolds had the opportunity to ring the bell for responsible investment at the Santiago Stock Exchange alongside the Chilean Finance Minister. It is a relatively new market to responsible investment and having the finance minister present sent a clear message about the importance of responsible investment. Ministers at a high level, including Bruno Le Maire, the French Minister for the Economy and Finance, who will be speaking at the conference are recognising that the future for finance is sustainable finance.

As the signatory base has grown, so too has the PRI, to ensure that the organisation can support you in local markets. The PRI welcomed forty new staff over the past year, taking the organisation to 128 staff globally. Fiona Reynolds was proud to say that 59% of the staff are female. Fiona Reynolds thanked the PRI staff for their effort, passion, enthusiasm and professionalism.

As the signatory base and staff have grown, so too have the finances. The financial statements are in the annual report. The headline figures are that: total income grew to £13.2m, up from £10.4m in 2017/18; total expenditure grew to £12.5m, up from £10.2m in 2017/18; and there was a surplus of just over £550k. The PRI is in a good financial position and it is the current policy to operate with a minimum reserve of three months full operating expenses. Given the good position, and subject to 'Brexit' (given that the PRI's headquarters are in the UK) and other unknown factors, the plan is to not increase signatory fees in 2020.

The PRI's corporate structure has also evolved over the years to enable our global growth, comprising of seven entities with PRI Association in the UK as the ultimate holding company. PRI Enterprises is the home of the PRI Academy. The Academy doubled its income in the past year, generating a surplus for the first time, following a comprehensive update of the courses and platform. During the year there were nearly 1,800 enrolments.

The headline figures are growth in signatories, growth in staff, growth in revenue and growth in the importance of responsible investment. With regards to progress against the Blueprint for Responsible Investment, the aim over the next ten years is to create responsible investors, working in sustainable markets that contribute to a more prosperous world for all.

The PRI has eight current 'flagship' projects:

- European Technical Expert Group on Sustainable Finance – Taxonomy;
- Inevitable Policy Response: Act Now;
- Financial Sector Commission on Modern Slavery and Human Trafficking;
- Manager Selection, Appointment and Monitoring;
- Normative position on Human Rights;
- ESG in Credit Risk and Ratings;
- Climate Action 100+; and
- Sustainable Development Goals

A lot of these projects will feature at the conference. Fiona Reynolds is chairing the Financial Sector Commission on Modern Slavery and Human Trafficking, focusing on the finance sector's role in combatting what is a growing global human tragedy.

Over the year the PRI has worked with signatories to identify key ESG issues, and developed tools and publications for asset owners and investment managers. The PRI guidance for ESG integration was created jointly with the CFA Institute<sup>4</sup> and together the two organisations hosted workshops across 17 markets. The programme resulted in a suite of ESG integration guides for listed equity and fixed income, with more than thirty case studies. One of the PRI's most significant projects has been the ESG in Credit Ratings initiative<sup>5</sup> and this year the PRI completed the third in a series of reports. In addition, the PRI's range of ESG issues guides continued to expand, including insights into human rights in the extractive industries, the just transition, and cyber-security.

The PRI coordinates and participates in many engagements. One engagement to highlight is Climate Action 100+<sup>6</sup> (CA100+), the largest ever investor engagement, which the PRI convenes with a number of other organisations (AIGCC, Ceres, IGCC, and IIGCC). 360 investors, with US\$34 trillion AUM, have signed up to the engagement. As well as the scale of the engagement, there has been unprecedented engagement momentum, including in regions such as Asia where investor-company engagement is still rarely new. CA100+ has also seen some significant wins, with ambitious company commitments. For example, Shell has committed to its first three year reduction target. The Investor Agenda<sup>7</sup> is also another industry wide collaboration that will feature on the conference agenda. The PRI encourages all signatories to consider joining, if you haven't already, CA100+ and the Investor Agenda.

