

PRINCIPLES FOR RESPONSIBLE INVESTMENT 2015 SIGNATORY GENERAL MEETING MINUTES

8 SEPTEMBER 2015, 13:45-15:30

ExCeL Centre, London, UK

In attendance:

- Fiona Reynolds, PRI Managing Director
- Martin Skancke, PRI Board Chair (meeting Chair)
- 242 in-person representatives from 192 signatory organisations

1. INTRODUCTION FROM THE CHAIR

The Chair called the meeting to order at 13:45 and welcomed signatories present and those following via the webcast.

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 28 July, along with a copy of the PRI's 2015 Annual Report².

The PRI promised at the 2014 SGM to deliver three critical projects: governance reform; a new strategic plan; and a new funding model to support the implementation of the strategic plan. These three critical projects have been delivered. The PRI is grateful for signatories' active participation in the processes and welcomed the overwhelming support for the changes.

This has been a year of record growth in the PRI signatory base, and the signatory survey shows very high satisfaction with our work overall. But growth is not a goal in its own right: growth is only good if it leads to more progress towards responsible investing. That is why the Board has established a broad set of performance metrics to measure the PRI's impact, which the PRI will report progress against annually.

The PRI will celebrate its 10-year anniversary in 2016. As well as considering the PRI's impact over the past 10 years this is a time to set our sights on new horizons. The PRI will look ahead and identify where more work must be done to fulfil the PRI's mission over the longer term.

At the core of the PRI's discussions about governance reform was the question of the accountability of the PRI towards its signatories. Now we must address the issue of accountability

¹ [Signatory General Meeting](#)

² [2015 PRI Annual Report](#)

of signatories towards the PRI. The PRI has become more diverse, signatories are at different stages and we do not expect them to be at the same level. The PRI will always welcome signatories who are new to responsible investment – feedback suggests that supporting signatories at an early stage is what the PRI is best at, but we must better differentiate between signatories who are at an early stage and those that are advanced: the PRI label should mean something.

The PRI will be asking searching questions that cut to the heart of its mission, such as: What does being a signatory mean? What obligations and responsibilities should membership convey? Later this year we will release a consultation document outlining options for increasing signatory accountability and promoting progress in the implementation of responsible investing practices.

The six Principles are an important starting point but they only cover part of the challenges facing investors today. The six Principles cover the relationship between companies and investors but responsible investment is now about more than this. The PRI is already working on systemic issues such as the alignment of the investment chain, externalities and the microstructure of markets. As part of the consultation the PRI will ask if there is an appetite among the signatory base to update the Principles, for example by adding a 7th Principle on systemic risk, reflecting the increased importance of this work for investors and for the PRI.

The Chair thanked signatories for their patience and participation over the last year, when signatory engagement has been more important than ever. The PRI will be asking for more of signatories' time and insights again over the coming year. One of the lessons the PRI has learned is that in order to ensure that our decisions are successful and have legitimacy, the PRI must first spend time making sure they reflect the needs and desires of the broader signatory base. Consultation with signatories is enshrined in the new Articles to ensure that the PRI does not operate in a vacuum and remains responsive to signatory needs. Any changes that require amendments to the PRI's Articles will have to be adopted by signatories through a vote.

The PRI will aim to consult extensively on signatory differentiation, categorisation and accountability, starting later this year. These can potentially be far-reaching changes for the PRI. But in the view of the Board, they are necessary changes. The PRI must create increased incentives to adopting responsible investment practices by identifying the leaders in the field. At the same time, the organisation must provide a good home for those who are at the start of their journey. The PRI is not a regatta set up to get a few leaders first over the finish line. It is a convoy, where we will bring the slower moving ships with us too. But those who have no intention of starting their journey at all should not be able to fly the PRI flag. This is the conversation we should be having as we enter our tenth year. I hope all signatories will participate.

2. EXECUTIVE, MANAGEMENT AND FINANCIAL REPORT

Fiona Reynolds summarised the 2015-18 PRI Strategic Plan³, before outlining the PRI's achievements over the past year. In developing the strategy, the PRI went through an extensive process, starting with a global signatory survey, followed by regional workshops, webinars, a written consultation and one-to-one meetings. Over more than 12 months, nearly 400 signatories

³ For more information see [The PRI 2015-2018 Strategic Plan and 2015/16 Work Programme](#)

participated and gave us valuable input about what the PRI should focus on. This information was used by the Executive and the Board to prioritise the PRI's work over the next three years and is helping to identify some of the longer term challenges we need to address.

The theme of our strategic plan is *Moving from awareness to impact*, and that sits at the heart of everything we do. It's also a key theme of this year's conference. The one constant throughout the consultation process was that signatories want to see the PRI have a lot more impact, with more organisations implementing responsible investment and at a deeper level. The PRI's objectives and initiatives are set out in the strategic plan.

The Managing Director highlighted several recent achievements and ongoing projects under three strategic themes.

From awareness to impact:

- Signatories have told the PRI that they want to better understand how to integrate climate risk and the PRI has been working hard to inform and collaborate with signatories around this issue. More than 72 signatories representing US\$5 trillion of assets have signed the Montreal Carbon Pledge. The pledge requires signatories to measure and disclose their carbon footprint and has been used by signatories as a starting point to understand their portfolios' exposure to carbon.
- The PRI, with a number of our partner organisations, has launched a climate change platform (www.investorsonclimatechange.org) that details actions being taken by over 400 investors with US\$25 trillion in AUM from 30 countries.
- The Clearinghouse has launched several new collaborative engagements on climate change, water risk and human rights, which nearly 100 signatories have signed up to, many of them joining a PRI collaborative engagement for the first time.
- The PRI has hosted more than 50 events and conferences around the world, including a series of divestment debates in the US and UK, and academic research-focused *Research, Innovation and Stewardship* conferences, to bring to signatories the latest academic thinking on responsible investment.
- The team has also met with more than 100 regulators, policy makers and CEOs to raise awareness of responsible investment and the PRI and to correct some commonly held misconceptions. In many cases these have been first time meetings.

