

PRINCIPLES FOR RESPONSIBLE INVESTMENT

Annual Report 2018

THIS ANNUAL REPORT SETS OUT HOW OUR WORK OVER THE PAST YEAR CONTRIBUTES
TO THE GOALS OF OUR 10-YEAR [BLUEPRINT FOR RESPONSIBLE INVESTMENT](#)

12%

INCREASE

in asset owners reporting

333

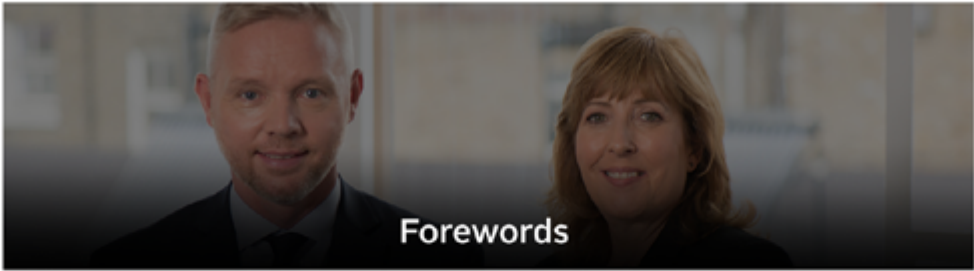
POSTS

to the Collaboration Platform

159%

INCREASE

in PRI Academy enrolments



Forewords

Blueprint actions



Empower asset owners



Support investors incorporating ESG issues



Foster a community of active owners



Showcase leadership and increase accountability



Convene and educate responsible investors



Challenge barriers to a sustainable financial system



Drive meaningful data throughout markets



Champion climate action



Enable real-world impact aligned with the SDGs

How we work



An enabling environment



Governance



Advisory committees and working groups



New and delisted signatories



Sustainability



The PRI in numbers



Financial statements

FOREWORD

Chair, Martin Skancke



As we look back over the past year, delivering on the ambitious agenda outlined in our [Blueprint for responsible investment](#) has been the focus of much of our work.

One of our first priorities was to empower asset owners. In recent months, we have produced two significant guides for them: one focusing on helping them [craft a clear and explicit investment strategy](#) and another on [improving the manager selection process](#).

CLIMATE ACTION

Another core aspect of the Blueprint is climate change. As part of our climate commitments, we introduced for the first time new, completely voluntary climate-related indicators to our reporting framework based on the TCFD recommendations. Out of the 1,449 reporting signatories this year, 480 signatories (28% AO, 72% IM) opting into report on voluntary climate indicators. We thought this was a good result and higher than we were expecting. These results underscore how many of our signatories are keen to disclose how they are tackling the transition to a low-carbon economy.

Apart from climate activities, we are continuing to focus our efforts on working with institutional investors to create a more sustainable financial system and mapping the PRI's work to the SDGs.

One of our longstanding commitments has been to bring the PRI closer to our signatories through more regional support. Last year, we hired a first-ever head of China to meet the growing interest in responsible investment that we see not only in that country but also in other countries across the region, most notably in Malaysia, Singapore and South Korea. Not content to stand still in Europe, we've added a head of Benelux and a head of Nordic, CEE and CIS.

A MEANINGFUL COMMITMENT

[Accountability](#) is another priority in the Blueprint. Following considerable consultation and discussion, the PRI is implementing minimum requirements for signatories. We will work closely with those who are not meeting the requirements in order to help them improve their performance. Failure to meet these requirements by 2020 would result in delisting.

But, in order to further move responsible investment forward, it is equally important to recognise leadership. We will highlight and share good practices being carried out by our signatories. At this year's PRI in Person in San Francisco, we will be announcing the establishment of leadership awards, the first of which will be awarded at PRI in Person 2019 in Paris.

I look forward to working with our signatories to accomplish the plans laid out in the Blueprint

There is still much that we want to accomplish with regard to the Blueprint and other ESG-related activities. I look forward to working with the PRI senior management team and of course, with our signatories, on expanding these initiatives in the coming months. Thank you for your support.

FOREWORD

CEO, Fiona Reynolds



It's only been a year since the launch of our [Blueprint for responsible investment](#), and we've been in full swing implementing the projects that we believe will bring real value to our signatories, as well as create a sustainable global financial system.

Tackling climate change is a central issue in the Blueprint, and remains our signatories' number one concern and a lot of our work has been geared towards convening investors on the subject. For example, the Investor Agenda, which we will discuss in detail at this year's PRI in Person in San Francisco, encourages investors to disclose on what they are doing to transition to a low-carbon environment.

A JUST TRANSITION

While our signatories have shown us their commitment to the low-carbon transition, incorporating the social effects of climate change – such as stranded workers and displaced communities – into climate strategies has yet to be addressed. We're receiving an increasing number of requests from signatories to expand our work on social issues and explore how climate change may affect communities.

It is critical that we identify the investor contribution to the just transition to both curb economic risks and capitalise on new opportunities. Doing so will be key to realising the goals of the Paris Agreement, as well as the [Sustainable Development Goals](#). We are developing a project in conjunction with the Institute for Responsible Investment at the Harvard Kennedy School and Grantham Research Institute, London School of Economics, to identify the role

that investors can play in the transition and hope to present draft guidance at COP24 in Poland.

With Ceres, we also started a collaborative engagement on deforestation. Looking to the future, we will turn our focus to plastics and look more in-depth at how investors can tackle water management. These issues are all impacts of climate change which we must keep front of mind.

RESTRUCTURING FOR SUSTAINABILITY

We have also continued our work as an international observer to the European Commission's High-Level Expert Group (HLEG) on Sustainable Finance, feeding into the recommendations of their report. Their roadmap for implementing the recommendations, the [Action plan for financing sustainable growth](#) sets the stage for a true re-alignment of the European financial system.

The European Commission's [new legislative proposals](#) are moving the financial system in Europe in the right direction. We are confident these initiatives will help restructure the financial system, putting sustainability at its heart. We will continue to advance this with the European Commission on its EU Technical Expert Group on Sustainable Finance and through our [fiduciary duty work](#).

AN EQUITABLE WORLD

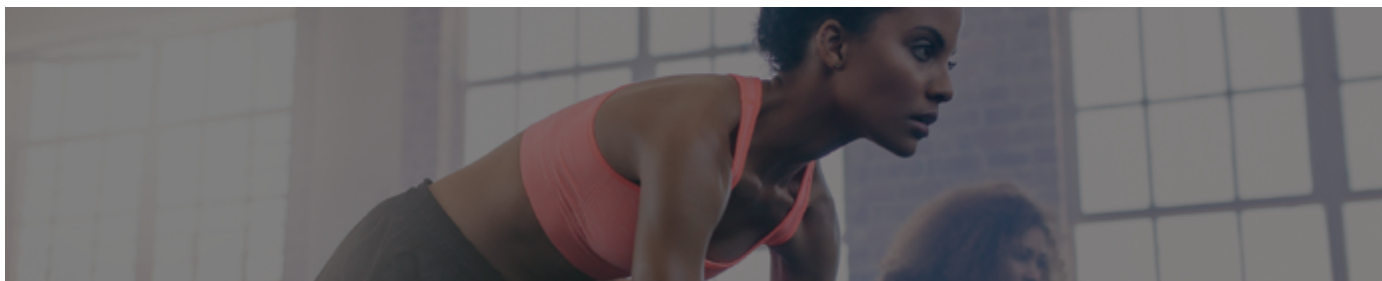
Everything we have done this year – and everything we plan to do in the future – cannot be done without the support of our signatories. We are now a 2,000-strong force and together will continue to tackle the barriers to a sustainable financial system. Thanks to all of you for everything you do to create a better, more equitable world.

And none of this year's achievements would be possible without the PRI staff, who work tirelessly and passionately to advance responsible investment.

We are now a 2,000-strong force and together will continue to tackle the barriers to a sustainable financial system

I would also like to thank the PRI Board and Martin Skancke for their excellent leadership over the past 12 months. Here's to another year of working together to create a truly sustainable global economy that works for everyone.

EMPOWER ASSET OWNERS

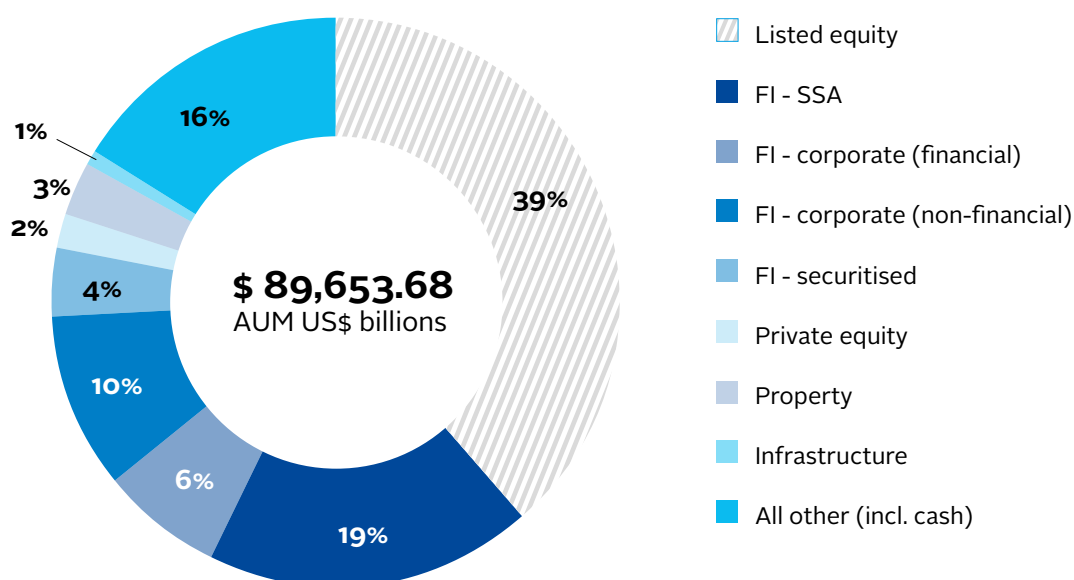


Heading the investment chain, asset owners wield enormous power and influence

Asset owners set the direction of markets: the mandates they award to managers determine the objectives that the world's biggest pools of money are put to. To fulfil their duties to beneficiaries in the 2020s and beyond, asset owners will need robust approaches to investment that acknowledge the effects their investments have on the real economy and the societies in which their beneficiaries live. Empowering asset owners remains key to the future success of the PRI and responsible investment.

We know that our asset owner signatories are diverse – from the largest pension funds to the smallest foundations, from the US to Japan. Over the year, we have worked to create a holistic asset owner strategy which acknowledges the diversity of our asset owner signatories. We ran a consultation with asset owners on their strategic priorities and to find out how can empower them. This included a survey and a number of roundtables. We also met face-to-face with signatories to hear first-hand what we could do to empower them and drive responsible investment forward.

Signatory breakdown by asset and AUM*



*Includes double counting

FUTURE-PROOFING STRATEGIES

Financial and sociological trends such as climate change, market volatility, inequality and cybersecurity could all impact investment strategies. Asset owners must be prepared to understand their position in the market, know how their investment approach could change in years to come, and acknowledge the effects their investments have on the real economy and the societies in which beneficiaries live.

To assist asset owners to create strategies that are robust enough to withstand this, we published the [Asset owner strategy guide: how to craft an investment strategy](#).

The guide includes recommendations for successfully implementing a strategy, including how to gain support from the board and senior management before communicating the strategy across the organisation.

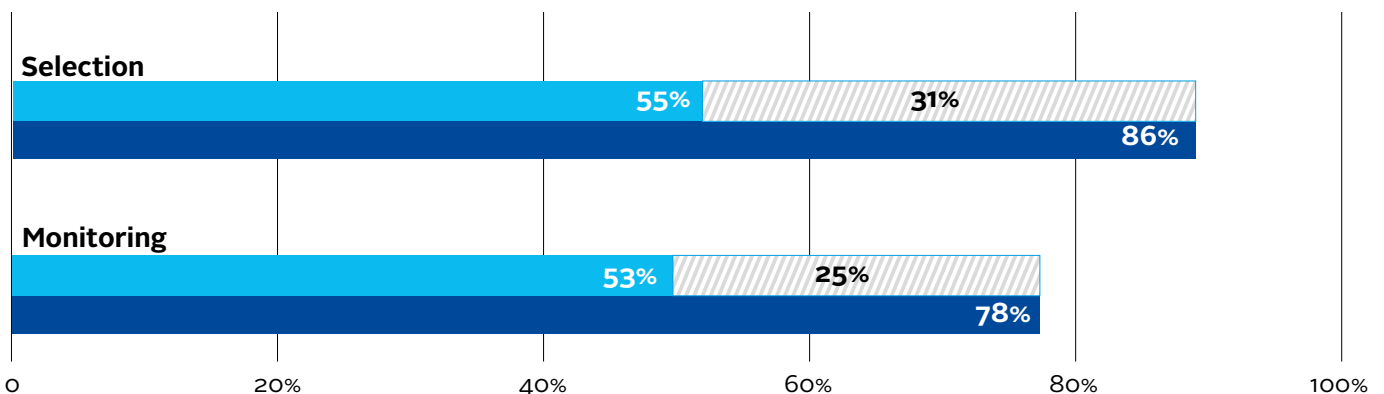
KEY TARGETS

86% of asset owners report considering responsible investment in selection or monitoring for indirectly held assets (PRI target: 52%)

[READ THE GUIDE](#)

A CULTURAL FIT

Asset owners considering ESG/active ownership in the selection and monitoring of external managers



Asset owners considering ESG/active ownership in the selection and/or monitoring of external managers.

For financial markets to take ESG considerations seriously, asset owners must clearly convey their ESG commitments when they select, appoint, monitor and reward investment managers.

Asset owners can ensure they drive responsible investment by ensuring that there is a cultural fit and understanding of ESG factors between an asset owner and a potential

manager, and that the mandates they give to fund managers include requirements for analysing and reporting on ESG considerations. We provided guidance to help asset owners do this by releasing [Enhancing relationships and investment outcomes with ESG insight](#).

The guidance covers several critical areas – including portfolio construction, engagement and voting, reporting and ESG scoring tools – highlighting considerations that asset owners should note when selecting managers. This includes looking at a firm's overall ESG alignment.

[FIND OUT MORE](#)

RESPONSIBLE INVESTORS

SUPPORT INVESTORS INCORPORATING ESG ISSUES



- Environmental, social and governance issues affect investment performance across companies, sectors, regions and asset classes

KEY TARGETS

87% of signatories report considering ESG integration in directly managed assets (PRI target: 80%)

54% of signatories report considering ESG factors in portfolio construction (against a target of 50%)

We have continued to produce guides and resources for investors to assist them in incorporating ESG considerations in their investments across asset classes.

This year, we turned our attention to asset classes where responsible investment has been traditionally seen as challenging – fixed income, for example.

With bond markets totalling over US\$120 trillion, fixed income investors have a critical role to play in putting a price on risk drivers such as climate change and labour disputes. And, as crucial providers of capital, fixed income investors are in a powerful position to influence a company's ESG activities.

We held our first full-day fixed income conference in San Francisco. Over 100 delegates gathered to discuss the latest developments in fixed income. Arunma Oteh, Vice President and Treasurer of the World Bank gave the keynote speech: “While the focus on sustainability can help us tackle income inequality, address negative issues associated with populist tendencies and climate risk, it also presents vast investment opportunities, and will drive innovation and create jobs,” she said.

Also for fixed income investors, we published ESG engagement for fixed income investors: managing risks, enhancing returns. [Read more about our work on active ownership.](#)



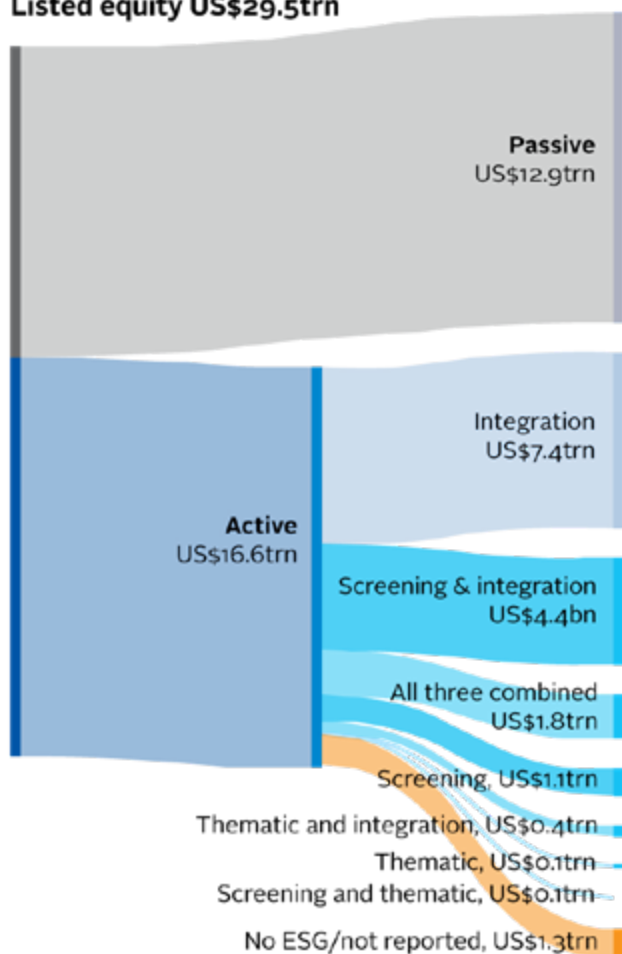
We also published the second in a series of reports on credit rating agencies. [ESG, credit risk and ratings: part 2 - exploring the disconnects](#) presents the main findings of roundtables organised by the PRI which engaged credit practitioners from investors and CRAs on environmental, social and governance (ESG) topics for the first time in this format and at this scale.

The discussions addressed misconceptions such as the difference between assessing the impact of ESG factors on credit risk and evaluating a bond issuer's ESG exposure.

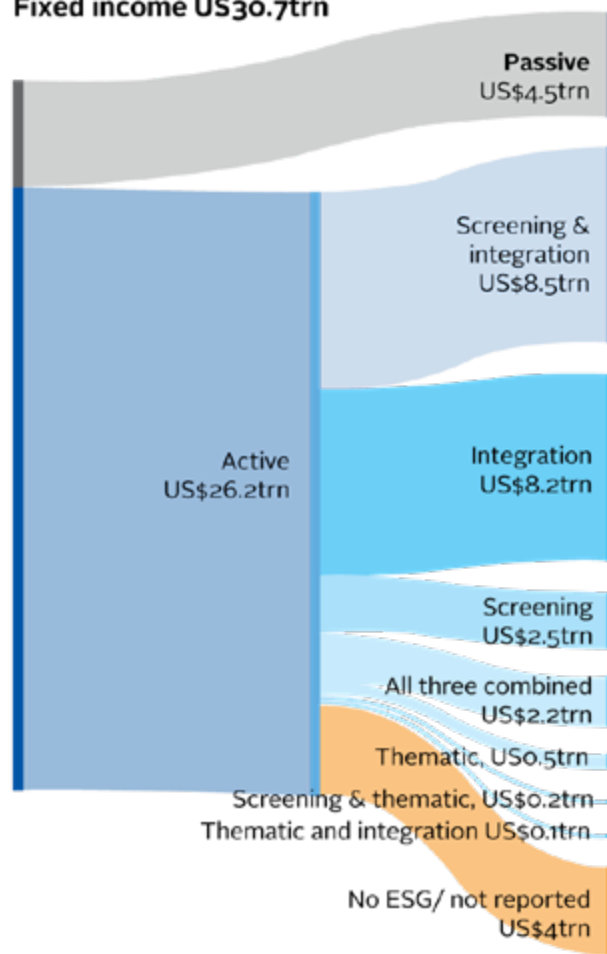
[READ THE GUIDE](#)

Responsible investment strategies used in actively managed assets

Listed equity US\$29.5trn



Fixed income US\$30.7trn



THE BUILDING BLOCKS OF SUSTAINABILITY

A country's infrastructure provides essential services to society. Given the long-term nature of infrastructure investments, investors should take into account a broad range of material ESG issues that could affect the asset – such as economic developments, demographic shifts, climate change impacts and relationships with local communities.