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<sup>4</sup> <https://www.unpri.org/investor-tools/guidance-and-case-studies-for-esg-integration-equities-and-fixed-income/3622.article>

<sup>5</sup> <https://www.unpri.org/credit-ratings>

<sup>6</sup> <http://www.climateaction100.org/>

<sup>7</sup> <https://theinvestoragenda.org/>

The PRI continues to facilitate engagements on a number of issues, from water risk to cobalt, and continue to seek more signatory participation in these critical topics. One engagement of note is the engagement on deforestation, linked to soy and cattle production, in collaboration with Ceres. Given the ongoing fires in the Amazon, maintaining investor pressure on companies with exposure to these commodities is a really critical part of the investor response to ecosystem destruction.

Active ownership and stewardship play a critical role for responsible investors. The PRI welcomes your feedback, to take the strategy in this area to a new level. The PRI wants to re-focus effort on outcomes. To enable more active ownership, particularly as the signatory base grows in size and reach around the world, the PRI is pleased to announce the launch of the PRI's new and improved Collaboration Platform<sup>8</sup>.

Climate remains a focus area for signatories, where signatories are seeking more guidance from the PRI. In September 2018 the PRI launched the Inevitable Policy Response (IPR) initiative<sup>9</sup>. The belief is that a forceful policy response to climate change is not priced into today's markets, yet it is inevitable that governments will be forced to act more decisively than they have done to date, leaving investor portfolios at significant risk. The longer the delay the more disorderly, disruptive and abrupt the PRI believes this policy intervention will be. At the conference the PRI is releasing the next phase of the IPR research. The programme of work forecasts eight policy areas for intervention and the PRI is developing further tools and scenario analysis. The PRI believes that this is arguably one of the most important pieces of work that the organisation has undertaken and encourages signatories to engage with the work.

TCFD-based reporting was introduced to the PRI's Reporting Framework in 2018. Almost 600 signatories report against these indicators. The PRI views the TCFD as the best available framework for the systematically assessing and managing climate change issues. Reporting on the TCFD-based governance and strategy indicators will become mandatory for all signatories from 2020. The PRI has just released a new climate snapshot report<sup>10</sup>, based on 2019 reporting. The evidence shows that there is momentum behind TCFD within the global investor community. The PRI is encouraging signatories that have yet to report against these indicators to read the snapshot, and access more than 200 other climate reports from signatories to benefit from peer-to-peer learning, before the 2020 reporting cycle.

The number of signatories talking about the SDGs in the Reporting Framework responses has increased each year, now up to 29%. When the PRI developed the Blueprint, signatories told us that achieving the SDGs was integral to achieving prosperity for all. The PRI's programme of work on the SDGs<sup>11</sup> includes an SDG flagship paper, a series of case studies, including the SDGs in infrastructure, and also a legal framework for impact.

More signatories are engaging with policy makers globally than ever before, including 61% of asset owners, and 44% of investment managers. The PRI's current policy priorities are in the US,

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<sup>8</sup> <https://collaborate.unpri.org/>

<sup>9</sup> <https://www.unpri.org/inevitable-policy-response/what-is-the-inevitable-policy-response/4787.article>

<sup>10</sup> <https://www.unpri.org/climate-change/pri-climate-snapshot-2019/4788.article>

<sup>11</sup> <https://www.unpri.org/sdgs>

EU and China. In Europe the responsible investment story is positive, with political agreement on the first dedicated sustainable finance regulations originating in the EU Action Plan. The PRI's Nathan Fabian has been acting as a rapporteur for the EU Taxonomy working group. In China the PRI has welcomed AMAC's green investment guidelines and the PRI has had the opportunity to significantly support ESG disclosure regulation. The PRI's top priority in the US is protecting shareholder rights and the PRI has taken multiple steps to communicate to policy makers the importance of maintaining regulations that ensure that investor voices are heard in the proxy process.