Extend our collective influence:

- Awareness of the PRI and responsible investment continues to grow across the globe. The PRI has welcomed 220 new signatories over the last year, including our first signatories in Ghana, Iran, Puerto Rico and Serbia. The PRI also welcomed our first Islamic finance compliant fund from Saudi Arabia.
- Asset owners remain at the heart of what the PRI does, and the PRI is constantly looking for new ways to deliver relevant projects and increase asset owner representation and participation. In the last year, 20 new asset owners have signed to the PRI and there has been a 12% increase in existing asset owner signatories' participation in PRI work streams and events.
- At last year's conference, 78% of signatory respondents asked the PRI to address issues around the interpretation of fiduciary duty. With our UN partners, the PRI has published

*Fiduciary duty in the 21st century*⁴. The report aims to end the debate on whether fiduciary duty is a legitimate barrier to investors integrating ESG issues. The report considers eight jurisdictions – Canada, the UK, US, Brazil, Germany, South Africa, Japan and Australia – and makes recommendations for each, which the PRI will take forward.

- The PRI has also continued to work with our UN partners on the Sustainable Stock Exchanges initiative. Over the past year, a further eight national exchanges, including Korea, Bucharest, Nairobi, Columbia and Thailand have joined the initiative.
- The team has worked on raising the profile of responsible investment and ESG issues and showcasing some of the work of our signatories in the world's mainstream media. The PRI is increasingly regularly quoted in the global investment media such as the FT and newswires, as well as pensions publications. More journalists now understand about responsible investment and regularly approach the PRI to comment on ESG issues. This can only help to further the PRI's mission.

Capabilities and governance:

- An overwhelming majority of signatories that voted approved the PRI's governance reform following the 18-month independent review and extensive signatory consultation. This has paved the way for a simpler, more transparent and accountable governance structure that came into effect in April 2015.
- The PRI undertakes a number of different functions and requires staff with a range of skills. Responding to feedback from the signatory survey, we continue to hire more staff with investment experience at middle and senior management levels. In the Implementation Support team over the last year, the PRI has welcomed Don Gerritsen, responsible for the asset owner work programme, and Kurt Morriesen, responsible for Alternative assets. The PRI has also hired Nathan Fabian, Director of Policy and Research; Carol Jeppesen, US Network Manager; and Adrian Bertrand, Southern Africa Network Manager. Recruitment is underway for a new Director of Investment Practices to oversee the Reporting and Assessment and Implementation Support teams and a new UK Network Manager role.

The 2014/15 audited financial accounts are set out in detail in the annual report and SGM papers, together with the 2015/16 budget. The PRI Board met on 7 September to review the budget, signatory growth, departmental business plans, commitments under the second year of the strategic plan and requests from signatories for additional resources.

As part of the PRI's long-term funding model, we had initially proposed raising fees for some signatory categories by a further 18% next year. But given a better than expected financial performance to date and careful control of expenditure, the Executive proposed that fees for all signatories would only rise in line with inflation next year, and this has been approved by the Board. From 2016, asset owners with headquarters in emerging markets can receive a fee discount. Twelve organisations have applied for this discount this year, at a cost to the PRI of less than £20,000. Details of the organisations receiving discounts will be published in our Annual Report each year.

⁴ [Fiduciary Duty in the 21st century](#)

The PRI's measures of success for this three-year strategy are in the SGM papers. The strategic priorities for the next year will be:

- the signatory consultation on differentiation, categorisation and accountability;
- the PRI's 10-year anniversary plans, including the PRI impact report and the future of responsible investment blueprint;
- the initial stages of the PRI's Asia (ex-Japan) outreach and work programme;
- the launch of the new investor collaboration platform and PRI website;
- the formal relaunch of the PRI Academy.

The Managing Director thanked the Chair and the PRI Board for their input over the past 12 months, the PRI's UN partners, the PRI staff and signatories that have taken the time to provide input to our consultations, participate in a working group, or steering committee.

GENERAL BUSINESS (Q&A)

There were signatory questions on:

- the PRI's partnership strategy;
- asset owner growth;
- the PRI as a platform for investor networks' communication;
- the accountability of investment consultants;
- the possible introduction of a seventh Principle on systemic risk.

3. BOARD ELECTION CANDIDATE PRESENTATION

In the 2015 election there are two open asset positions and one open investment manager 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 29 September to 9 November.⁵

Asset owner candidate presentations:

- [Pierre Ducret, Special Advisor for Climate Change and COP21, Caisse de Dépôts Group](#)
- [Angela Emslie, Independent Chair, HESTA Super fund](#)
- [Marie Giguère, Executive Vice President, Legal Affairs and Secretariat, Caisse de dépôt et placement du Québec](#)
- [Xander den Uyl, Trustee, Stichting Pensioenfonds ABP](#)

Investment manager candidate presentations:

- [Masaru Arai, ex-CIO, Daiwa Asset Management](#)
- [Sandra Carlisle, Head of Responsible Investment, Newton Investment Management](#)

A recording of the SGM is available [here](#).

Signatories approve the minutes via an online vote in November 2015.

⁵ For more information on the candidates and the election process see the governance pages of the [PRI website](#).