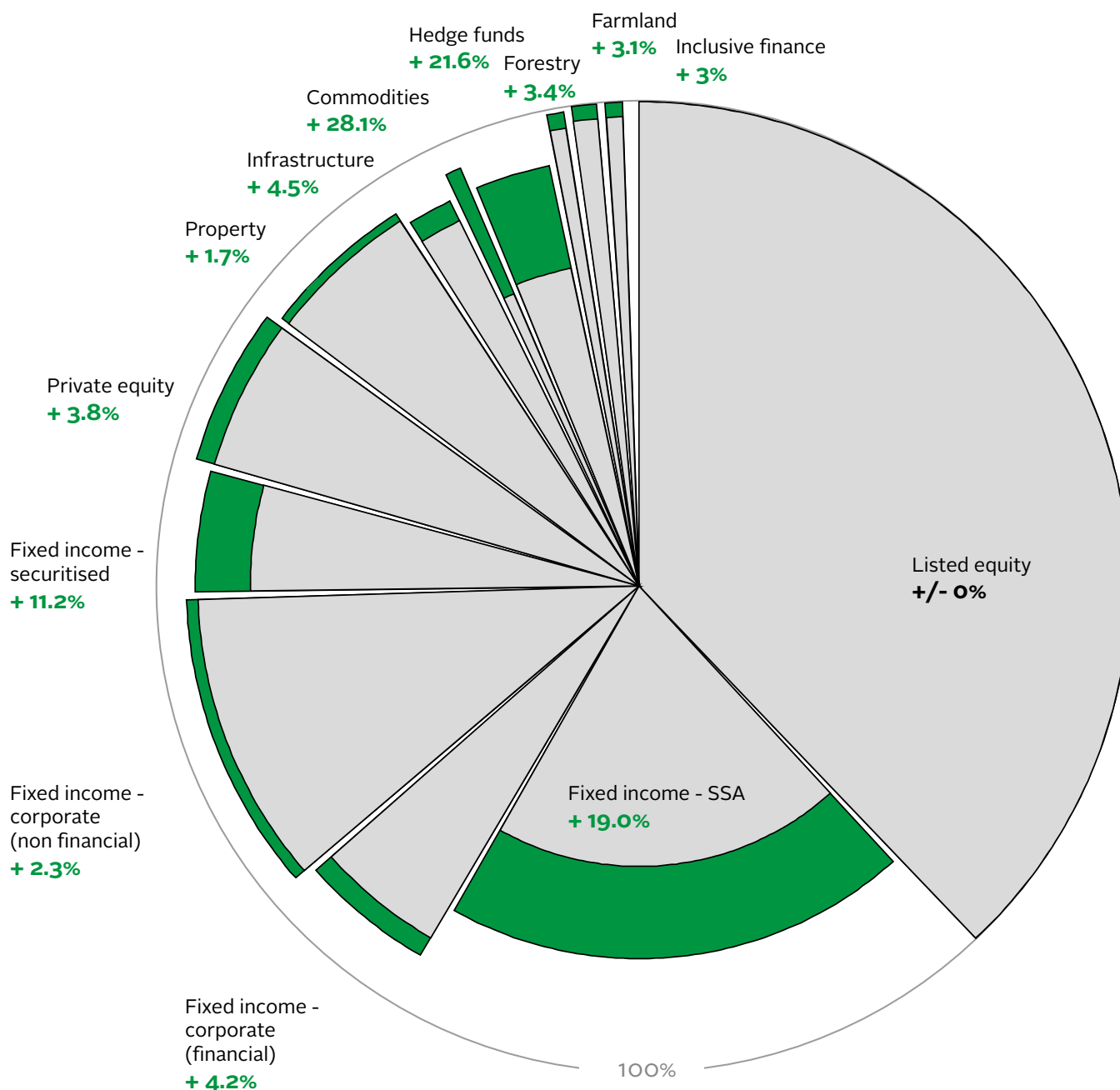
Not considering these issues is a recipe for setbacks including delays, legal disputes and a negative effect on commercial viability – with recent examples such as the [Dakota Access Pipeline](#) making headlines.

To show how the six Principles apply to infrastructure investing, we published our [Primer on responsible investment in infrastructure](#). It clarifies key concepts of responsible investment in private infrastructure equity and debt, and explains how to apply the six Principles to greenfield and brownfield infrastructure investing.

We also brought investors together to discuss the issues at a series of events in Melbourne, New York and London.

[READ THE PRIMER](#)

Responsible investment activity: 2018 asset breakdown and year-on-year progress by asset class for indirectly managed assets by asset owners



The degree to which RI is implemented for each asset can vary from 0% (centre of the chart) to 100% (wedge extends to outer circle). The percentage point increase is shown in green.

A SYSTEMATIC APPROACH

We have been working to drive a more systematic and accountable approach towards responsible investment in private equity.

We delivered the second in a trilogy of tools designed to support LPs and GPs throughout manager selection, appointment and monitoring. [Incorporating responsible](#)

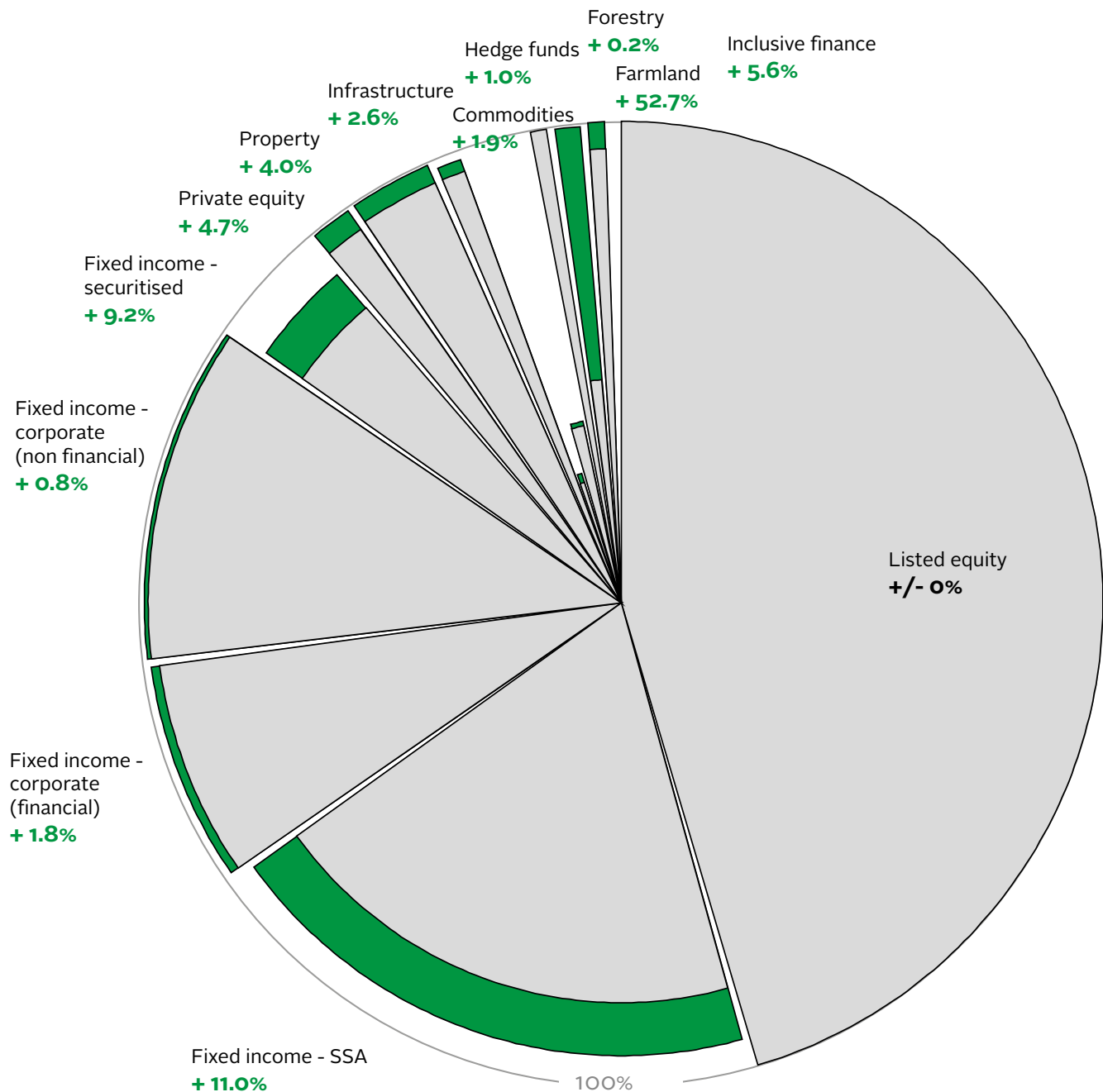
[investment requirements into private equity fund terms](#) identifies current and emerging best practice and offers practical options to LPs and GPs that are considering how they might incorporate responsible investment into fund terms.

[READ THE GUIDE](#)

There is a growing expectation that businesses carry out human rights due diligence. Failure to identify, prevent and address adverse human rights impacts may lead to reputational, operational, financial and legal risk. To help private equity investors navigate this, we published a [human rights in private equity discussion paper](#).

FIND OUT MORE ABOUT
OUR HUMAN RIGHTS WORK

Responsible investment activity: 2018 asset breakdown and year-on-year progress by asset class for directly managed assets by investment managers



The degree to which RI is implemented for each asset can vary from 0% (centre of the chart) to 100% (wedge extends to outer circle). The percentage point increase in RI for a given asset is shown in green.

EMBEDDING SUSTAINABILITY

Considering ESG risk and opportunity in the supply chains of investee companies in private markets has traditionally been lacking, as transparency, disclosure and company capacity to manage supply chains may be limited. Yet the business case for effective management of ESG risk, including in the supply chain, is clear. To create peace of mind when managing risk to company value, investors must address the topic with investee companies.

To assist with this, we published [Managing ESG risk in the supply chains of private companies and assets](#). It provides practical initial steps investors can take to assess and manage supply chain risk. Collectively, investors can be at the forefront of driving supply chain ESG risk management up the corporate agenda.

READ MORE

RESPONSIBLE INVESTORS

FOSTER A COMMUNITY OF ACTIVE OWNERS

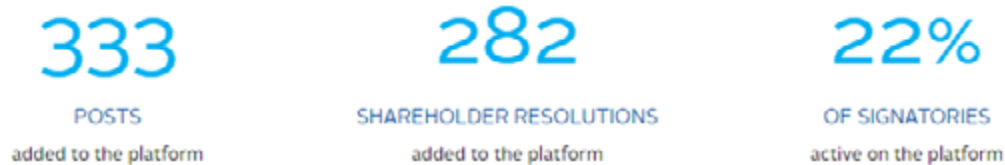


Engaging companies on ESG issues improves their sustainability, their management and their risk/return profiles

JOINING FORCES TO DRIVE CHANGE

When investors work together to engage companies, and pool their resources and influence on ESG issues, they can effect real change. Being an active owner is key not just to being a PRI signatory, but to having a positive impact on companies: by reducing risks, maximising returns and having a positive impact on the environment and society.

The PRI Collaboration Platform – the online forum that allows signatories to do just that – was a hub of activity this year.



333 posts added to the platform – 7.4% up on 2017
282 shareholder resolutions posted – a 21% increase on 2017

TOP FIVE ISSUES ON THE PLATFORM



Climate change and emissions reduction



Boards, and shareholder rights



Employee relations and diversity



Lobbying and political donations



Human rights

This year, just over a fifth of signatories were active on the Collaboration Platform. To improve on this, we have started

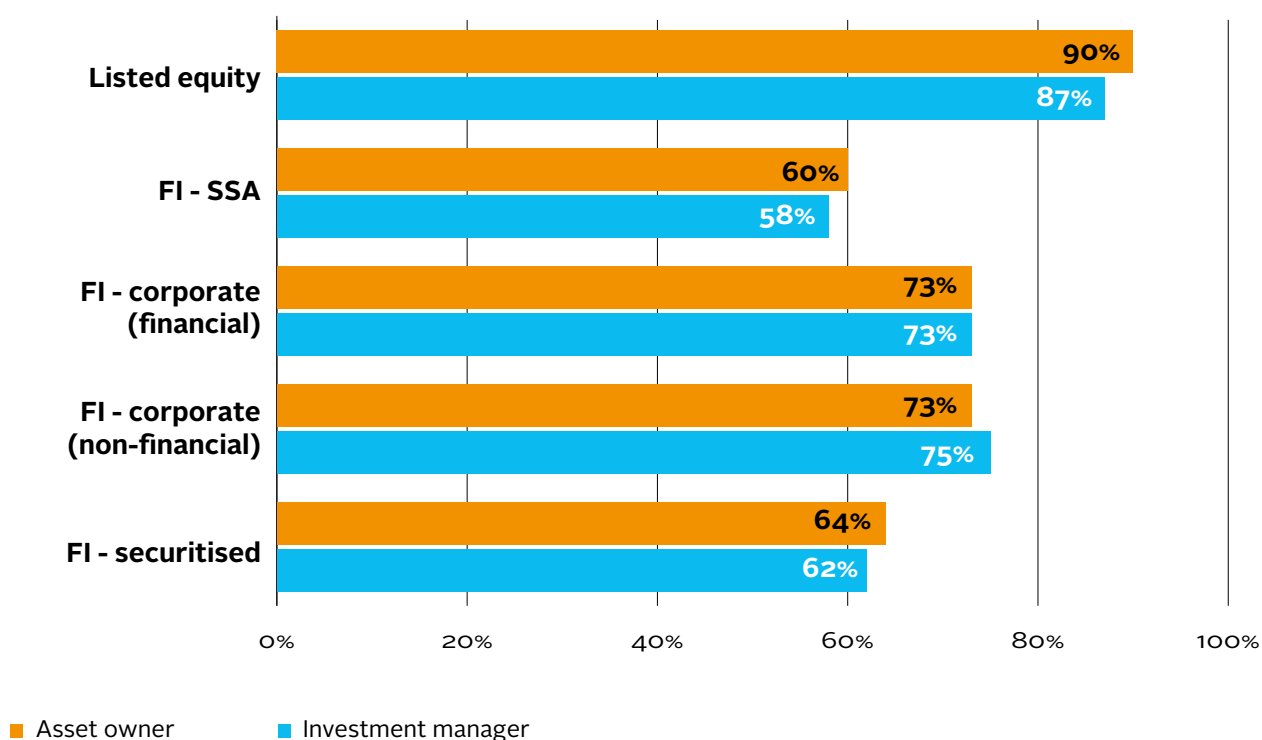
to redesign the platform, which will be launched in 2019, and are working to drive greater signatory participation.

KEY TARGETS

22.3% of signatories were active on the Collaboration Platform (PRI target: 27%)

TAKING THE LEAD ON ACTIVE OWNERSHIP

Signatories that report engagement with their investee companies (listed equity and fixed income)



Actively engaging with investee companies is one of the most effective mechanisms to reduce risks, maximise returns and have a positive impact on society and the environment – for both passive and active investors. Not only that, but it makes financial sense: a recent academic study we commissioned found that [successful engagements create value for both investors and companies](#).

However, while lots of investors have been active owners for many years, little is known about current leading practices, processes and success across markets. That's why we launched [A practical guide to active ownership in listed equity](#). It provides suggestions to investors interested in building a fruitful dialogue with investee companies.

KEY TARGETS

65% of signatories reported actively engaging with their listed equity investee companies via individual or collaborative engagements (PRI target: 70%)

READ THE GUIDE

We also published [ESG engagement for fixed income investors: managing risks, enhancing returns](#). It provides the investment case for engaging as a fixed income investor and gives practical recommendations, including how to embed engagement into the investment process and measure the effectiveness of an engagement.

READ MORE

KEY TARGETS

85% awareness and 78% acknowledgement scores for all companies included in PRI-coordinated engagements (PRI target: 72%)

ENVIRONMENTAL ISSUES

We've been working with investors on investor-company engagements on a range of topics such as cattle-linked deforestation (in partnership with Ceres), palm oil, climate change for oil and gas companies, methane and water risk.

WHAT'S THE ISSUE? WATER RISK

The World Economic Forum highlights water as a top global risk with associated climate, weather, economic, social, competition and infrastructure repercussions. As the impacts of climate change become more prominent, the demand for freshwater grows, driven by population and income growth. This results in higher demand for food, energy and water, all of which need stable water supplies. Companies with direct operations and supply chains dependent on agriculture, the world's largest use of water, are exposed to risks. Companies that appropriately mitigate risks and demonstrate good stewardship with companies create value for shareholders.

WHAT HAVE WE DONE?

Following a PRI-coordinated engagement with 32 companies, we launched, in partnership with WWF, the report [Growing water risk resilience: an investor guide on agricultural supply chains](#). It provides an engagement framework, structured around four categories (foster water awareness; promote internal and supply chain action; encourage collective action; influence governance of water) and gives indicators investors can use to assess companies on their water management.

READ THE REPORT

Read about our climate work on the '[Champion climate action](#)' section.

WORKING TO ADDRESS ESG ISSUES

We work with signatories and produce a number of podcasts on on E, S and G issues across markets.

SOCIAL ISSUES

WHAT'S THE ISSUE? HUMAN RIGHTS IN THE EXTRACTIVES INDUSTRIES

Companies operating in the extractives sector face a multitude of complex human rights issues, such as bonded labour, hazardous working conditions and lack of collective bargaining. Investors are increasingly concerned about the significant operational, legal and reputational risks companies could face including project delays and cancellations, lawsuits, fines, negative press coverage and reputational damage.

WHAT HAVE WE DONE?

We wrapped up a two-year engagement between 51 signatories representing US\$ 7.3 trillion and 32 companies – one of the PRI's largest engagements. It focused on enhancing implementation of the UN Guiding Principles on Business and Human Rights and enhancing the level of human rights disclosure. One hundred percent of companies acknowledged the issue and 91% had at least one engagement meeting and/or call. After engagement, improvement was noted across all focus areas.

WHAT'S THE ISSUE? LABOUR RIGHTS IN THE APPAREL INDUSTRY

Labour rights are particularly at risk in the apparel industry – this was brought into stark focus after the [Rana Plaza disaster in 2013](#), where over 1,100 people lost their lives after the clothing factory collapsed. There is a [consumer expectation](#) that companies will respect the human rights of their workers. From an investor perspective, working practices can impact business and negatively influence investment and financial returns.

WHAT HAVE WE DONE?

We launched [An investor briefing on the apparel industry: moving the needle on responsible labour practices](#). The report, informed by PRI engagements and interviews, highlights eleven red flags investors should look out for which may indicate negative human rights practices in investee apparel companies. It gives eight recommendations for effective investor-company engagement, including providing concrete questions investors can ask in engagement dialogues. It also highlights relevant tools and resources for signatories.

WHAT'S THE ISSUE? HUMAN RIGHTS VIOLATIONS AND CHILD LABOUR IN THE COBALT INDUSTRY

Cobalt is a building block to many smartphones, electric cars and laptops. However, human rights violations are rife in cobalt mining; miners have little or no protective equipment and are exposed to high levels of toxic materials. [Thousands of children also work in the industry.](#)

These issues could expose investors and companies to material risks such as brand damage, impact to company share value, a negative impact on operations and production capacity and potential strikes and disruptions.

WHAT HAVE WE DONE?

Following an engagement with 23 investors and 13 companies, we launched [Drilling down into the cobalt supply chain: how investors can promote responsible sourcing practices](#). It gives an overview of the risks associated with poor cobalt sourcing practices and gives concrete questions investors can ask to respond to and remedy human rights violations, as well as questions to ensure companies take solid due diligence steps to ensure responsible cobalt sourcing practices in their supply chains.

READ MORE

We have also considered the role investors should play in addressing human rights and inequality, as well as how they can consider communities in the transition to a low-carbon economy.