The Reporting Framework is a cornerstone of the PRI's work and the organisation is committed to a comprehensive review of the framework. The aim of the review is to ensure that the reporting is fit for purpose, that it is keeping up with current practices. The PRI has undertaken a major consultation to understand signatory views on reporting and assessment, including any possible trade-offs in the reform. The PRI was pleased to find, during the consultation process, that there was a high level of signatory support for reporting. Signatories told us that it was helpful for developing internal processes and policies, for benchmarking against peers, and an accountability tool that meets Principle 6. However, signatories complained that the current framework is too long and complex, and the tools and the outputs are not user-friendly. The PRI aims to design a shorter, more streamlined and user-friendly framework. While it will be shorter, the aim will also be to make the attainment of the highest scores more difficult, helping with accountability and to showcase real leadership. The reform is still in development and the PRI plans to consult with signatories further.

In 2018 the PRI introduced minimum requirements for signatories, with a view to raising standards. 152 signatories, that had to undertake the annual reporting, did not meet the minimum requirements in 2018. The PRI has engaged with 80% of these signatories, of which 83 signatories have met the requirements in 2019. This year there are 145 signatories on the engagement list. Any signatory that has still not met the minimum requirements after the third reporting cycle will be delisted. Signatories that are not meeting the minimum requirements should engage with the PRI. In 2020 the PRI will review the minimum requirements, to determine if the bar needs to be raised further.

As the PRI seeks to raise accountability the organisation is also committed to showcasing signatory leadership. After the SGM the first annual responsible investment awards will be presented. The short list includes both asset owners and investment managers. The PRI is also launching the first leaders' group, which aims to recognise leaders that are already implementing best practice. Each year the PRI will recognise a leaders' group, focusing on a topic from the Blueprint. The topics will change every year. This year the focus is on asset owners, and the selection, appointment and monitoring of external managers in listed and or private equity. The leadership group comprises the top 10% of signatories in this category. The PRI has also produced a report on the leaders' group<sup>12</sup>, including the methodology and leaders' best practices. I am delighted to reveal the 2019 leaders' group. Anyone in the room who works for a signatory in the leaders' group please stand up. Congratulations to those in the leaders' group and thank you for the spirit of sharing best practices.

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<sup>12</sup> <https://www.unpri.org/signatories/showcasing-leadership/leaders-group-2019>



Growth, lots of productivity and fantastic leadership, a good story. However, to take a step back it is clear that we will need many more leaders. Despite strong growth in responsible investment practices, policy engagement and active ownership, there is a need to consider the story in the real world. On the social side of the ledger, in the real world, today over 40 million people are in modern slavery, 1 in 185 people, of which 71% are woman and girls. The top 10% of households own 85% of global wealth. The global gender pay gap at the current rate will take 202 years to close. There is currently no sector that pays women more than they pay men.

Moving on to global governance. Corruption is costing the global economy US\$3.6 trillion every year. Tax base erosion and profit shifting cost countries up to US\$240 billion in lost revenue annually. The pay disparity between workers and senior management is notable, particularly in countries like the US where last year CEOs made 287 times more money than their average workers. There is also political uncertainty, from Brexit, to trade wars between the US and China, to ongoing protests in Hong Kong.

On the environment, in 2018 there was a 2.7% increase in global emissions. Humanity is nowhere near to limiting global warming to 1.5°C. 129 million hectares of forest were lost between 1990 and 2015. 2.2 billion people in the world lack safe drinking water. There has also just been the loss of life and destruction from Hurricane Dorian.

Finally, Fiona Reynolds highlighted two environmental and social catastrophes this year, the Amazon fires disaster and the tailings dam collapse in Brazil. Thousands of fires are currently ravaging the Amazon. Next week the PRI will formally launch an investor statement on the fires<sup>13</sup>, focusing on deforestation, which the PRI will encourage signatories to support. The aim is to make sure that investors are heard on this issue. The PRI has also recently released a report on '*The Amazon: a critical climate tipping point*'<sup>14</sup>, which the PRI encourages signatories to read.