READ MORE

GOVERNANCE ISSUES

WHAT'S THE ISSUE? TAX

Aggressive tax planning should seriously concern investors. Not only has public outcry over companies such as [Starbucks](#) avoiding tax brought the issue into the mainstream conscience, it is also a material issue for investors. Companies managing risks associated with tax could eschew increased costs associated with fines, earnings risk and reputation and brand value damage.

WHAT HAVE WE DONE?

We launched a collaborative engagement on tax with 35 institutional investors representing US\$2.9 trillion in assets. The engagement aims to enhance corporate tax transparency among multinational companies in the healthcare and technology sectors across policy, risk management and reporting areas.

The engagement led to an investor guide on the topic that will enable investors to identify areas for further evaluation when assessing corporate data on tax and structure engagement questions based on reporting trends.

READ THE GUIDE

WHAT'S THE ISSUE? CYBER SECURITY

Companies' cyber security and data management are under more scrutiny than ever before. Following high-profile breaches at [TalkTalk](#), [Sony](#), and more recently, [Facebook](#), investors should be primed to engage on the issue. If not, they risk damage to reputation and brand value; earnings risk and governance problems; and legal and regulatory costs.

WHAT HAVE WE DONE?

Last year, we started a PRI-coordinated engagement on the issue with 53 institutional investors representing over US\$12 trillion in assets and global companies in sectors such as healthcare, consumer goods and telecommunications. Engagement dialogues focus on enhancing cyber security governance and processes including board oversight, expertise, audits and industry collaboration, as well as improving the quality of disclosure around these measures.

RESPONSIBLE INVESTORS

SHOWCASE LEADERSHIP AND INCREASE ACCOUNTABILITY



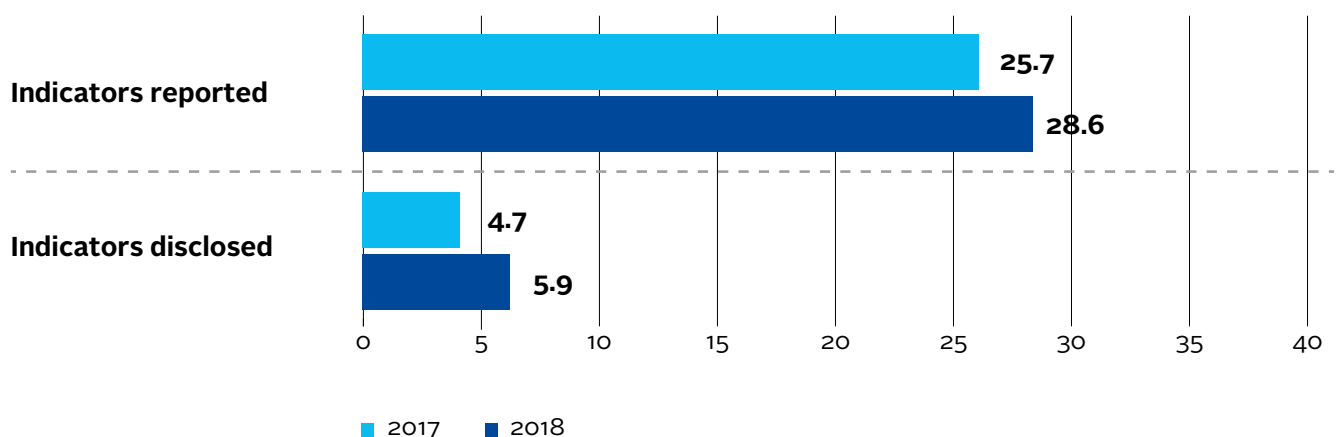
! A race to the top and a clear rulebook improve results

A MEANINGFUL COMMITMENT

We welcome signatories from around the world, big and small, investing across different asset classes. And although our signatory base is extremely diverse, it is united by one thread: becoming a PRI signatory means publicly committing to advancing responsible investment and reporting on responsible investment activities and progress.

Membership of the PRI must always be meaningful and never just a badge. Ensuring that signatories are held accountable will empower us to recognise the leaders, and support those that are lagging behind. When signatories report, they do so on both voluntary and mandatory indicators – we were pleased to see an increase in those both reporting and disclosing on voluntary indicators.

Average number of voluntary indicators reported and disclosed (based on 1186 reporters)



SETTING MINIMUM STANDARDS

Following a signatory consultation on strengthening accountability, which showed overwhelming support for introducing more stringent measures, we have implemented minimum requirements for existing and future asset owner and investment manager signatories. Using an agreed methodology based on the information reported to us by signatories, we have identified and notified signatories that are not meeting minimum requirements for ongoing membership. We will confidentially engage with them over a period of two years to support their progress and understand any material barriers. If, after two years, signatory organisations have yet to address these requirements, as a final resort, they will be delisted.

SHOWCASING LEADERSHIP

To recognise those signatories where responsible investment activities are advanced and acknowledge the variety across our global signatory base, we will highlight different leading practices through leadership resources and individual awards. We will showcase good practices from publicly reported information, using our online tools, to support learning and sharing. The areas of focus will be aligned with the Blueprint and change each year to highlight different areas of work, recognising practices from different types of signatories to ensure the best opportunity for peer to peer learning.

To recognise individual and project contributions alongside organisational excellence, we will invite signatories to submit entries to the inaugural PRI awards, to be presented at PRI in Person in Paris, in 2019.

[READ MORE ABOUT OUR
ACCOUNTABILITY WORK](#)

RESPONSIBLE INVESTORS

CONVENE AND EDUCATE RESPONSIBLE INVESTORS



Sharing knowledge, reaching new people and supporting development will benefit everyone

RECRUITING THE NEXT GENERATION OF RESPONSIBLE INVESTORS

As asset owners wield enormous influence at the top of the investment chain, we have focused our proactive global recruitment on growing our asset owner signatory base. We saw strong growth this year, adding 39 asset owners to our global network of signatories. Given their size and local market influence, we were particularly pleased to

recruit strategic asset owners such as the San Francisco Employees Retirement System (SFERS) in the US, the KWAP Retirement Fund in Malaysia, newly-formed local authority pension pool Brunel Pension Partnerships in the UK, insurance group LVM in Germany and the European Bank for Reconstruction and Development (EBRD).

KEY TARGETS

86% of asset owners report considering responsible investment in selection or monitoring for indirectly held assets (PRI target: 52%)

Our net signatory growth was 14%, level with last year. The US market saw the highest net increase with 52 new signatories.

OUR NEW ASSET OWNER SIGNATORIES

- Bloomberg LP Retirement Plans
- Brunel Pension Partnership (UK)
- Ceska Sporitelna Penzijní Společnost (Czech Republic)
- Concordia University Foundation (Canada)
- European Bank for Reconstruction and Development (UK)
- Fair-finance Vorsorgekasse (Austria)
- Fondo de Pensiones Empleados de Telefonica (Spain)
- Fondo Pensioni del Personale Gruppo BNL/BNP Paribas Italia
- Fonds de placement du Barreau de Quebec
- Inarcassa (Italy)
- Japan Post Insurance Co.
- Landwirtschaftlicher Versicherungsverein Münster a.G.(LVM) (Germany)
- Lifsverk (Iceland)
- Loyola Marymount University (United States)
- Medical Assurance Society New Zealand (MSA)
- MMI Group (South Africa)
- Monash University (Australia)
- MTAA Super (Australia)
- Mutua Enginyers (Spain)
- Mutuelle d'Ivry (France)
- Norfund (Norway)
- Pensioenfonds Detailhandel (Netherlands)
- Pension Fund of Bank J. Safra Sarasin (Switzerland)

- Presbyterian Church USA Foundation
- PT ASABRI (Persero) (Indonesia)
- Regime de Rentes du Mouvement Desjardins (Canada)
- Retirement Fund Incorporated (KWAP) (Malaysia)
- San Francisco Employees' Retirement System
- Seattle City Employees' Retirement System (SCERS)
- Sierra Club Foundation (United States)

- Stichting Pensioenfondsen voor de Woningcorporaties (SPW) (Netherlands)
- The Episcopal Diocese of New York
- The JW McConnell Family Foundation (Canada)
- The Pension Board UCC (United States)
- The Rokinren Bank (Japan)
- The Skoll Foundation (United States)
- Union Mutualiste Retraite (UMR) (France)
- VBV-Pensionskasse (Austria)

BUILDING OUR PRESENCE

To make systematic responsible investment a reality across all markets around the world, we have enhanced our presence in key markets – such as China, a country whose economic clout translates into enormous responsible investment potential.

We recruited three of the largest asset owners in China: China Asset Management, E Fund Management and Harvest Fund Management, and we hired a head of China to support signatories. The overall signatory base in Asia increased by 53%, the fastest rate of growth of any market.

To better support our French-speaking signatories – 15% of our signatory base – we launched the Francophone programme at [PRI in Person in Berlin](#). Through this programme, we will better support our French-speaking signatories by:

- translating PRI resources;
- introducing simultaneous translation to certain events;
- holding more French-speaking events and webinars.

Signatory growth in our less established markets was strong: our southern Europe market increased by 23% and our Japan market by 15%.

EXPANDING THE REACH OF RESPONSIBLE INVESTMENT TRAINING

Education is the starting point to ensure that investors capitalise on the opportunities responsible investment presents. [The PRI Academy](#), which provides training on how ESG issues impact company performance and investment decisions, upskills investors to help them make better investment decisions.

GROWING MOMENTUM

The PRI Academy has gone from strength to strength this year. We welcomed nearly 1,900 students from 50 countries: an increase of 158% from the previous year. This helped see the PRI Academy run unsubsidised for the first time.

KEY TARGETS

Nearly 1,900 PRI Academy enrolments (PRI target: 850)



EDUCATING TRUSTEES

We also launched our first responsible investment course for trustees. Trustees are responsible for large pools of assets on behalf of their beneficiaries and should act with duties of care, loyalty and prudent investing – and thanks to the growing momentum and recognition of ESG issues, this is more in demand than ever. Identifying the ESG factors that are material to funds will not only allow trustees to fulfil their fiduciary duty, but ensure the long-term success of assets.

The course provides trustees and boards with the foundation to shape investment beliefs, principles and policies that promote sustainable investment decisions.

[FIND OUT MORE ABOUT THE TRUSTEE COURSE](#)

CONNECTING ACADEMICS WITH INVESTORS

The PRI's academic research programme provides grant funding to support and develop innovative responsible investment research. It showcases research findings for an investor audience and convenes a vibrant, global community of nearly 4,000 academics and investors through the PRI Academic Network.

This year, we produced 13 public research papers. They focused on issues including modern portfolio theory, the drivers of successful engagements and how and where millennials will invest.

KEY TARGETS

13 research papers published (PRI target: 5)

THE DEFINING ISSUES OF OUR TIME

There is an increasing awareness among investors that they need to investigate the link between issues such as economic inequality and human rights, and corporate financial performance. This in turn will help achieve SDG 10, reduced inequalities.

While the salience of human rights to business has been established, little attempt has been found to establish materiality. We explored this issue by:

- holding events in Geneva, Switzerland and California;
- publishing a discussion paper on how human rights affect corporate financial performance;
- commissioning research.

[READ OUR DISCUSSION PAPER](#)

A JUST TRANSITION

Workers and communities will be affected by the transition to a low-carbon economy. A poorly managed transition could result in stranded workers, communities and assets. While investors understand the need to integrate social issues into their climate strategies, identifying exactly what their contribution should be to ensuring a just transition is critical.

We have laid the groundwork for a new project on the just transition, through which we will:

explore the strategic case for investor action;
draft guidance for investors;
generate recommendations for policy and market reforms.

[READ MORE ABOUT OUR CLIMATE ACTIVITIES](#)

[READ MORE ABOUT HOW WE'RE ALIGNING OUR WORK TO THE SDGS](#)

CREATING VALUE THROUGH ENGAGEMENT

Amid growing evidence that investor engagement with companies on ESG issues can create shareholder value, we commissioned research on *how* it does.

Following over 100 interviews with representatives of large listed companies and institutional investors, we discovered three distinct types of value for companies and investors – communicative dynamics, learning dynamics and political dynamics – and presented recommendations for both companies and investors to improve the success of engagement.

[READ THE REPORT](#)

A GLOBAL NETWORK

The PRI's academic network has 4,000 members from around the world. To support them to share research and publications, we launched the Academic Network Online. This hub allows academics and investors to connect and engage with responsible investment research.

ACADEMIC NETWORK CONFERENCE: EMPOWERED MILLENNIALS



We held the 2017 Academic Network Conference in Berlin. Over a hundred investors and academics met to discuss issues such as the link between corporate social performance and financial performance.

At the conference we heard presentations from the shortlist of entries to an essay competition about how millennials are shaping the future of investing.

Winner Mikael Homanen, PhD candidate at Cass Business School, argued that the investment industry needs to step up and create an environment of trust for millennials, whose values are disrupting traditional investing models: "They are demanding more 'bang for their buck' and they do not just mean financial returns. [Millennials are] very reactive when it comes to ESG factors. They want to contribute to the future that they want for themselves."

[READ THE WINNING ENTRY](#)

In addition, we presented awards for best qualitative, quantitative and student paper following our call for papers.

BERLIN: HOST TO THE WORLD'S LEADING RESPONSIBLE INVESTMENT CONFERENCE



PRI in Person returned to Europe in 2017, with nearly 1,000 delegates at the InterContinental hotel in Berlin. Delegates came together over three days to discuss key responsible investment trends such as the transition to a low-carbon economy, the role millennials will play in the future of investing and the business case for active ownership.

1,000 delegates

95% rated good or excellent

8m impressions generated by #PRIinPerson

Highlights of the event include:



“The low-carbon transition cannot be elastic... We need to step up exponentially in our efforts if we are to protect the global economy.”

Christiana Figueres, convenor, Mission 2020

“It’s becoming increasingly obvious that what’s good for the planet, what’s good for the future, is actually starting to be good for finance and good for profits.”

Per Bolund, minister for financial markets, government of Sweden



“There is no longer anything I see in boardrooms around the world that detracts from my fundamental optimism about the trajectory of sustainable finance.”

Nicolas Moreau, head of Deutsche Asset Management



NEXT STOP: SAN FRANCISCO

PRI in Person 2018 will be bigger and better than ever before: 1,200 delegates will convene in San Francisco, the first time the conference has taken place in the US since 2010. Delegates will discuss a range of issues such as the critical role of investors in the transition to a low-carbon economy, water risk and social responsibility in the technology sector.

[VIEW THE AGENDA](#)

OUR EVENTS AND WEBINARS

Aside from PRI in Person, we run and co-partner on a range of events and webinars throughout the year. We held 78 events and webinars this year, attracting 2,915 delegates from 1,641 organisations across 35 countries.

53% of delegates that attended our events were signatories. To increase this, we are evaluating how we can best interact with signatories through more systematic one-to-one meetings, events and communications.

[ATTEND ONE OF OUR EVENTS](#)

KEY TARGETS

53% of event delegates were signatories (PRI target: 75%)

SUSTAINABLE MARKETS

CHALLENGE BARRIERS TO A SUSTAINABLE FINANCIAL SYSTEM



Creating long-term value requires a sustainable global financial system



The financial system, with its focus on short-term gains, is not fit for purpose. Our aim is to re-engineer the financial system and generate the conditions for a more sustainable global economy – one that supports long-term value creation and benefits the environment and society.

We provide tools and insight to international standard setters, signatories and policy makers to advance progress towards a regulatory and investment environment consistent with the six Principles.

FINANCING SUSTAINABLE GROWTH

We were an international observer in the European Commission's High-Level Expert Group (HLEG) on Sustainable Finance.

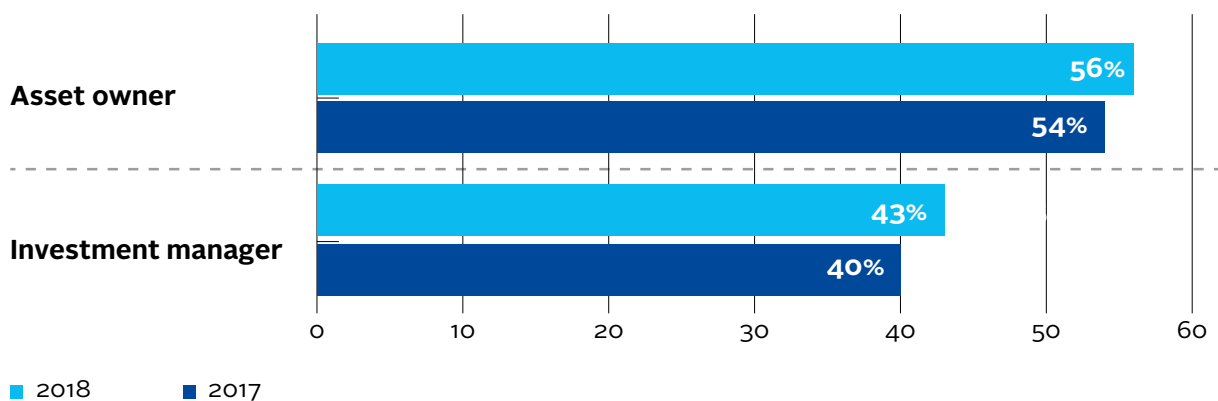
The group has made a series of recommendations to improve the financial system's contribution to sustainable and inclusive growth. Priority recommendations include clarifying investor duties to better embrace long-term horizons and sustainability practices, and upgrading disclosure rules to make sustainability risks fully transparent.

The recommendations set the backdrop for realigning Europe's capital markets with sustainable development, echoing much of the PRI's work.

Following this, the commission released its Action plan for financing sustainable growth, its roadmap for implementing the HLEG's final recommendations. It includes a comprehensive list of supportive tools and resources, such as: proposals for a taxonomy on climate change, and environmentally and socially sustainable activities - the PRI is part of the EU Technical Expert Group on Sustainable Finance. We believe this will bring sustainability into the heart of Europe's capital markets.

[READ THE RECOMMENDATIONS](#)

Signatories responding to the Reporting Framework indicating engagement with policymakers



FIDUCIARY DUTY

With UNEP FI and the Generation Foundation, we published a number of country-specific roadmaps that make recommendations to national policy makers, regulators and other stakeholders on how to ensure that institutional investors understand that their fiduciary duties require them to consider material ESG issues in their investment processes and decision making. These follow on from the success of our UK, US, Brazil, Canada and Australia roadmaps.

Failing to consider long-term investment value drivers, which include environmental, social and governance issues, in investment practice is a failure of fiduciary duty

Fiduciary duty in the 21st century

[READ THE JAPAN ROADMAP](#)

[READ THE CHINA ROADMAP](#)

[READ THE SOUTH AFRICA ROADMAP](#)

[READ THE GERMANY ROADMAP](#)

INVESTMENT CONSULTANTS: A CATALYST FOR CHANGE

Despite growing evidence showing the financial materiality of ESG issues to portfolio value, the investment consultants advising on how trillions of dollars are invested are failing to consider ESG issues in investment practice.

We believe that ESG factors must be a core part of investment advice, because it is a core part of investors' fiduciary duties. Addressing the reasons why this isn't the case is a necessary step for a more sustainable financial system – so we published the report *Working towards a sustainable financial system: investment consultants services review*. It identifies barriers relating to market structure, industry practice, policy and regulation in the consulting market, and suggests actions that could be taken to overcome them.

SPOTLIGHT ON THE US

We released *Responsible investment policy in the US* to highlight recent policy developments – particularly around fiduciary responsibilities, stewardship and financial disclosures – that could impact ESG integration in the world's largest capital market (and the PRI's largest market, with more than 345 signatories managing US\$36 trillion), where investors are increasingly focused on long-term investment approaches that require the inclusion of ESG factors.

[READ THE BRIEFING](#)

We also summarised the findings of three studies on ESG materiality, providing the guidance, and ultimately the confidence, for US investors who are still doing their due diligence on ESG integration, to fully recognise its value and capitalise on opportunities in the US.

[READ THE REPORT](#)

Responding to the trends transforming the global economy
The world in which we operate is rapidly changing. Globalisation and connectivity, technological change, emerging market growth and dynamism, and changes in society could all affect and influence the economy, society and environment.

We engaged with PRI signatories and other stakeholders to gauge investor strategies for dealing with current and future volatility caused by these megatrends. Using these insights, we launched, in partnership with *Willis Towers Watson*, *Responding to megatrends: investment institutions trend index 2017*. It explores how these advances will impact the financial system, capital allocation and environmental and social conditions, including the ability to deliver the UN's Sustainable Development Goals.

[READ THE REPORT](#)

Throughout the year we have also fed into more than 20 policy consultations on issues such as sustainability reporting in South Africa and the revision of Japan's corporate governance code.

[READ ALL OUR POLICY CONSULTATIONS](#)

CHALLENGING SHORT TERMISM

Short termism, a deeply entrenched corporate behaviour, is one of the key challenges to creating a sustainable financial system. Investors can, and should, do more to challenge short-term practices – so with the UN Global Compact we launched *Coping, shifting, changing 2.0: corporate and investor strategies for managing short termism*.

Following the first version of the report, launched in 2014, it presents three main strategies, each including recommendations focused on measures that companies can adopt to address the problems caused by market short-termism, and actions that investors can take to support companies in those efforts.

[READ THE REPORT](#)

KEY TARGETS

Contributed to 22 policy consultations (PRI target: 20)

SUSTAINABLE MARKETS

DRIVE MEANINGFUL DATA THROUGHOUT MARKETS



Good decisions need good data

KEY TARGETS

717 requests to view Assessment Reports and Transparency Reports through the Data Portal

475 requests from asset owners to view investment managers' reports, with 56% approved

When signatories join the PRI, they make a public commitment to disclose their activities through the Reporting Framework.

In 2017, we made it easier for signatories to access signatories' reported data by introducing the Data Portal, a platform which allows asset owners and investment managers to search, group and request access to private Transparency Reports and Assessment Reports.

[ACCESS THE DATA PORTAL](#)

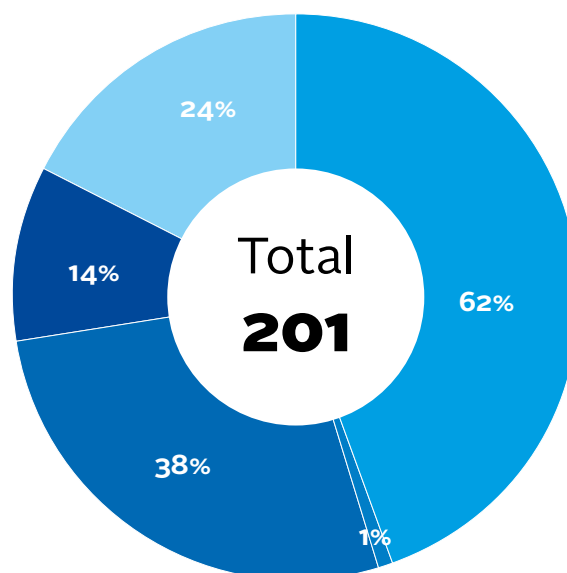
And although accountability and transparency is at the heart of what we do, until 2017 service provider signatories didn't have to report on their business offerings and ESG activities: service providers weren't being held to the same level of account as our other signatories.

To counter this, we introduced voluntary service provider reporting in 2017, and it was made mandatory this year.

Service provider reporting:

- allows service providers to demonstrate their commitment to the Principles;
- responds to service providers' desire to communicate their responsible investment activities;
- gives asset owners more visibility on service provider activities, enabling them to understand what service level the can and should expect.

Service providers reporting in the new service provider Reporting Framework



■ Advisory and consultancy

■ Reporting and assurance

■ Active ownership services

■ Other

■ Research and data provision

Over 200 service providers reported this year, including our first credit rating agency signatory.

In other updates to the Reporting Framework, we aligned our climate indicators with the TCFD recommendations.

READ MORE ON THE 'CHAMPION CLIMATE ACTION' PAGE

DATA SNAPSHOTS

We released a range of reports providing in-depth analysis of our signatories' responsible investment activities across different asset classes. Our data found that:

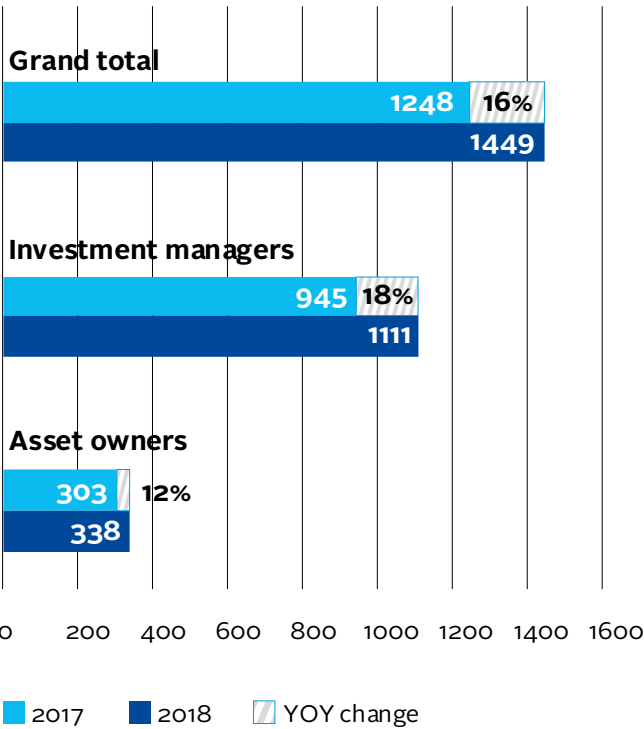
- 68% of asset owners encourage improved responsible investment practices with existing investment managers, but only 19% have or would move assets to those with better integration.
- 70% of signatories who engage on ESG issues in listed equity set specific objectives for the majority or all of their individual and collaborative engagements.
- 75% of investment managers incorporate ESG factors in screening and integration strategies across the different fixed income categories.

READ MORE ABOUT OUR SNAPSHOT REPORTS

ROBUST FIGURES

Following a consultation in 2016, our signatories signalled their support for increased signatory accountability, and better ways of assuring the validity of data reported to the PRI. So we published *Introducing confidence-building measures to PRI signatories*. It gives an overview of current market practices, a review of best practice and possible solutions that could be implemented to ensure the robustness of data reported to the PRI.

Number of signatories reporting in the Reporting Framework



READ THE PAPER

A PROSPEROUS WORLD FOR ALL

CHAMPION CLIMATE ACTION

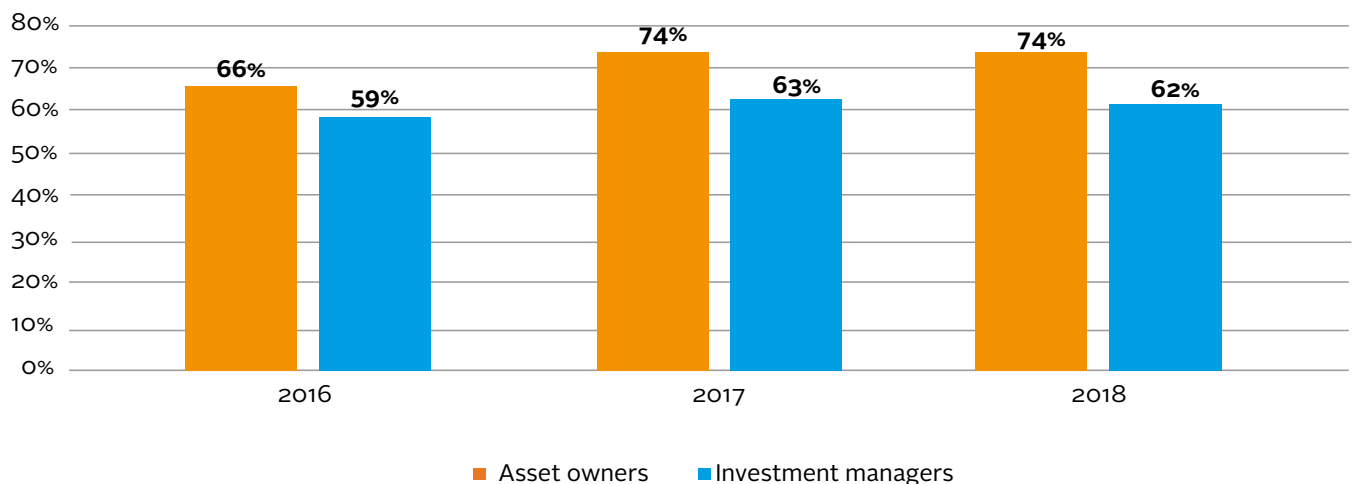


Climate change is the highest priority ESG issue facing investors

PROTECTING INVESTMENTS, PROTECTING THE PLANET

Our signatories tell us that climate change is their number one concern.

Percentage of signatories reporting that they see climate change as a long-term threat



Meeting the goals of the Paris Agreement and the SDGs is paramount to protecting investors' portfolios, and acting in the best interest of beneficiaries, and the societies in which they live. We have worked this year to help signatories tackle the problems presented by climate change, as well as expose them to opportunities in the shift to a low-carbon environment.

UNITING IN THE FIGHT AGAINST CLIMATE CHANGE

With our partners, we launched the Investor Agenda, an initiative to accelerate actions critical to tackling climate change and achieving the Paris Agreement goals. It provides comprehensive guidance for investors to transition the world's financial capital to low-carbon opportunities, and

includes a mechanism to report on progress. Investors are encouraged to act in four areas: investment, corporate engagement, investor disclosure and policy advocacy.

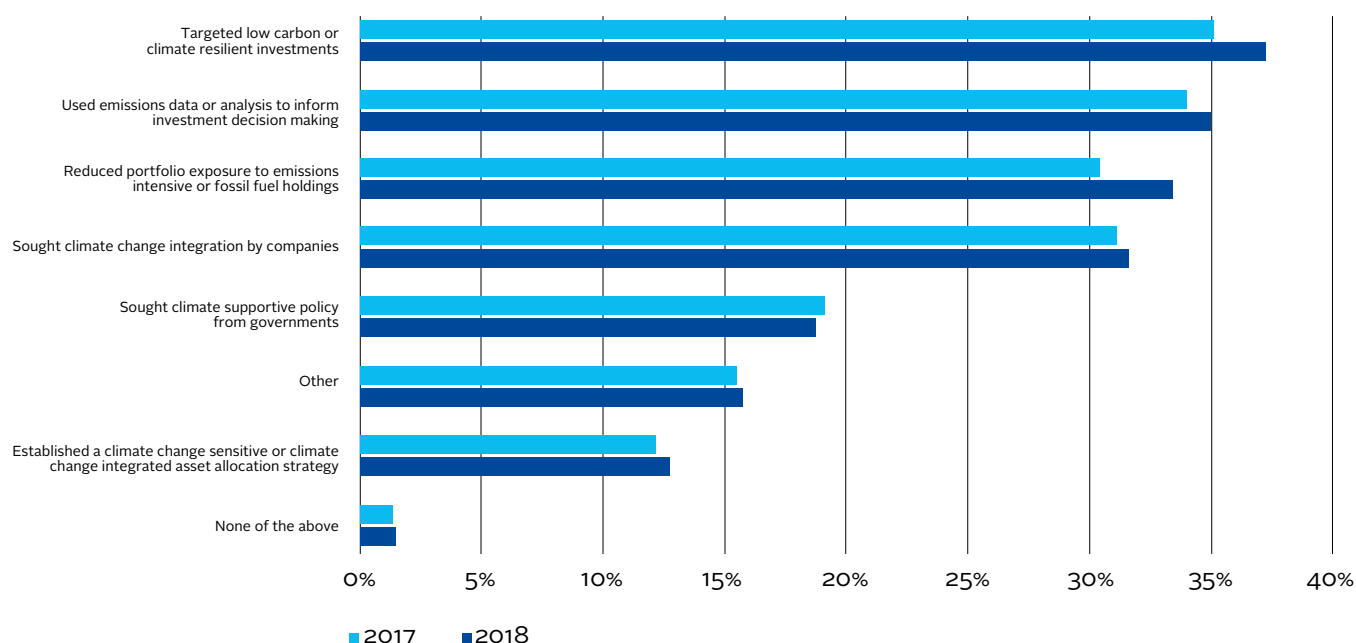
We developed the Investor Agenda in partnership with: Asia Investor Group on Climate Change, CDP, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change and UNEP Finance Initiative

GET INVOLVED

ACTIVE OWNERSHIP ON CLIMATE RISKS

Investors have a critical role to play in insisting that companies take action to limit the risks and maximise the opportunities of climate change.

Activities signatories report they undertake to combat climate change



As part of the engagement area of the Investor Agenda, we launched Climate Action 100+ at the One Planet Summit, a five-year initiative led by investors to engage with the world's largest corporate greenhouse gas emitters. The initiative aims to improve governance on climate change, curb emissions and strengthen carbon-related financial disclosures. To date, 279 investors representing nearly US\$30 trillion in assets have signed up.

[SIGN UP](#)

IDENTIFYING STRANDED ASSETS

Along with Carbon Tracker, we released the ground-breaking report *2 degrees of separation: transition risk for oil & gas in a low carbon world*. It is the first tool to rank the oil and gas industry company by company and identify where shareholders' money could be most exposed to the low-carbon transition. It found that five of the six largest oil companies risk wasting more than 30% of possible spending on upstream projects that are high cost and surplus to supply needs in a 2 degree world.

[MORE INSIGHTS](#)

DRIVING DISCLOSURE

Without better climate disclosure, investors cannot manage the physical and transition risks associated with climate change for their clients and beneficiaries. Last year, the Task Force on Climate-related Financial Disclosures (TCFD) released a set of recommendations for the transition to a low-carbon economy, providing a framework for financial disclosures by companies and investors.

Nearly 400 investors representing US\$22 trillion in assets have publicly called on the G20 to support the Paris Agreement, drive investment into the low-carbon transition and support the TCFD recommendations.

With Baker McKenzie, we reviewed a number of markets – France, the US, the UK, Japan, the European Union, Canada and Brazil – to gauge how the TCFD recommendations could be implemented.

The reviews found that climate change is a material risk and that the TCFD recommendations will significantly help the implementation of material risk disclosure regulation for companies.

[READ THE REVIEWS](#)

To support investor disclosure, we have aligned our Reporting Framework with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This marks an important step forwards on tackling climate change and recognising the risks – and opportunities – climate change brings.

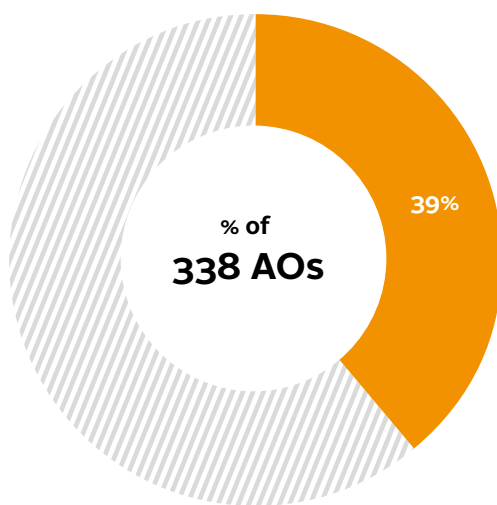
Pilot reporting against the new indicators will help signatories:

- inform climate strategy and investment practices;
- align with the TCFD recommendations;
- demonstrate climate reporting gaps;
- implement emerging best practice.

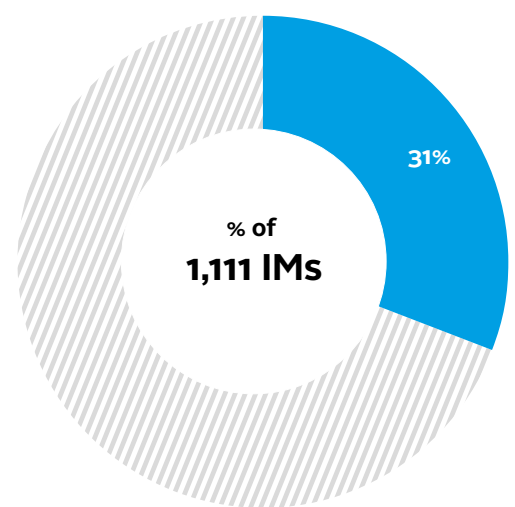
Out of the 1,514 reporting signatories this year, over 450 (28% AO, 72% IM) opted into submit information.

Percentage of signatories that reported on the new TCFD-aligned climate indicators

Asset owners



Investment managers



A TICKING CLOCK

Time is not on our side to halt the devastating effects of climate change. The only way to do this is to bend the emissions curve by 2020 – something that will require [US\\$800 billion](#) in private resources each year. But for investors to change the direction of travel, they must have a deep understanding of the current state of play.

We released the report *Investor action on climate change*. It found that while momentum is strong (in 2017, 74% of asset owners stated they see climate change as one of the most important long-term trends for investments), more urgent investor action is required.

[READ THE FULL REPORT](#)

THE ROLE OF STOCK EXCHANGES

Stock exchanges also have an important role to play in stopping climate change as they can promote green products and services that mobilise financial resources for climate action. In collaboration with the Sustainable Stock Exchanges initiative, we published guidance to provide stock exchanges in any market with a solid platform to ensure the development of green finance initiatives and to support the Paris Agreement.

[READ THE GUIDELINES](#)

A PROSPEROUS WORLD FOR ALL

ENABLE REAL-WORLD IMPACT ALIGNED WITH THE SDGs



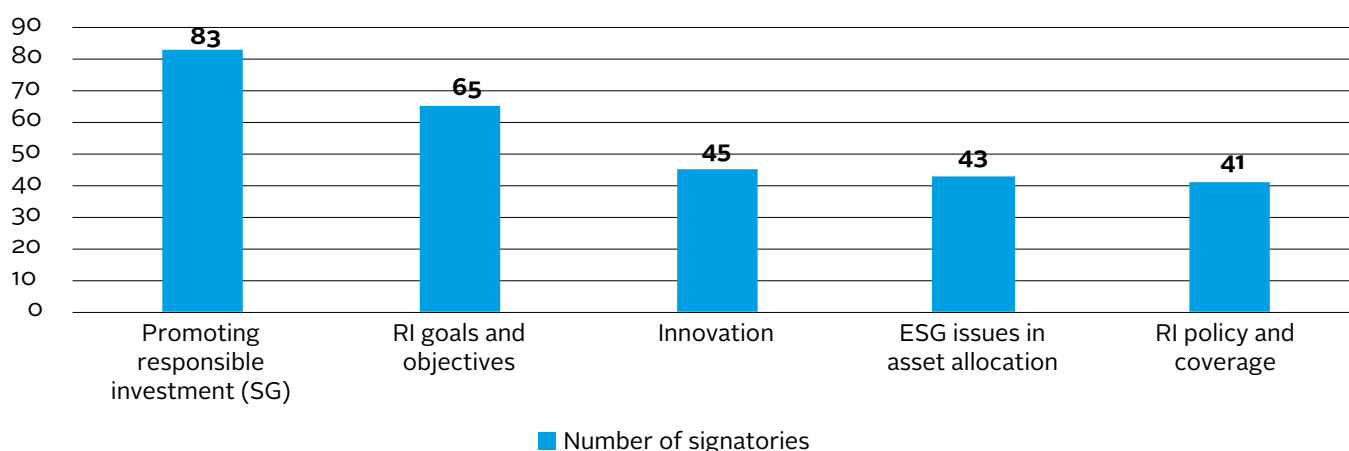
Driving sustainable development in line with the UN SDGs will create a more prosperous world, to live in today and to pass on tomorrow

GALVANISING A POWERFUL SUSTAINABLE DEVELOPMENT AGENDA

The UN's Sustainable Development Goals (SDGs) are the globally-agreed set of goals to solve the world's most pressing problems – issues such as ending poverty and protecting the planet from climate change. Over the next 15 years, governments around the world will mobilise efforts to achieve these 17 targets, but the public sector can't do this alone; it is clear that investors have a central role to play in achieving the SDGs.