At the start of 2019 Brazil witnessed the worst humanitarian disaster in mining history, the collapse of the tailings dam in Brumadinho. Over 270 people died, and they are still searching for bodies. In the wake of the collapse a large PRI coordinated investor initiative began to engage with Vale and other investors began to engage more broadly with the sector on tailing storage facilities. The International Council on Mining and Metals (ICMM) committed to undertake an independent review to establish a standard for tailings storage facilities and approached the PRI and UNEP to lead the review. The PRI is represented by Adam Mathews from Church Commissioners and John Howchin from the Swedish Council of Ethics. Fiona Reynolds thanked them for their commitment to this issue. The PRI is also really honoured to have with us at this conference Amanda Andrade. Amanda is from Brumadinho and lost her sister in the disaster. Amanda has been very active raising awareness, to try to ensure that a similar disaster will never happen again. You can hear from Amanda at the conference.

In conclusion, although there are many positive stories to tell in responsible investment, both through collective and individual leadership, people cannot rest on their laurels. Everyone needs to accelerate action and re-double efforts. The theme of this year's conference is responsible investment in an age of urgent transition, and this reflects the fact that humanity is facing a

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<sup>13</sup> <https://www.unpri.org/amazon-fires>

<sup>14</sup> [https://www.unpri.org/Uploads/s/h/b/pri\\_theamazon\\_acriticalclimatetippingpoint\\_2019\\_659012.pdf](https://www.unpri.org/Uploads/s/h/b/pri_theamazon_acriticalclimatetippingpoint_2019_659012.pdf)

climate emergency and dramatic social change. The hope is that over the next few days delegates will focus not only on responsible investment activities, but that everyone also comes together as a coalition of the willing to focus on the proactive role that investors can play, a part of the change that everyone needs to see. Investors are not responsible for every issue in the world, they need to work with companies, with policy makers, and with civil society. But, without the investment community it will be difficult to solve all of these problems.

## SIGNATORY Q&A

Signatories asked questions on:

- How the PRI is considering coordinated responsible investment action both in the public and private markets.
- The process for delisting signatories that fail to meet the minimum requirements and common reasons why signatories are not meeting the requirements.
- How the 'responsible investment bubble' can connect with hearts as well as minds.
- The PRI's prioritisation of the movement of capital and decarbonising portfolios.
- The role of the PRI in facilitating the convergence or harmonisation of SDGs impact reporting.
- What can be done to enable organisations to learn from peers via the PRI Reporting Framework and its various outputs, such as the assessment and transparency reports.

Signatories voiced their support for:

- The PRI supported engagement on tailings storage facilities, and generally the model of collaborative engagement on systemic and structural issues.
- The Inevitable Policy Response programme of work.

## PRI BOARD ANNUAL ELECTION CANDIDATES

The 2019 PRI Board annual election is for **two asset owner** positions and **one service provider** position. Three candidates have nominated for the two asset owner positions and four candidates have nominated for the one service provider position. Signatories will be asked to vote for candidates from 30 September to 15 November<sup>15</sup>.

Asset owner candidates:

Name	Role	Organisation	Region	Signatory since	Seconding signatory
Eva Halvarsson	CEO	AP2	Europe	2006	Stichting pensioenfonds van de ABN AMRO Bank N.V.
Hirromichi Mizuno	Executive Managing Director and CIO	GPIF	Asia	2015	CBUS Superannuation Fund; CalSTRS
Rafael Soares Ribeiro de Castro	Executive Manager of Compliance and Internal Control	PREVI	Latin America	2006	Real Grandeza

<sup>15</sup> For more information on the elections see: <https://www.unpri.org/pri/pri-governance/board-elections>



Service provider candidates:

Name	Role	Organisation	Region	Signatory since	Seconding signatory
Giles Gunesequera	CEO	Global Impact Initiative	Australasia	2019	Sustainable Platform
Michael Jantzi	CEO	Sustainalytics	Europe	2008	Morningstar
Susheela Peres da Costa	Head of Advisory	Regnan	Australasia	2007	Responsible Investment Association of Australasia
Peter Webster	Director of International Affairs	Vigeo Eiris	Europe	2006	Sustainable Investments Institute (Si2); Imug Beratungsgesellschaft für sozial-oekologische Innovationen mbH; QUICK ESG; and SITAWI - Finance for Good

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