To strengthen the link between the work of responsible investors and sustainable development in the real world, we will connect our work to the SDGs, and enable signatories to do the same. For example, we have been developing an SDG self-assessment tool: a questionnaire through which investors can consider how the SDGs are embedded into their investment policies.

Top five sections in the Reporting Framework where signatories mention the SDGs



THE INVESTMENT CASE

Although momentum around the SDGs is strong, investors may still ask how contributing to them can help them fulfil beneficiaries' expectations around risk-adjusted returns.

To counter this, we launched the report, *The SDG investment case*. It showed that the investment case for the SDGs is clear:

- They are a framework for advancing responsible investment
- They are an unavoidable consideration for “universal owners”
- They will drive economic growth
- They can be used as a risk framework
- They can be used as a capital allocation guide

The report highlights that not only should the SDGs serve as a list of the material ESG factors that should be considered as part of fiduciary duty, but that providing solutions to the world's sustainability challenges offers long-term investment opportunities.

“Since the launch of the Principles for Responsible Investment in 2006, the preamble to the Principles has said: ‘We recognise that applying these Principles may better align investors with broader objectives of society.’ Never before have these ‘broader objectives of society’ been more clearly defined than in the SDGs.”

The SDG investment case

[READ THE INVESTMENT CASE IN FULL](#)

AN ENABLING ENVIRONMENT



| Developing how we work to better support signatories

KEY TARGETS

185 substantive mentions in the mainstream press (PRI target: 60)

19 bylined articles (PRI target: 12)

11,112 shares across all our social media profiles (PRI target: 4,000)

We continue to position the PRI and our signatories as thought leaders on topics a range of ESG issues. In the past year, we have seen enhanced coverage of the PRI's activities in France, Germany and Asia. We have also continued to focus on generating coverage in the US, one of our key markets.

STANDOUT COVERAGE

FINANCIAL TIMES, 200 LARGE INVESTORS URGE G7 TO KEEP CLIMATE CHANGE PROMISES

| “With the US threatening to pull out of the Paris climate agreement next week, now is the time for investors to make their voices heard by encouraging governments to stand firm on their commitments to the accord.”

| Fiona Reynolds, CEO

FINANCIAL TIMES: INVESTORS WAKE UP TO OUTCRY OVER UNEQUAL PAY

| “Society is calling on fund managers to be more engaged. The public is now more aware of wealth inequalities than they were before.”

| Graeme Griffiths, director, global networks and outreach

REUTERS: PEAK OIL? MAJORS AREN'T BUYING INTO THE THREAT FROM RENEWABLES

| “We think it will be a real challenge for these companies to change their business models [to focus on renewables].”

| Nathan Fabian, director, policy and research

SYDNEY MORNING HERALD: GET ACTIVE OR GET DELISTED

| “You own the company, you need to get actively involved. It's not that you are trying to run the company, it is not to say you can solve every problem in the world, but you can have an impact.”

| Fiona Reynolds, CEO

SOUTH CHINA MORNING POST: CONTRARIAN EXTRAORDINAIRE? JIM ROGERS SAYS THERE'S UPSIDE IN THIS INDONESIAN COAL MINER

“The reality is that fossil fuels will still be needed for several more decades. Divestment on a global scale simply isn't an option without triggering serious volatility and asset price risks that will impact every fund and beneficiary.”

Fiona Reynolds, CEO

LE FIGARO: CLIMATE DES INVESTISSEMENTS MENACÉS PAR LA LIMITATION DU RÉCHAUFFEMENT

“Jusqu'à présent, les investisseurs dans des compagnies pétrolières et gazières étaient dans le noir concernant leur exposition au risque climatique.”

Nathan Fabian, director, policy and research

30% increase in Twitter followers

33% increase in LinkedIn followers

SUPPORTING LOCAL MARKETS

To support our rapidly-expanding signatory base effectively implement the Principles, we brought in additional resources in Beijing, London and The Hague, with plans to add network managers in Bogota, Madrid and Italy.

A new signatory relationship management programme saw us hold meetings with over 700 signatories to help them get more out of their PRI membership.

AN ENGAGED, PASSIONATE WORKFORCE

KEY TARGETS

75% staff engagement score (PRI target: 70%)

9% staff turnover rate (2017: 14.3%)

The PRI has a committed workforce of over 100 people, with a presence across the world. The results of our 2017 staff survey showed that our people are highly engaged and have a real desire to not only support our global network of signatories, but to continue advancing responsible investment.

We maintained the same staff engagement score – 75% – as our last staff engagement survey in 2015. This is encouraging, particularly given the rapid growth we have sustained over the past three years, something that can often cause uncertainty or disruption.

Scores showing the extent to which our staff are personally motivated to help make the PRI succeed were extremely high – 89%. This is testament to the people we have in our organisation and our mission-driven culture. To this end, we were delighted to see the healthy improvement of our turnover rate – a drop from 14.3% to 9%.

OUR ACTION PLAN

Despite this overall positive picture, the survey results revealed areas for improvement. Scores showing how well staff feel able to develop were lower than desired – 69%. Internal communication also needs to be improved.

To counter this, we will:

- encourage line managers to discuss learning and development needs more with direct reports;
- fund significant training courses such as the CFA Institute designation and Masters degrees;
- provide more opportunities for on-the-job development and identify more secondment assignments for staff.

To enhance internal communications, we:

- have been developing a new HR system where all internal communications and development opportunities will be housed.

To ensure we keep abreast of how staff are feeling, we will start to run pulse surveys every year, as well as the staff satisfaction survey every two years. This will help us be more reactive to specific issues.

LEADING BY EXAMPLE



We're committed to leading by example on the ESG front. For example:

- We introduced a number of new HR policies including discipline, grievance, flexible working, dignity at work and whistleblowing.
- Our gender pay gap is virtually zero and we constantly look for ways to champion gender equality. For example, we will introduce initiatives to make it easier for men to do more care-giving roles outside of work. Our CEO and board also rang the bell for gender equality at the London stock exchange on International Women's Day.
- Staff run environmental, human rights and employee engagement committees where they discuss and implement ways to effect positive change in the organisation.

GDPR COMPLIANCE: READY FOR THE NEW LEGISLATION

From 25 May, all companies that collect data on citizens in the European Union had to comply with strict new data protection rules. To ensure that we are GDPR-compliant, we:

- implemented new policies for data protection, security and retention;
- created an organisation-wide data retention policy;
- introduced a process for accessing data;
- launched staff awareness training.

GOVERNANCE



| Ensuring the PRI's accountability to signatorie

CHAIR



Martin Skancke
Independent
Appointed until 2020

DIRECTORS ELECTED BY ASSET OWNERS



Angela Emslie
HESTA (Australia)
Elected until 2018



Eva Halvarsson
AP2 (Sweden)
Elected until 2019



Marcus Madureira
PREVI (Brazil)
Elected until 2020
(resigned July 2018)



Priya Mathur
CalPERS (US)
Elected until 2020



Hiromichi Mizuno
GPIF (Japan)
Elected until 2019



Renosi Mokate
GEPF (South Africa)
Elected until 2020



Xander den Uyl
GEPF (South Africa)
Elected until 2020

DIRECTORS ELECTED BY NON ASSET OWNERS



Sandra Carlisle
HSBC (UK)
Elected until 2018



Tycho Sneyers
LGT (Switzerland)
Elected until 2020



Peter Webster
Vigeo Eiris (France)
Elected until 2019

PERMANENT UN ADVISORS



Lise Kingo
UN Global Compact



Eric Usher
UNEP FI

CHAIR INTRODUCTION

The PRI Board is working well and we are constantly working to improve our performance. The board agreed five priorities for 2017/18:

PRI 2018-21 STRATEGY

The board discussed the strategy over a series of meetings. The board provided guidance on critical elements for the strategy and reviewed the executive's draft proposals. The PRI's 10-year Blueprint was the framework for our strategic discussions, with a focus on the priorities and resources to start effectively implementing the Blueprint objectives. During these discussions the board has also been considering the strategy through the lenses of signatory value and regional specificity (rather than a one size-fits-all approach to implementation). The board has also considered at length how to measure the PRI's success against the Blueprint objectives. The PRI will aim to give a holistic picture of progress made, using qualitative and quantitative reporting. Our reports on progress will be candid and open, an opportunity to be self-critical, invite signatory participation and challenge signatories to act. [The 2018-21 strategy](#) was approved by the board post signatory consultation.

ASSET OWNER RECRUITMENT

From its inception the PRI's theory of change has been that asset owners can drive responsible investment through the investment chain. Thirty-nine new asset owner organisations signed the Principles in 2017/18, above the target of 38 new asset owner signatories (gross). This positive outcome is the result of solid foundations, meaningful conversations with prospective signatories takes time. Once an organisation does sign we are keen to ensure that signatories make the best use of the PRI's resources. The asset owner consultation, a survey and series of roundtables from March to July this year, is seeking to understand better how the PRI can empower asset owners, the ESG issues that are important to asset owners and the PRI 'services' that these signatories find useful. We hope that the results of this consultation will both reinforce existing efforts and help us to develop new area of support to empower asset owners.

THE PRI'S GEOGRAPHIC REACH

The PRI continues to expand its support for signatories in their local networks. Signatories report that they derive a lot of value from local PRI network support that understands the dynamics and priority ESG issues in their respective markets. Over the past year the PRI has added network staff in Beijing, London and The Hague. The board had an outreach and fact-finding focused meeting in June in Beijing. The aim was to develop a deeper knowledge of the Chinese market to form the basis for the PRI's strategy in China. There are already a number of informational exchange initiatives underway and I think that a lot of ESG and responsible investment issues really resonate in China at present. We will keep signatories informed of key planned initiatives in China.



Outreach to leaders within signatories and non-signatories. My priority over the past year has been outreach to Asian markets. I have met with signatories, potential signatories and important stakeholders in China, Korea, Malaysia and Singapore. These meetings, accompanied by PRI staff, are building relationships at the leadership level and developing our understanding of the respective markets. I attended the International Forum of Sovereign Wealth Funds annual meeting and continue to be a member of the FSB Taskforce on Climate-related Financial Disclosure (TCFD). Climate change is the number one ESG issue for our signatories. I think that the close collaboration between the TCFD and the PRI has been very beneficial for both the development of the framework itself and signatories' understanding of climate risk.

EXECUTIVE OVERSIGHT AND SUPPORT

The board has oversight of the implementation of the strategy principally via the management report, a standing item for every board meeting. The report is an opportunity for the CEO to raise issues of concern or big issues on the horizon, seek advice and to celebrate recent achievements. Routine reports within the management report include: key performance indicators; updates on key initiatives; recent and forthcoming publications; quarterly signatory update; financial accounts; partnerships and fundraising updates; human resources report.

The board continues to put considerable effort into improving its effectiveness. The PRI's Articles mandate that the board conducts a periodic external assessment of its effectiveness. In April 2018 the PRI retained Nestor Advisors to facilitate the review. I am glad to report that the reviewers concluded that the PRI has a well-functioning board with committed and engaged board members. However, board members feel that they can perform better as PRI ambassadors, with better support from the executive. To maintain engagement and quality of discussion the board wants to meet more frequently, raising their commitment from three to four in person meetings annually. The review also identified recommendations on how the board committees and Executive can more effectively support the board.

I would like to thank the directors that departed the board in December 2017, Marcel Barros (PREVI) and Geeta Ayier (Boston Common Asset Management) for their valuable input during their terms. The PRI hopes to continue to benefit from the expertise of the departing board directors.

At the start of this year we welcomed two newly elected and two re-elected directors that will bring their perspectives, skills and knowledge to the board:

- Marcus Madureira, Planning Director, PREVI (Brazil) *(elected for a first term)*
- Priya Mathur, Board President, CalPERS (US) *(re-elected for a third term)*
- Renosi Mokate, Chairperson of the Board of Trustees, Government Employees Pension Fund (South Africa) *(re-elected for a second term)*
- Tycho Sneyers, Managing Partner, LGT Capital Partners (Switzerland) *(elected for a first term)*

In this year's election there are three asset owner positions and one investment manager position up for election. Skills, experience and diversity are critical to a high performing board. The PRI is a global organisation, and aims for global representation on its board, particularly within the asset owner positions. For the extra asset owner position, due to the resignation of Marcus Madureira (PREVI, Brazil), the board is encouraging candidates from South America.

The board is encouraging all candidates with leadership and governance experience. Candidates will also be asked to elaborate in their statements on their demonstrated leadership within responsible investment, ESG expertise and other experience relevant to the long-term success of the PRI. The current gender balance amongst the elected directors is fairly evenly balanced (six males; five females). However, two female directors are coming to the end of their first terms in 2018. The board is therefore also encouraging female candidates.

Signatory participation in the signatory voting in October and November is important. The PRI is a membership organisation and to continue to thrive we need to engage signatories with relevant work and activities, and signatories need to keep engaged and active in our governance. The PRI will be asking signatories to elect four new directors, approve the SGM minutes, confirm the auditor and vote for the PRI Annual Report and Accounts.

I encourage you to read the full board report. The report is an overview of the work undertaken by the board over the past year, how we work together and with the executive. The report includes our focus on organisational purpose; the leadership of the board; integrity measures; decision-making processes, risks and controls; actions to improve our effectiveness; how we are thinking about board diversity and communicating this to signatories; and our efforts to be open and accountability to signatories.

If you would like to discuss any aspect of the PRI's governance with me or have any questions about the proposals for my second three-year term, please feel free to email me at governance@unpri.org.

Martin Skancke,
PRI Chair

BOARD DISCUSSIONS DURING THE YEAR

STRATEGY

- 2018-21 PRI strategy, long-term funding and measures
- Signatory accountability – minimum requirements
- Showcasing signatory leadership
- PRI Academy
- Fiduciary duty in the 21st century
- Stewardship codes and the PRI's role
- Sustainable Stock Exchanges
- Sustainable Development Goals
- High-Level Expert Group on Sustainable Finance
- Principles for Investors in Inclusive Finance
- Service Provider reporting via the PRI Reporting Framework
- PRI Reporting Framework and TCFD alignment
- Investment consultants sustainable financial system project
- Asset owner recruitment and coverage
- US market
- PRI in Person

GOVERNANCE

- Signatory categorisation guidelines
- Signatory accountability - serious violation of the Principles
- Chair second term nomination
- Signatory General Meeting key messages
- Whistleblowing policy
- 2017 PRI Board election results
- 2018 PRI Board elections guidance and process
- CEO performance assessment
- Chair performance assessment, contract and priorities
- Signatory and stakeholder interaction
- PRI Board committee reports



OPERATIONS

- Chair report
- Management report
- Executive pay review and pension contributions
- 2018-19 budget and mid-year review
- Staff engagement survey results
- Human resources policies

2018 SIGNATORY GENERAL MEETING

PRI BOARD REPORT

AGENDA

The 2018 Signatory General Meeting (SGM) will be at 10:45-12:15 on Wednesday 12 September 2018 in the San Francisco Marriott Marquis, as part of PRI in Person.

1. PRI BOARD REPORT

Martin Skancke, Chair, PRI Board
(10:45-11:00)

2. MANAGEMENT AND FINANCIAL REPORT

Fiona Reynolds, CEO, PRI
(11:00-11:30)

3. Q&A

Martin Skancke, Chair, PRI Board and Fiona Reynolds, CEO, PRI
(11:30-12:00)

4. 2018 BOARD DIRECTOR ELECTIONS

Martin Skancke, Chair, PRI Board
(12:00-12:15)

The PRI wants to encourage an active dialogue between signatories and the Board. The SGM, the annual general meeting of signatories, is an important forum for communication between the board and signatories. The board encourages signatory participation, either in person, via webcast or for those outside the time zone by submitting questions in advance. The SGM is an opportunity for the board to report to signatories on the PRI's strategy and its implementation; the work undertaken by the board and its committees; forthcoming board elections; formal consultations and any other business.

The SGM will be webcast for signatories that cannot attend in person. For more information on how to participate by webcast and submit questions in advance, email governance@unpri.org.

The PRI sought input from signatories on the Signatory General Meeting (SGM) draft agenda in June 2018 and invited signatories to contribute agenda items and resolutions to be put to a vote. No agenda items or resolutions were received by the deadline of 12 July. However, time has been set aside for signatories to ask questions. If you have detailed financial or legal questions, please submit these by 10 September to governance@unpri.org.

PRI BOARD REPORT

DELIVERING ON ORGANISATIONAL PURPOSE

The board remains focused on the PRI's purpose and long-term strategy. Board agendas are set by the Chair, with input from the Managing Director, and are structured to focus on the PRI's strategic issues. The board has agreed to a high-level agenda for the 2018-21 strategy cycle. The aim is to ensure that the Board systematically engages with each Blueprint objective (as well as the strategic enablers) during the three-year strategy cycle. The agenda items planned for later in the cycle are more indicative. At every March meeting the Executive will present a qualitative and quantitative assessment of progress against the nine Blueprint objectives.

Key strategic discussions

The board had a number of key strategic discussions throughout the year:

- 2018-21 strategy. At the June 2017 meeting the board provided guidance to the Executive on the priorities and resources for the next three years. Key elements for the consideration of the Executive:
 - ESG integration remains core to the PRI work.
 - Importance of empowerment of asset owners.
 - Global strategy, with complimentary tailored regional strategies.
 - Signatories at different stages of the RI journey.
 - Core work, non-core work and value adding extra funding requirements.
 - How to effectively communicate with signatories.
 - Key partners for the PRI.
 - Organisational structure, skills and experience that will deliver the strategy.
 - Plan for signatory growth and levels of core reserves over the 3 years.
 - Measures of success.

At the September 2017 meeting the board provided feedback on the first draft 2018-21 strategy, particularly on the level of ambition, the need for focus on signatory value, progress and impact, the importance of an effective digital strategy, the role of the PRI networks, and how to best leverage the PRI's convening power. Signatories were consulted on the 2018-21 draft strategy after the September meeting. The board approved the strategy, post-consultation, at the November 2017 meeting.

- **10-year Blueprint and 3-year strategy measures.** Board discussion concentrated on the level of ambition, attribution of the PRI's impact, prioritisation of activities that will contribute to the measures and how the three-year measures build towards the ten-year outcomes. The board agreed that framing the ten-year measures is difficult. The framing requires a broader qualitative context and analysis, which the quantifiable measures will contribute towards. Otherwise there is a risk that the board, Executive and / or signatories focus too much on what can be measured and these are the only indicators of success (or not), rather than a more holistic picture. The board proposed that the Executive present to the board an annual qualitative and quantitative assessment of progress against the nine Blueprint objectives. This could include an assessment of PRI actions, the external environment, signatory engagement, resources deployed or required and a traffic light rating. This will be an opportunity for the Executive and board to question the theory of change assumptions for each objective. The presentation to signatories, via the annual report and Signatory General Meeting, on progress against the nine objectives should be candid and open. The report on progress will be an opportunity to be self-critical, invite signatory participation and challenge signatories to act.
- **2018/19 budget.** The Blueprint for responsible investment sets out our high-level ambitions for the next decade. The 2018/19 budget represents the first of the 2018-2021 planning cycle. The budget for the financial year provides for: strengthening of PRI capacity and expertise in key markets; growth of the Sustainable Financial System and SDG work programmes; growth in policy and research work; a continuing investment in education and the PRI Academy; further development of the PRI's digital capabilities, including ongoing development of the collaborative engagement platform; and improvement in the company pension scheme, which also reflects new auto-enrolment legislation. The proposed budget plans for a loss of c.£450k. The board discussed the risks set out in the budget paper, including falling AUM and shifting fee bands, and exposure to growth in signatory numbers. The board approved the budget and discussed longer term plans, including signatory fees for 2019 and beyond. The PRI has an ambitious Blueprint, endorsed by signatories, and certain areas have required a growth in funding. The board agreed that new investment should provide signatory value, such as the investment in digital and networks staff. Nonetheless there should be efficiencies to be gained across the organisation and there is potential for increased grant funding.

- **Signatory accountability – minimum requirements.** The board discussed the proposed measures to enhance signatory accountability as well as the means, timeline and risks inherent in this process. The advantage of the proposed approach is that the clear criteria are binary, based on self-assessment and there is no element of judgement. The board agreed that the accountability measures were necessary, but the PRI should not place too much emphasis on the measures. The board stressed the importance of effective communication on the accountability measures: the PRI's core work is to drive responsible investment through a market approach; the objectives of the accountability measures are to encourage signatories to implement the Principles, as well as protecting the credibility of PRI initiative by delisting signatories that are taking no action.
- **Showcasing leadership.** The PRI committed in the Blueprint to showcasing leadership and increasing accountability. The PRI plans to showcase leadership via awards and via reporting framework data. The showcasing leadership programme is scheduled to be launched at PRI in Person 2019.
 - *Showcasing leadership via awards.* Awards one means of rewarding leadership and highlighting top performers. The aim is to share examples of best practice to educate and inspire the signatory base. Awards will be project-based, self-nominated and independently judged. The board advised the Executive to start with a small number of awards and develop the programme over time. The board agreed to the awards process as set out.
 - *Showcasing leadership via reporting framework data.* The board had a series of discussions on this aspect of showcasing leadership, exploring the proposed leadership criteria, the recognition of leadership and the range, depth and variety of leadership examples that might be showcased. The board agreed that showcasing leadership via the reporting framework should focus on educational benefits and highlight selected leadership topics.
- **Sustainable Development Goals.** The board had several discussions on the progress of the PRI SDG programme and future direction. The PRI has already undertaken a number of initiatives: established of the SDG Advisory Committee; published the SDG Investment Case¹; completed the [Megatrends study](#) (with Willis Towers Watson) of which SDGs were a key element; established the Global Alliance for SDG Finance, with UNGC and UNEP FI; and supported the “Action Platform Reporting on the SDGs”, co-led by the UNGC and GRI. The board had a broad discussion on the SDGs and how the PRI can best enable real-world impact aligned with the SDGs. There are numerous SDG aligned initiatives. The board agreed that the PRI needs to be consistent and avoid adding to potential SDG fatigue. The board agreed that to provide signatory value the PRI's SDG guidance must be investor relevant. Possible areas for the PRI to explore include: mapping investor relevant elements of national SDG plans; a unifying framework to measure and report on SDG impact; sharing concrete examples of investor action on the SDGs; thought leadership on how to make SDGs integral to investment policy and decision-making.

During the year the board received presentations and updates on ongoing programmes, including: PRI Academy progress; the Sustainable Stock Exchanges initiative; the development of the Reporting Framework to include Service Provider reporting and the alignment with the TCFD framework; the Fiduciary Duty in the 21st Century project; work to drive ESG integrated investment consulting services; and asset owner coverage and recruitment. The board also received a presentation on the progress of responsible investment and the PRI in the US market.

¹ https://www.unpri.org/download_report/42251

LEADERSHIP

The board is collectively responsible for the long-term success of the PRI, in particular:

- establishing the PRI's mission, vision and values;
- setting the strategy, risk appetite and structure;
- delegating the implementation of the strategy to the PRI Association Executive (the Executive);
- monitoring the Executive's performance against the strategy;
- exercising accountability to signatories;
- being responsible to relevant stakeholders.

Matters reserved for Board approval are listed in the Directors' Terms of Reference. There are clear division of responsibilities and roles set out in the terms for the Chair, Directors, Permanent UN Advisors and Managing Director.

PRI Board agreed policies

- [Chair's Terms of Reference](#)
- [Code of Ethics](#)
- [Directors' Terms of Reference](#)
- [Diversity Policy](#)
- [Election Rules](#)
- [Human Rights Policy](#)
- [Grant Policy](#)
- [CEO Terms of Reference](#)
- [Permanent UN Advisors' Terms of Reference](#)
- [Procurement Policy](#)
- [Signatory Accountability rules](#)
- [Signatory Categorisation Guidelines](#)
- [Signatory Rules](#)
- [Signatory General Meeting Rules](#)

The board has agreed to a set of organisational values. All staff receive 360° feedback from a survey focusing specifically on behaviours, through the lenses of competencies and values. This is designed to bring objectivity and the values into the appraisal process and the feedback will contribute toward each performance evaluation.

THE PRI'S SIX CORE VALUES

PRINCIPLES DRIVEN

The Principles underpin our work and provide an opportunity to contribute to a more sustainable society

AUTHENTICITY

We are true to our organisation, its mission and ourselves

COOPERATION

We work together constructively with mutual respect and enthusiasm

OPENNESS

We welcome diversity and expect transparency in our activities

EMPOWERMENT

We support and encourage each other to perform to the best of our abilities

RESPONSIBILITY

We take ownership for our actions and outcomes

Commitment

All Board directors and the UN permanent advisors remain committed to their roles on the PRI Board. The board met three times in person and once via conference call during the year. Time commitment expectations have been more clearly articulated in the election materials and attendance at board and committee meetings is good.

Board members also devote a significant amount of time to signatory meetings alongside the board meetings and within their local markets. All board members are required to be present at the Signatory General Meeting. For more information on the attendance records see the [tables below](#).

INTEGRITY

Board directors must abide by the Code of Ethics and the Directors' Terms of Reference. Also, every election candidate is asked to state that they "Will not bring the PRI Board or PRI Association into disrepute if elected". At every meeting, Board directors are given the opportunity to declare relevant interests, which are recorded in the register of interests. Interests can include commercial relationships between Board members or between the Chair and signatory organisations.

The board also discussed how to maintain the integrity of the PRI in the scenario where a signatory acts in a manner that is counter to the spirit of the initiative. The PRI's integrity is dependent both on the actions of the PRI and collective commitment and good efforts of PRI signatories to the PRI, its objects and the implementation of the Principles. Signatories were consulted on a Serious Violations Policy², one means to safeguard the reputation, integrity and good efforts of the PRI and its signatories. The purpose of the formal policy is to provide the board and Executive with a formal process to reference when there is an allegation of a serious violation; and assurance to signatories that there is a process and predictable response to a serious violation.

DECISION-MAKING, RISK AND CONTROL

Delegation and control

The board approved the new Signatory Accountability rules³. The new rules set out the minimum requirement criteria and the formal process for engagement and at a last resort delisting.

The board also approved five new or revised HR related policies during the year:

- Grievance policy
- Discipline policy
- Flexible Working policy
- Whistleblowing policy
- Dignity at Work policy

These policies were recommended by the HR and Remuneration committee. For a summary of the committee's work see [here](#).

Risk

The Finance, Audit and Risk committee reports to the Board at every meeting on changes to important operational risks. The committee also asked the Executive to consider the strategic risks associated with the nine Blueprint objectives. These strategic risks will be integrated into future board discussions on the Blueprint objectives. For more information see the committee report [below](#).

Management report

The Board has oversight of the implementation of the strategy principally via the management report, a standing item for every Board meeting. The report is an opportunity for the CEO to raise issues of concern or big issues on the horizon, seek advice and to celebrate recent achievements. Routine reports within the management report include: key performance indicators; updates on key initiatives; recent and forthcoming publications; quarterly signatory update; financial accounts; partnerships and fundraising updates; human resources report.

² https://www.unpri.org/Uploads/z/a/a/PRI-consultation_Serious-violations-policy.pdf
³ <https://www.unpri.org/Uploads/p/j/v/2018-Signatory-Accountability-Rules.pdf>

BOARD EFFECTIVENESS

2016 Board self-assessment

The 2016 survey was structured into three parts:

1. Effectiveness of the Board against Board goals and role:
 - a) Strategic plan and oversight of the implementation
 - b) Monitoring operations, including risks
 - c) Signatory relations and rights
 - d) Elements of Board effectiveness
 - e) Board behaviours and dynamics
2. Narrative questions (PRI Board strengths; how to increase the Board's effectiveness: focus areas for the next year; suggestions for Board specific training)
3. Self-reflection on performance

The results were generally positive. The board discussion of the assessment results celebrated the reported strengths of the PRI Board (Chair leadership, positive relationship between the Board and Executive, and oversight of the PRI's governance), explored divergent opinions and collectively agreed on measures to improve the Board's effectiveness. The board agreed to several measures to improve its effectiveness.

Measures to improve effectiveness (2017)		
Area	Action	Progress
Mission	Focus on mission	Focus on the 2018-21 strategy at the July, September and December 2017 Board meetings.
Diversity	Encourage diversity of viewpoints	Board discussions structured, where possible, to allow for better utilisation of the geographic diversity of perspectives and skills of the directors.
Board role	Increase Board outreach & ambassadorial role	A 'Signatory and stakeholder interaction' agenda item has been introduced into the Board agenda, for Board members to provide their feedback on recent meetings and conversations with signatories as part of their ambassadorial roles.
Participation	Improve board and committee participation	<ul style="list-style-type: none"> ■ More interactive Board sessions planned. ■ Creating a sense of trust and cohesiveness amongst the Board, through Board only dinners and restricting the number of Executive in attendance at the Board meetings. ■ Better committee planning of the annual committee meetings and scheduled agenda items.
Board papers	Improved Board papers	Better guidance to the Executive for more analytical and strategic board papers.
Committees	More effective committees	<ul style="list-style-type: none"> ■ Revised committee paper format. ■ Revised committee paper vetting process. ■ Better use of committees' delegated authority.
Board goals	Set Board goals for the forthcoming year	<p>The Board agreed to five focus areas for 2017:</p> <ol style="list-style-type: none"> 4. PRI 2018-21 strategy 5. Asset owner recruitment 6. PRI's geographic reach 7. Outreach to leaders within signatories and non-signatories 8. Executive oversight and support

2018 Chair assessment

The Chair assessment was led by the Skills, Diversity and Elections committee. The assessment was structured into three areas:

- 1) Leadership of the Board, ensuring its effectiveness and working with the Executive;
- 2) Performance on the agreed three priorities for the chair in 2017:
 - I. Oversight of the development of the 2018-21 PRI strategy, aligned with the Blueprint objectives;
 - II. Asset owner recruitment; and
 - III. Signatory and stakeholder engagement in the US, Emerging markets and Asia.
- 3) Feedback on focus activities for the Chair in 2018/19.

The results were very positive on the leadership of the Board and performance on the agreed three priorities. Board members agreed four priority areas for the Chair in 2018:

- I. Leadership of the Board (inc. working with the Executive on strategy)
- II. Climate strategy (including the chair's role on TCFD role)
- III. Sustainable Development Goals strategy
- IV. Strategic asset owner recruitment

2018 PRI Board external review

The PRI Articles require the board to instruct an independent expert to conduct, and report in writing on, an independent review of the functioning of the Board every 3-4 years and the Chair must report the results of the independent expert's review to the next Signatory General Meeting. In April 2018 the PRI retained Nestor Advisors to facilitate the external assessment of the effectiveness of its Board.

All board members took part in an online questionnaire. This questionnaire largely echoed the 2016 assessment survey for ease of comparison. Nestor Advisors then conducted 1-1 interviews with all board members and selected members of the Executive. The review analysed the performance of the board according to six themes, identified as the necessary elements for a board to engage, direct, decide and control:

- A. **Role of the Board and Directors.** Role of the board vis-à-vis strategy development, oversight of financial/operational performance, operations and finance allocation, effective oversight of controls and risk management, interactions with management, strategic HR.
- B. **Board Relationships.** Interactions with signatories and other stakeholders, interactions with the UN.

- C. **Board Composition and skills.** Board size, board skills, director profiles and skills, representation of signatory classes.
- D. **Board Functioning and Dynamics.** Meeting length, number of meetings, agenda setting.
- E. **Board Processes and Support.** Minutes, board papers, director workload, effectiveness of board support by the secretariat & management, induction processes, board evaluation processes, board training.
- F. **Board Committees.** Adequacy of committee reporting to board, delegation to board committees, role of board committees.

Overall the external review concluded that the PRI Board is a well-functioning board with committed and engaged board members. There is also a perceived improvement in the functioning of the board over the past two years. (For an executive summary of the external review see [here](#).) At the June 2018 meeting the board discussed the recommendations to improve its effectiveness.

- **Ambassadorial role.** Board members agreed that being ambassadors for the PRI was an important part of their roles. Board members perform an ambassadorial role for the PRI in their own markets and abroad. To perform this role effectively, board members need to be kept better informed on an ongoing basis. This includes information on events, publications and PRI activities, across different markets, but especially in their own. The Executive could also consider how to engage board members more systematically in an ambassadorial role.
- **In person meetings.** There was a consensus that the board met too infrequently and support for a fourth in person meeting in December. The proposal is to have the two meetings in London, one meeting twinned with PRI in Person and one meeting in a signatory region.
- **Role of the committees.** Board members agreed that committees could more effectively support the board. Finding the balance between the role of the board, committees and management is an issue for most boards but there could be more clarity on the roles of the operational and strategic committees. The board agreed to review the roles of the committees and their terms of reference.
- **Strategic plan and risks.** Some board members thought that they didn't have effective oversight of the implementation of the strategy, including the implementation in different regions. The strategic risks will be addressed as part of the strategy process, during discussions on the nine Blueprint areas and part of the management reports. The Blueprint has helped the board to structure both the current strategy and future strategic discussions.
- **Board support.** The Board agreed that it is well supported by the Executive. The review has identified areas that can be improved, information provision at and between meetings, more strategic papers and the timeliness of committee papers.

DIVERSITY

The PRI Board is composed of:

- one independent Chair, nominated by the Board and confirmed by signatory vote
- ten directors:
 - seven elected by asset owner signatories;
 - two elected by investment manager signatories;
 - one elected by service provider signatories; plus
- two permanent UN advisors to the Board, representatives from the PRI's founding partners: UN Global Compact and UNEP Finance Initiative.

As set in the Diversity Policy the PRI is committed to promoting and encouraging diversity both in the work that it undertakes, promoting the implementation of the Principles, and in the Company's own operations, the board and Executive. The board aims to the appropriate balance of skills, diversity, experience, independence and knowledge of the organisation to enable it to discharge its duties and responsibilities effectively. Geographical diversity is one critical component of effective debate and decision-making. The PRI is a global organisation, and aims for global representation on its Board, particularly within the asset owner positions.

As part of the 2017 election process the PRI encouraged asset owner candidates from North America and Emerging Markets. Four female directors were coming to the end of their terms in 2017 and therefore the board encouraged female candidates to try to maintain gender diversity. In January 2018 the PRI was pleased to welcome two newly elected and two re-elected directors that will bring their perspectives, skills and knowledge to the Board:

- Marcus Madureira, Planning Director, PREVI (Brazil) (elected for a first term)

- Priya Mathur, Board President, CalPERS (US) (re-elected for a third term)
- Renosi Mokate, Chairperson of the Board of Trustees, Government Employees Pension Fund (South Africa) (re-elected for a second term)
- Tycho Sneyers, Managing Partner, LGT Capital Partners (Switzerland) (elected for a first term)

In September 2018 the Board will welcome Lise Kingo, CEO and Executive Director of the UN Global Compact as a 'Permanent UN Advisor'. Lise replaces Gavin Power, former Deputy Director at UNGC, who was instrumental in the launch of the Principles, a former PRI Advisory Council member and a permanent UN advisor to the PRI Board since its inception.

The 2018 PRI Board elections is for three asset owner positions and one investment manager position. The board is encouraging asset owner candidates from South America and all candidates with leadership and governance experience. Candidates are also asked to elaborate in their statements on their demonstrated leadership within responsible investment, ESG expertise and other experience relevant to the long-term success of the PRI. This information – as well as information on the nominating signatory, the candidate biography and statement – will enable the signatory electorate to more easily compare the skills, experience and diversity of the respective candidates.

The current gender balance amongst the elected directors is fairly evenly balanced (six males; five females). However, two female directors are coming to the end of their terms in 2018. The board is therefore also encouraging female candidates.

The candidates will be announced at the Signatory General Meeting and for more information on the elections see [here](#). The election process is overseen by the Skills, Diversity and Elections committee and more information on the work of committee is [below](#).



OPEN AND ACCOUNTABLE

Consultations

As a signatory-based organisation, the PRI encourages all signatories to participate actively in its governance and strategic direction, and provide feedback on strategically important matters via formal consultations. The PRI's Articles require the PRI to formally consult with signatories before the adoption of: its three-year strategic plan, making material changes to its governance structure, the Objects and/or Mission, the Principles or the signatory fee structure.

During the year the PRI conducted four signatory consultations.

1. Proposals and methods to strengthen signatory accountability (August-September 2017)
2. 2018-21 strategy (October-November 2017)
3. Serious violations policy (November-December 2017)
4. Asset owner consultation (March-July 2018)

The board has (or will) discuss in depth both the proposed consultations and the signatory feedback. For more information on the formal consultations see [here](#).

Formal consultations are just one means of engaging with PRI signatories. The PRI convenes numerous events and workshops. There are a number of advisory committees and working groups that overlap between regional networks, asset class specific work, work relevant to different signatory categories and ESG issues.

PRI Board as ambassadors

'A Signatory and stakeholder interaction' agenda item has been introduced into the regular Board agenda for Board members to provide their feedback on recent meetings and conversations with signatories and as part of their ambassadorial roles.

Signatory General Meeting (SGM)

The PRI annual event is an important forum for dialogue between signatories and the Board, from the more structured dialogue in the SGM that includes a Q&A, to more informal gatherings and meetings throughout the three-day event. Again, this year the PRI Board meeting in September will immediately precede PRI in Person. Board members will be introduced at the SGM and the PRI encourages signatories to get in contact with board members.

Signatories approved the [2017 Signatory General Meeting minutes](#) via an online vote alongside the Board election vote.

Board reports (April 2017 – March 2018)

After every in-person Board meeting a summary report is posted to the PRI website. These reports include the main agenda items, a summary of the Board discussion and decisions, plus the planned agenda points for the next meeting. Signatories are always invited to provide input on these future agenda items or raise additional issues for Board consideration. Below are the reports from meetings during the financial year.

- [June 2017 Board meeting](#)
- [September 2017 Board meeting](#)
- [November 2017 Board meeting](#)
- [March 2018 Board meeting](#)

PRI BOARD DISCUSSIONS AND ACTIONS IN 2017/18

July 2017 (meeting)

- Approval of PRI Executive pay review and increase to pension contributions.
- Approval of Human Resources policies: Grievance; Discipline; and Flexible Working.
- Approval of board meeting allowance.
- Discussion of the signatory categorisation guidelines.
- Preliminary discussion on the 2018-21 strategy and long-term funding.
- Discussion of signatory accountability and showcasing leadership.
- Discussion of signatory accountability, serious violation of the Principles.
- Discussion of progress on the PRI Academy.
- Discussion on 'Fiduciary duty in the 21st century', stewardship codes and the PRI's role.
- Discussion on the Sustainable Stock Exchanges initiative's strategy.
- Discussion of PRI's Sustainable Development Goals work programme.
- Discussion on the Principles for Investors in Inclusive Finance (PIIF).
- Agreement to nominate the Chair for a second term.

September 2017 (meeting)

- Mid-year budget review discussion.
- Discussion of the 2018-21 strategy and funding.
- Approval of mandatory Service Provider reporting, starting in 2018.
- Discussion of the alignment of the PRI Reporting Framework with the TCFD framework.
- Discussion of the investment consultants Sustainable Financial System project.
- Discussion of asset owner coverage and recruitment.
- Discussion of the PRI's activities and progress in the US market.
- Approval of key messages for the Signatory General Meeting.

December 2017 (conference call)

- Approval of the 2018-21 PRI strategy.
- Discussion of the alignment of the PRI Reporting Framework with the TCFD framework.
- Approval of the signatory accountability measures, the revisions to the Signatory Rules and the Signatory Accountability Rules.
- Discussion of the proposals to showcase signatory leadership.
- Discussion of PRI in Person 2018.
- Approval of a Whistleblowing policy.
- Approval of the election results.

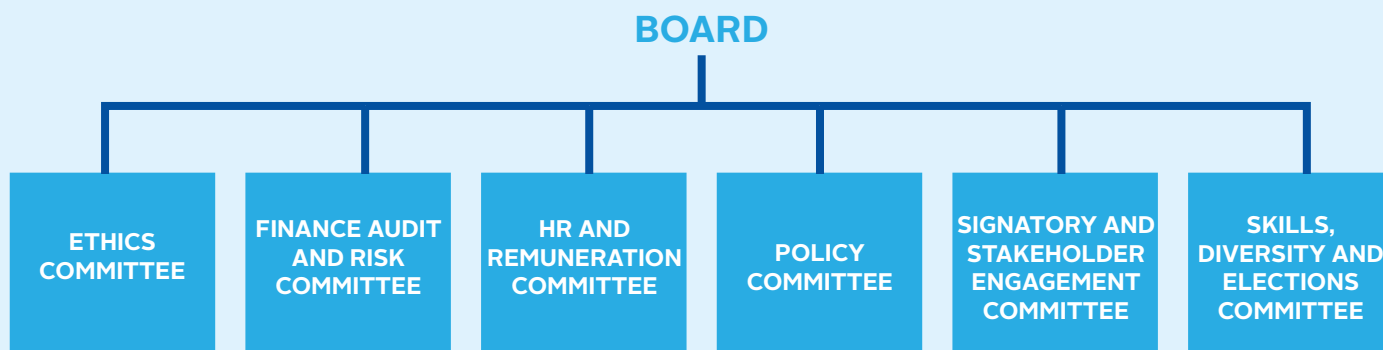
March 2018 (meeting)

- Approval of the 2018/19 budget.
- Discussion of the 2018-21 strategy measures.
- Discussion of the EU High-Level Expert Group on Sustainable Finance.
- Discussion on the PRI's Sustainable Development Goals work programme.
- Discussion of showcasing leadership via awards.
- Discussion of showcasing leadership via the reporting framework data.
- Discussion of the PRI Executive engagement survey results.
- Discussion on the signatory categorisation guidelines.
- Discussion on the 2018 elections, including skills desired and the election process.
- Discussion of the high-level PRI Board agenda for 2018-21.
- Approval of CEO priorities and time allocation for 2018/19.
- Approval of Chair contract and priorities for 2018/19.

Standing items at every Board meeting:

- Welcome from the Chair
- Declaration of interests
- Minutes
- Matters arising
- Signatory and stakeholder interaction
- Chair report
- Management report
- Committee reports
- 12 month rolling agenda
- Board in camera

PRI BOARD COMMITTEES



The Board has six supporting committees and they are critical to the Board's effectiveness. They are forums for the board and Executive to explore strategic and governance issues in depth and from different perspectives. They can give more time to issues and the work done by committees can save time at board meetings, helping the board to make more effective use of its time. Every committee has an annual work plan and calendar. The agenda, papers and minutes from every committee meeting are sent to all board members via a board portal. A report from the committees, on for information items, is a standing item for every board meeting. Recommendations from committees, that require board approval, are separate agenda items at board meetings. Each committee has a publicly available terms of reference.

Below is a summary of the work of the committees from April 2017 to March 2018.

ETHICS COMMITTEE

Members: Marcus Madureira**, Hiro Mizuno*, Renosi Mokate and Xander den Uyl (chair).

The committee is responsible for overseeing the values, ethics and good reputation of the PRI, including matters related to the PRI Association Board Code of Ethics.

The committee is an ad hoc committee, meeting only when required, and did not meet formally during the year.

[Terms of reference](#)

FINANCE AUDIT AND RISK COMMITTEE

Members: Eva Halvarsson, Priya Mathur**, Tycho Sneyers**** and Peter Webster (chair)

The committee assures the Board of: the veracity of the financial statements, the efficacy of risk management and the strength and appropriateness of control processes across the PRI. The committee's responsibility and authority covers the entire PRI Association and any joint ventures that may be entered into.

KEY DISCUSSION ITEMS:

- **Statutory accounts.** The committee met with the auditors, independently from the Executive, to review the PRI Association and PRI Enterprises audited statutory accounts for the year ended 31 March 2017. The committee recommended the PRI Board to approve the accounts. The committee considered the PRI subsidiaries, changes during the year, governance and risks; the valuation of assets; the creditor amounts; and any outstanding legal issues.
- **Operational risk register.** Risks are grouped into five broad categories: governance, strategy, reputation, finance and project/operations. Every identified risk has an owner and risks are scored according to potential impact and likelihood. After every committee meeting the risk register is updated and circulated to the board. The committee considered an organisation wide disaster recovery plan and discussed several risks in particular: Brexit and its implications for the PRI, cash reserves and cyber risks. The committee agreed to report changes to the risk register, new or escalated risks, to the board and generally integrate the discussion of risks into more board discussions.
- **Strategic objectives risks.** The committee had asked the Executive to consider the strategic risks associated with the nine Blueprint objectives. The committee encouraged the Executive to consider three levels to the risks: risks to the programme of works; risks to delivering impact and the model of change; risks to the relevance of the PRI's actions. Strategic risks will be integrated into the board discussions of the nine Blueprint objectives, rather than considering the risks in isolation.
- **Consultancy spend.** Throughout the year the Executive provided regular updates on consultancy spend. The committee agreed that its role was to understand the process, including oversight of: criteria for projects that require consultancy spend; when projects are re-evaluated; the progress of projects; when and why projects have been cancelled; how decisions are made on new projects from re-allocated consultancy spend. The committee reviewed plans to revise the consultancy spend allocation process for 2018/19, to a centralised consultancy budget with the budget spent on application. The aim is to encourage a breakdown of

silos and a more efficient allocation and re-allocation throughout the year.

- **Long-term funding model.** The committee worked with the Executive on the long-term funding model for the 2018-21 strategy, in preparation for the board discussions. The committee provided guidance to the Executive on elements to be considered as part of the long-term funding model in advance of the presentation to the board, including: the level of ambition; budget allocation between the nine Blueprint objectives; growth of signatory support in the PRI networks; core reserve levels; availability of grants; and support for signatories in emerging markets.
- **Cash reserves.** The committee discussed the cash reserves policy. The aim is to be a prudent and responsible employer, to utilise effectively signatory fees to provide signatory value and further the Principles. The committee agreed that four months of payroll expenditure was the right level for the cash reserves, rather than agreeing on a specific number. The allocation for four months will need to rise proportionally as the organisation grows. The board agreed to the committee's recommendation.
- **PRI subsidiaries.** The committee considered the tax arrangements for the PRI subsidiaries. The committee agreed that an annual letter to confirm that the PRI subsidiaries were tax compliant from the respective tax advisors could help to mitigate tax risks. The committee asked the Executive to reflect on the separation of controls on PRI Enterprises and review the impact of the 2018/19 budget on the subsidiaries' statements of financial position.
- **2018/19 budget.** The committee reviewed the draft 2018/19 budget in advance of the board meeting. The committee discussed several aspects of the proposed budget: the 2019 signatory fees; the budget for networks staff and offices; the key variable elements of the budget and how to provide a more holistic picture for the board; and funding for a digital strategy.

[Terms of reference](#)

HR AND REMUNERATION COMMITTEE

Members: Eva Halvarsson, Renosi Mokate (chair), Xander den Uyl.

The committee ensures that the human resources and remuneration arrangements support the strategic aims of the PRI Association and enable the recruitment, development and retention of staff. They must comply with regulatory and governance requirements, satisfy the expectations of members and meet target employees' expectations.

KEY DISCUSSION ITEMS:

- **Annual reviews and 360° feedback.** The committee was provided with an outline of the outcomes from the annual appraisal and 360° feedback. Annual reviews concentrate on performance against objectives. The 360° questionnaire examines desirable behaviours against six core competencies and six company values. The committee discussed the Executive's plan for addressing three identified areas: staff development, business awareness and empowerment.
- **Annual pay review.** The committee reviewed the pay review proposal for 2017 and recommended it for board approval.
- **Pension provisions.** The committee reviewed a proposal to increase pension provisions for all staff from October 2017 and recommended it for board approval.
- **Human Resources strategy.** The committee reviewed a progress report on the PRI's HR strategy. The committee discussed some forthcoming issues, including, the balance between the London HQ and the PRI networks; responsibility for managing the nine Blueprint objective areas; implementation of the delayering exercise; how to integrate core competencies; and how to embed a signatory value mentality across the organisation.
- **Human Resources policies.** The committee reviewed five policies:
 - Grievance policy,
 - Discipline policy,
 - Flexible Working policy,
 - Whistleblowing policy and
 - Dignity at Work policy,
 - and recommended them for board approval.
- **Chair contract.** The committee recommended the revised contract for board approval.
- **MD review remuneration.** The committee reviewed the performance and recommended the remuneration for board approval.
- **Employee engagement survey.** Staff engagement is at 75%, the same as the 2015 survey, a positive result especially considering the organisation's growth over the past few years. Areas identified for improvement include: learning and development opportunities; internal communication and consultation; accountability and collaboration. The committee reviewed the employee engagement survey results from a variety of perspectives: staff seniority, location and team. The committee recommended the action plan to the board.
- **Employment turnover, risk and law.** The committee discusses these three issues as standing items, when relevant.

[Terms of reference](#)

POLICY COMMITTEE

Members: Sandra Carlisle, Priya Mathur, Hiro Mizuno, Gavin Power***, Eric Usher, Xander den Uyl (chair) and Peter Webster.

The committee's purpose is to guide the preparation of financial system and policy related content for the Board. This would incorporate strategic guidance on the activities to realise the sustainable financial system aspect of PRI's mission, including for example, the Sustainable Financial System and Sustainable Development Goals programmes. The committee met for the first time in June 2017.

KEY DISCUSSION ITEMS:

- **Committee role.** The committee noted and agreed with guidance to the terms of reference that the committee would provide advice to the Executive on its activities and recommendations on matters that should go to the full board for discussion.
- **Sustainable financial system (SFS) activities.** The committee agreed that its role was to examine the detail of the new SFS projects; note the existing system level projects (because they are well advanced or had already been reviewed by the board) and form a view on the aggregate impact and effectiveness of all system level projects.
- **Sustainable Development Goals (SDGs) activities.** The Executive provided an update on SDG activities. The committee discussed priority projects, potential collaborative partners and how to raise investor awareness in different markets.
- **SFS measurement framework.** The committee provided feedback on the proposed measurement framework of PRI activities, investor actions and system-level outcomes. The Executive will develop the measurement framework more broadly to track progress on the Blueprint's nine objectives.
- **Updates on all system projects.** The committee regularly reviewed progress on all the system projects. As part of these discussions the committee considered project additionality, potential overlap with activities of other organisations and the prioritisation of the projects.

[Terms of reference](#)

SIGNATORY AND STAKEHOLDER ENGAGEMENT COMMITTEE

Members: Marcel Barros*, Sandra Carlisle, Angela Emslie, Marcus Madureira**, Priya Mathur (chair), Renosi Mokate, Tycho Sneyers**, Gavin Power* and Eric Usher*.

The committee guides the Board and Executive on: signatory categorisation, active participation of signatories in PRI activities and work streams, effective communication with signatories, outreach to prospective signatories and effective partnerships with key stakeholders.

KEY DISCUSSION ITEMS:

- **Signatory accountability - minimum requirements.** The committee supported the board by discussing with the Executive the proposals over a series of committee meetings, in advance of the board meetings. The committee reflected on the minimum requirements criteria and the process for engaging with and potentially delisting signatories that fail to meet with requirements.
- **Serious violations to the Principles.** The committee reviewed the first draft proposal, in advance of the board discussions, and provided feedback on the language, potential complexity and risks.
- **Showcasing leadership (via the reporting framework).** Again, the committee supported the board by discussing with the Executive the proposals over a series of committee meetings, in advance of the board meetings.
- **Signatory categorisation cases.** Throughout the year the committee considered signatory categorisation cases, whether potential signatories are asset owners, investment managers or service providers. The role of the committee is to make recommendations to the board on difficult and precedent setting categorisation issues, based on the existing [Signatory Categorisation Guidelines](#).
- **Development sessions.** The committee reviewed the impact of the development sessions, sessions with signatories to discuss their reporting and assessment results. The committee supported the ongoing resourcing of the development sessions.
- **Signatory coverage model.** The Executive presented to the committee the plans to: ensure that signatories are serviced consistently across markets / regions; facilitate engagement with senior management of signatories and / or Boards / trustees; deliver tailored support to signatories' individual needs; enable tracking and communication of signatory coverage.
- **Signatory recruitment.** The committee received regular reports on signatory recruitment trends.

[Terms of reference](#)

SKILLS, DIVERSITY AND ELECTIONS COMMITTEE

Members: Geeta Aiyer*, Sandra Carlisle, Angela Emslie (chair), Tycho Sneyers***, Peter Webster

The committee guides the board on measures to foster the diversity and the skills/expertise it needs to carry out its duties effectively. It facilitates the process to evaluate the performance of the board and the board Chair, and supports the board in overseeing the election process.

KEY DISCUSSION ITEMS:

- **2017 PRI Board elections oversight.** In 2017 there were four positions up for election: three asset owner and one investment manager. The committee considered several elements of diversity, gender and geographic, and the option of recommending that the board mandates a geographical representation. The board agreed with the committee's recommendation to encourage: asset owner candidates from emerging markets; asset owner candidates from North America; and female candidates. There were three asset owner and nine investment manager candidates. The committee was pleased with the strong representation of female candidates, 80% of the candidates were female.
- **Election review.** After every election the committee is responsible for reviewing the election process. The committee reviewed two elements of the election rules: seconding by an affiliated signatory and nominations from provisional signatories or signatories that have not reported. The committee considered the information provided to the voting electorate, measures to raise engagement and participation, ensure legitimacy of the elections (via higher vote count and / or revisions to the voting system) and encourage diversity.
- **Voting system.** The committee discussed the relative merits of first past the post (FPTP) and preferential voting (PV). The principle drawback to PV is the perception that it is complex. The elections have a c. 30% participation rate and PV could be another hurdle for potential voters. Therefore the committee recommended that the PRI should focus first on raising the participation rate. However, the advantage of PV is that it can increase the legitimacy of the elected victor(s). PV could also reward an electorate that takes notice of the election guidance, for example by the electorate prioritising in their ranking candidates with required skills or experience. The committee agreed that changing the voting system is not urgent now, but that it is worth future consideration.
- **Board action plan following the 2016 board review.** The committee oversaw the implementation of several initiatives: measures to improve board meeting interaction and participation and an improved review process of committee papers.
- **Chair review.** The committee oversaw the annual chair review process. The committee agreed to structure the discussion at the board around four identified priorities for the chair: the chair's role in the implementation of the strategy and Blueprint; climate action; asset owner recruitment; and Sustainable Development Goals aligned work.
- **External board review.** The committee was involved in setting out the parameters and structure of the external review. The review included an online questionnaire, based on the historical survey, plus 1-1 interviews by the external reviewers with board members and selected individuals from the Executive. The external reviewers presented initial conclusions to the committee in advance of an in-depth discussion by the board at the June 2018 meeting.
- **2018 PRI Board elections oversight.** The board agreed with the committee's recommendation to encourage candidates with senior leadership and governance experience; and female candidates.

[Terms of reference](#)

*Until December 2017

**Started January 2018

***Until April 2018

****Started April 2018

2018 SIGNATORY VOTING

Between weeks commencing 1 October and 19 November 2018, signatories will be invited to vote on various elements of PRI governance. The table below represents the voting opportunities available to each signatory category.

	Asset owners	Investment managers	Service providers
PRI Board election – two asset owner representatives	✓		
PRI Board election – one investment manager representative		✓	
Signatory General Meeting minutes	✓	✓	✓
PRI Annual Report and accounts	✓	✓	✓
PRI auditor confirmation	✓	✓	✓

The board encourages signatories to participate actively in all areas of PRI governance. Please make your vote count. For more information on the 2018 elections and voting procedure see [here](#).

SIGNATORY RIGHTS

Signatory rights are enshrined in the Articles. Signatories have the right to:

- approve amendments to the Articles and Principles;
- nominate candidates for, and vote in, Board elections;
- confirm the appointment of the Chair;
- receive the annual accounts;
- confirm the appointment of the auditor;
- approve the minutes of an SGM;
- formal consultation;
- call for an extraordinary election of directors; and
- propose a non-binding resolution.

For more information on signatory rights see the PRI website [here](#).

PRI BOARD ATTENDANCE

The expectation is that Directors will participate in every meeting of the Directors. The minimum number of planned in-person meetings in which a Director is required to participate is set out in the [Directors' Terms of Reference](#). The expectation is that each Director appointed to a board committee will participate in every meeting of such board committee and at a minimum must participate in a majority of meetings of that committee in a calendar year.

JANUARY - DECEMBER 2017

	PRI Board		PRI Board committees					
	Meetings	Calls	Finance Audit and Risk	Ethics	HR and Remuneration	Policy	Signatory and Stakeholder Engagement	Skills Diversity and Elections
Number of meetings: January 2017 to present	3	1	4	0	3	3	3	3
Geeta Aiyer	2/3	1/1					2/3	1/3
Marcel Barros	3/3	1/1					3/3	
Sandra Carlisle	3/3	0/1				3/3	3/3	2/3
Angela Emslie	3/3	1/1					3/3	3/3
Eva Halvarsson	3/3	1/1	4/4		3/3			
Priya Mathur	3/3	1/1	4/4			2/3	3/3	
Hiro Mizuno	3/3	1/1				3/3		
Renosi Mokate	2/3	1/1			2/3			
Gavin Power	3/3	1/1				2/3		
Martin Skancke	3/3	1/1						
Eric Usher	2/3	1/1				3/3		
Xander den Uyl	3/3	1/1			3/3	3/3		
Peter Webster	3/3	1/1	4/4			3/3		3/3

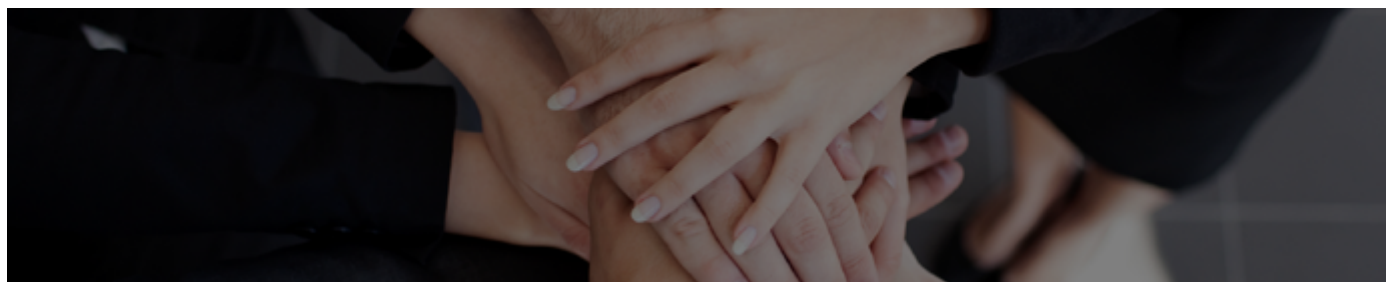
JANUARY – JUNE 2018

	PRI Board		PRI Board committees					
	Meetings	Calls	Finance Audit and Risk	Ethics	HR and Remuneration	Policy	Signatory and Stakeholder Engagement	Skills Diversity and Elections
Number of meetings: January – June 2018	2	1	3	0	2	2	2	2
Sandra Carlisle	2/2	0/1				2/2	1/2	2/2
Angela Emslie	2/2	1/1					2/2	2/2
Eva Halvarsson	2/2	1/1	3/3		2/2			
Marcus Madureira	1/2	1/1					2/2	
Priya Mathur	1/2	1/1	1/1			1/2	2/2	
Hiro Mizuno	2/2	0/1				1/2		
Renosi Mokate	2/2	1/1			1/2			
Gavin Power*	1/1	0/0				1/1		
Martin Skancke	2/2	1/1						
Tycho Sneyers**	2/2	1/1	2/2				2/2	1/1
Eric Usher	1/2	1/1				2/2		
Xander den Uyl	2/2	1/1			2/2	2/2		
Peter Webster	2/2	1/1	3/3			1/2		2/2

*Gavin Power departed the UN Global Compact in April 2018.

** Tycho Sneyers replaced Priya Mathur on the Finance, Audit and Risk committee and resigned from the Skills, Diversity and Elections committee in April 2018.

ADVISORY COMMITTEES AND WORKING GROUPS



| Guiding our work

Our signatories are extremely active in supporting the PRI's work – nearly 500 do so through the advisory committees and working groups below.

ESG ENGAGEMENTS

- [ESG engagements advisory committee](#)
- [Cyber security advisory committee](#)
- [Labour practices in agricultural supply chains advisory committee](#)
- [Tax advisory committee](#)

- [Japan network advisory committee](#)
- [Japan network awareness raising working group](#)
- [Japan network corporate working group](#)
- [Japan network private equity working group](#)
- [Japan network property working group](#)
- [Quebec network advisory committee](#)
- [Latin-America Advisory Committee \(ex. Brazil\)](#)

INVESTMENT PRACTICES

- [Credit ratings advisory committee](#)
- [Asset owner advisory committee](#)
- [Passive investments working group](#)
- [Investment strategies working group](#)
- [Manager selection working group](#)
- [Environmental and social themed investment advisory committee](#)
- [Fixed income advisory committee](#)
- [Bondholder engagement working group](#)
- [Infrastructure advisory committee](#)
- [Hedge funds advisory committee](#)
- [Listed equity advisory committee](#)
- [Listed equity integration sub-committee](#)
- [Private equity advisory committee](#)

REPORTING AND ASSESSMENT

- [Assurance working group](#)
- [Reporting and assessment advisory committee](#)

RESEARCH AND POLICY

- [Academic network advisory committee](#)
- [Sustainable financial system advisory group](#)
- [Global policy reference group](#)
- [Macroeconomic risk advisory committee](#)

SUSTAINABLE DEVELOPMENT GOALS

- [Sustainable Development Goals advisory committee](#)
- [SDGs in asset allocation working group](#)
- [SDGs in active ownership working group](#)

NETWORKS

- [Australia network advisory committee](#)
- [Brazil ESG practices working group](#)
- [Francophonie advisory committee](#)

NEW AND DELISTED SIGNATORIES



| A growing signatory base

We were delighted to welcome 331 new signatories this year from countries as diverse as Switzerland, India, Hong Kong and the United States.

ANDORRA

- Vall Banc Fons, SAU

ARGENTINA

- NXTP Partners LLC

AUSTRALIA

- Sustainable Platform
- Platypus Asset Management Pty Ltd
- Auscap Asset Management
- Monash University
- ECP Asset Management
- Perpetual Private
- Morphic Asset Management
- Adamantem Capital
- Lennox Capital Partners
- Renaissance Property Securities Pty Ltd
- Avenir Capital
- Wisdom Funds Pty Ltd
- Odyssey Private Equity
- MTAA Super
- Colonial First State

AUSTRIA

- e-fundresearch.com Data GmbH
- VBV-Pensionskasse AG
- fair-finance Vorsorgekasse AG
- Belgium
- Mercier Vanderlinden Asset Management

BOTSWANA

- NORSAD FINANCE LIMITED
- Kgori Capital (Pty) Ltd

BRAZIL

- Perfin Investimentos
- Fator Administração de Recursos
- Arrow G Capital
- Jardim Botânico Investimentos
- Oceana Investimentos
- Granito Group
- DXA INVESTMENTS
- Soluções Inclusivas Sustentáveis (Sustainable Inclusive Solutions) - SIS

BULGARIA

- Karoll Capital Management

CANADA

- FENGATE Real Asset Investments
- Morneau Shepell Ltd.
- MD Financial Management
- Landry Investment Management Inc.
- Concordia University Foundation - Fondation de l'Université Concordia
- Fonds de placement du Barreau du Quebec
- ALLARD ALLARD & ASSOCIÉS
- Regime de Rentes du Mouvement Desjardins
- Cycle Capital Management
- CIBC Asset Management Inc.
- Kingwest & Company
- Foyston, Gordon & Payne Inc.
- Lincluden Investment Management
- Fiera Comox Partners Inc.
- DESJARDINS GLOBAL ASSETS MANAGEMENT
- The J.W. McConnell Family Foundation

CAYMAN ISLANDS

- Sunrise Capital Holdings Limited

CHINA

- Harvest Fund Management Co., Ltd
- Jade Invest
- E Fund Management Co., Ltd.
- Czech Republic
- eská spoitelna penzijní spolenost, a.s.

DENMARK

- Accunia
- Dansk Vaekstkapital II

EGYPT

- EFG Hermes
- LimeVest Partners (provisional signatory)

FINLAND

- Fennia Varainhoito Oy
- Titanium Rahastoyhtiö Oy

FRANCE

- ISATIS Capital
- Union Mutualiste Retraite
- ESSLING CAPITAL
- Equigest
- SPREAD RESEARCH
- LAFFITTE CAPITAL MANAGEMENT
- Industries & Finances Partenaires
- FOCUS ASSET MANAGERS
- Metori Capital Management
- Sanso Investment Solutions
- NewAlpha Asset Management
- DNCA Investments
- iXO Private Equity
- Brownfields Gestion
- EcoAct
- Mutuelle d'Ivry
- BDL Capital Management
- AMPERE Gestion
- APICAP
- GALIENA CAPITAL
- FnB Private Equity

GERMANY

- Helaba Invest Kapitalanlagegesellschaft mbH
- AREAM GmbH
- Lingohr & Partner Asset Management GmbH
- YIELCO Investments AG
- Deutsche Finance Group
- Universal-Investment

- LVM Landwirtschaftlicher Versicherungsverein Münster a.G.
- nordIX AG
- LBBW Asset Management Investmentgesellschaft mbH
- HQ Capital

HONG KONG

- CECEP Environmental Consulting Group Limited
- The Capital Company Hong Kong Limited
- CLSA Capital Partners Limited
- JK Capital Management Limited
- Allard Partners
- Link REIT
- Affinity Equity Partners
- Nexus Point Management Limited

ICELAND

- Stefir
- Arion Bank
- Lífsverk pension fund

INDIA

- Fairwinds Asset Managers Limited
- EQUICAP ASIA MANAGEMENT PRIVATE LIMITED

INDONESIA

- PT Bina Investama Infonet
- PT. ASABRI (PERSERO)

IRELAND

- NTR Asset Management Europe DAC
- Trustee Decisions

ISLE OF MAN

- DBAY Advisors Limited

ITALY

- Nummus.Info SpA
- Fondo Pensioni del Personale Gruppo BNL/BNP Paribas Italia
- INARCASSA
- FSI (Provisional Signatory)

JAPAN

- Japan Industrial Solutions Co., Ltd
- SPARX Group Co., Ltd.
- Nomura Real Estate Asset Management Co., Ltd.
- Japan Post Insurance Co., Ltd.
- The Rokinren Bank
- FISCO IR Ltd.
- Diamond Realty Management Inc.
- Unison Capital

JERSEY

- Systematica Investments
- ETF Securities Limited

LITHUANIA

- AB Invalda INVL

LUXEMBOURG

- VALEUR ASSET MANAGEMENT
- Marguerite Adviser S.A
- Active Ownership Capital S.à r.l
- European Capital Partners S.A.
- Assenagon Asset Management S.A.
- ETHENEA Independent Investors S.A.
- MIKRO KAPITAL
- Valoral Advisors
- Novalpina Capital
- BLI - Banque de Luxembourg Investments S.A.

MALAYSIA

- Xeraya Capital
- Navis Capital Partners Limited
- Retirement Fund (Incorporated) (KWAP)

MEXICO

- VITALIS Asesor Independiente S.A.P.I. de C.V.
- Ecovalores

MOROCCO

- SIGMA Capital Partners (Provisional Signatory)

NETHERLANDS

- Pensioenfonds Detailhandel
- Forbion
- Dutch Mortgage Funding Company
- Stichting Pensioenfonds voor de Woningcorporaties

NEW ZEALAND

- ANZ New Zealand Investments Limited
- Milford Asset Management
- BT Funds Management (NZ) Limited
- Dairy Farms NZ Limited (DFNZ)
- Pathfinder Asset Management
- Medical Assurance Society New Zealand
- Fisher Funds Management Limited

NIGERIA

- InfraCredit
- VEROD CAPITAL MANAGEMENT

NORWAY

- Norvestor Equity AS
- Norfund
- State of Palestine
- Siraj Fund Management Company
- Saudi Arabia
- ALISTITHMAR CAPITAL

SINGAPORE

- Eastspring Investments
- INFUNDE DEVELOPMENT PTE. LTD.
- Axiom Asia Private Capital
- Asia Research and Engagement
- SilkRoad Property Partners
- Gateway Partners
- Capital Governance (S) Pte Ltd
- Avanda Investment Management
- ALCORA GLOBAL PTE. LTD. (Provisional Signatory)

SOUTH AFRICA

- Sesfikile Capital
- Athena Capital (Pty) Ltd
- MAKALANI MANAGEMENT COMPANY (PTY) LTD

SPAIN

- ALTERMIA Technical Advisors
- La Mútua dels Enginyers
- FONDO DE PENSIONES EMPLEADOS DE TELEFÓNICA
- MAGALLANES VALUE INVESTORS, S.A., S.G.I.I.C.
- LIFT Investment Advisors EAFI SL
- TRESSIS S.V.
- QUALITAS EQUITY PARTNERS, S.A., SGEIC
- Everwood Capital SGEIC SA
- Inveready Asset Management
- NEKKO CAPITAL
- KUTXABANK GESTIÓN, S.G.I.I.C., S.A.U

SWEDEN

- Kavaljer AB
- Naventi Fonder AB
- Atlant Fonder AB
- Avanza Fonder AB
- Captor AB
- PriorNilsson Fonder
- Nordic Cross Asset Management AB
- INSIDERFONDER
- Excalibur Asset Management
- Simplicity AB
- Resscapital AB
- Case Kapitalförvaltning AB
- Nordkinn Asset Management AB

SWITZERLAND

- Systematic Investment Management AG (Provisional Signatory)
- Alpha Associates AG
- Carbon Delta
- Pictet Wealth Management
- MTIP MedTech Innovation Partners AG
- Tareno AG
- Independent Credit View AG
- Chi Impact Capital (Provisional Signatory)
- VZ Asset Management AG
- PICTET ALTERNATIVE ADVISORS SA
- amLeague
- Pension Fund of Bank J. Safra Sarasin
- South Pole Group

UNITED KINGDOM

- GUARDCAP ASSET MANAGEMENT LIMITED
- Rothschild Wealth Management (UK) Limited
- Palamon Capital Partners LP
- Brunel Pension Partnership (BPP)
- Asper Investment Management Limited
- Latitude Investment Management
- Builders Union LLP (Provisional Signatory)
- European Bank for Reconstruction and Development (EBRD)
- St. James's Place Wealth Management
- Circuitus Capital LLP
- Sustainable Technology Investors Ltd
- Gresham House plc
- Nationbuilders Capital LLP (Provisional Signatory)
- PROMETHEAN INVESTMENTS LLP
- Apera Capital
- Lofoten Asset Management
- Columbus Point LLP
- Fortuna Asset Management Communications
- Mayfair Capital Investment Management
- L-GAM
- Time Partners
- J8 Capital Management LLP
- Zouk Capital
- White Circle Capital LLP
- IK Investment Partners
- SilverStreet Capital LLP
- TRINETRA INVESTMENT MANAGEMENT LLP
- Astarte Capital Partners (Provisional Signatory)
- ISAM
- Fundsmith LLP
- Util
- Sancroft International Ltd
- RiverRock European Capital Partners LLP
- EFG Asset Management
- Walter Scott & Partners Limited

- Columna Capital
- Bregal Investments
- Stanhope Capital
- 8 Miles
- Circularity Capital LLP
- Ardevora Asset Management LLP
- Securis Investment Partners LLP
- Leaders Arena
- STAR Capital Partnership LLP
- Man Group
- Hottinger Group
- EMK Capital LLP
- Veritas Asset Management LLP
- Nordlink Capital Limited
- Vitruvian Partners
- Talomon Capital Limited
- Mayfair Equity Partners
- Lyceum Capital Partners LLP
- Cape Ann Asset Management Limited
- Cheyne Capital Management (UK) LLP

UNITED STATES

- BOSTON PARTNERS GLOBAL INVESTORS, INC.
- The Pension Board-UCC, Inc.
- Presbyterian Church U.S.A. Foundation
- SQN Venture Partners, LLC
- Chess Ag Full Harvest Partners
- CoreCommodity Management, LLC
- The Rohatyn Group
- Pzena Investment Management, LLC
- Crescent Capital Group
- Sophus Capital
- Strategic Income Management, LLC
- Wasatch Advisors, Inc.
- Vert Asset Management LLC
- Gurtin Municipal Bond Management
- Sustainable Real Assets, LLC
- Voya Investment Management
- Federated Investors, Inc
- Highmore Group Advisors, LLC
- Segall Bryant & Hamill, LLC
- OppenheimerFunds
- Sage Advisory Services Ltd. Co.
- Cramer Rosenthal McGlynn, LLC
- AEW Capital Management, LP
- DSM Capital Partners LLC
- Bloomberg LP Retirement Plans
- The Skoll Foundation
- Sierra Club Foundation
- Kabouter Management, LLC
- DCI
- Seattle City Employees' Retirement System (SCERS)
- AFL-CIO Housing Investment Trust

- Frontier Impact Capital (Provisional Signatory)
- Geronimo Investment Management, LLC
- One William Street Capital Management, L.P.
- San Francisco Employees Retirement System
- Research Affiliates
- The Lyme Timber Company LP
- Alan Biller and Associates
- SHENKMAN CAPITAL MANAGEMENT, INC.
- Crossmark Global Investments
- Daruma Capital Management, LLC
- Mercy
- Thornburg Investment Management
- Marathon Asset Management, LP
- Geode Capital Holdings LLC
- Star America Infrastructure Partners, LLC
- Pentalpha Global
- Coho Partners, Ltd.
- The Episcopal Diocese of New York - Diocesan Investment Trust
- Common Interests
- Loyola Marymount University
- Terra Alpha Investments, LLC
- TowerBrook Capital Partners
- CIM Group
- GlobeFlex Capital, L.P.
- Grantham, Mayo, Van Otterloo & Co. LLC
- Stance Capital, LLC
- Riverwater Partners LLC
- FFI
- Royce & Associates, LP
- SKBA Capital Management, LLC
- Richmond Capital Management
- Element Partners
- Gerding Edlen Investment Management
- Blue Harbour Group, L.P.
- Sands Capital Management, LLC
- WAVE Equity Partners
- JA Glynn & Co.
- AGRICULTURE CAPITAL (ACM Management Company, LLC)
- Deerpath Capital Management, LP
- Community Investment Management LLC

DELISTED SIGNATORIES

Signatories are delisted if they do not pay their fees, do not participate in the reporting and assessment process or choose to leave. This list also includes signatories that have ceased to operate.

* Denotes signatories that have been delisted due to merger with or acquisition by another signatory, or where the parent organisation has subsequently signed up to the Principles.

** Denotes signatories that were delisted for failing to report in the 2017/18 reporting cycle.

- HQ Capital International L.P.*
- Active Earth Investment Management SA
- Double Dividend Management B.V.
- CENTRUS- Fundação Banco Central de Previdência Privada
- Good Super
- Viarentis Limited
- Cornerstone Real Estate Advisers*
- ET Index
- IW Financial*
- ATI Asset Management Pty Ltd
- MTree Capital Partners
- CRP Companhia de Participações
- Atico Asset Management
- Pacific Agri Capital
- Global Environment Fund
- St Bride's Managers LLP
- Fondation Guilé
- Equator Capital Partners
- Borsa Istanbul
- PYMWYMIC
- HIVOS
- ICCO
- Rogge Global Partners*
- VIESGO INFRAESTRUTURAS ENERGETICAS,S.L
- Raymond James Asset Management International
- Alphalymp
- Standards & Legal
- Trucost*
- CATALYST INVESTMENT MANAGEMENT
- C Hoare & Co
- Strømme Microfinance AS
- Culross Global Management
- Organizational Maturity Services LLP
- Sentinel Asset Management, Inc.
- Momentum Asset Management*
- FASERN
- Caravel Management LLC
- Temporis Capital LLP
- Riviera Gestora de Recursos Ltda
- Equilibrium
- SVG Capital

- Angra Infraestrutura Gestão de Informações e Investimentos Ltda.**
- Treetops Capital LP**
- EquityCompass Strategies**
- Partners for Sustainability AG
- Kuramo Capital Management**
- Intrinsic Investment Management Pty Ltd**
- Iris Capital**
- FOURPOINTS Investment Managers
- ME Bank
- Tau Investment Management LLC
- Numeric Investors LLC*
- GLG Partners LP*
- ONE ELEVEN CAPITAL LLC
- SP Global Capital
- State Universities Retirement System of Illinois
- Riedel Research Group, Inc
- onValues Ltd.
- Salvepar*
- FAME Investments AG
- CARN Capital
- Bpf HiBiN
- Extendam
- Delta Lloyd Asset Management*
- Janus Capital Management LLC*
- IKB Deutsche Industriebank AG
- Inflection Point Capital Management U.K. Ltd.*
- Etera Mutual Pension Insurance Company*
- Schroder Adveq Management AG*
- Bouwfonds Investment Management
- Rabo FARM
- GMO Renewable Resources LLC*
- European Capital Debt Management Limited*
- Alden Impact Capital
- Ontario Pension Board (OPB)
- Akina Limited*
- 1875 Finance SA
- Otago Community Trust
- Votorantim Asset Management DTVM Ltda.
- Incofin
- Garanti Asset Management
- Eco-Frontier Global Capital
- E.I. Sturdza Strategic Management Limited
- Golden Rock Capital
- Jyske Invest*
- Solaron Sustainability Services*
- Manifest
- Sal.Oppenheim jr. & Cie. AG & Co. KGaA*
- Analytic Investors, LLC*
- Rudman Advisory
- Ark Totan Alternative Co., Ltd.

SUSTAINABILITY



| Operating the right way

Most of the PRI's impact is positive and happens indirectly via the work that we do to help our 2,000 signatories implement the Principles.

We have an impact on:

- our investor signatories – by encouraging them to be more transparent in their investment activities;
- companies – by improving their practices through investor engagements;
- markets – through ventures such as the Sustainable Stock Exchanges initiative.

Beyond these positive, indirect impacts, we recognise that our operating activities can have a negative direct impact, and we try to minimise these wherever possible.

ENVIRONMENTAL

The PRI has been certified as compliant with ISO 14001, the international standard for environmental management systems. As part of this certification, we will continue to monitor, manage and reduce our impact on the environment through transport, waste, consumption of natural resources, energy use and procurement.

We strive to make sure our events are as green as possible. For example, we acknowledge that PRI in Person has the potential to impact the environment and that it is our duty to proactively manage this. To counter this, we held PRI in Person in Berlin at a Green Globe certified venue, which was powered solely by renewable energy sources. We offset 1,322.72 tonnes of carbon to cover delegates' transportation to and from the conference, as well as venue electricity; all catering during the event was vegetarian; and leftover food from the conference was delivered to homeless shelters in Berlin.

[READ MORE](#)

SOCIAL

Our employees have the right to work in an environment of dignity and respect. We are accredited as a Living Wage Employer, whereby we ensure that our staff are paid a salary that will ensure a good standard of life.

We are also against unpaid internships and ensure that interns are paid a decent and fair salary.

We invest in the training and development of our staff, and have set up staff committees on employee engagement and human rights.

[READ MORE](#)

GOVERNANCE

Good governance at the PRI includes annual signatory elections, term length limits for board directors, publishing board meeting attendance and compensation records and clear separation between the roles of the CEO and chair. The PRI has a board diversity policy in the belief that diversity contributes to high performance.

We are committed to ensuring a fair, transparent, cost-effective and accountable process in the purchasing and provision of goods and services to our signatories and other stakeholders. We have a procurement policy in place to provide direction to staff in relation to tendering, contracting and procurement activity. The policy aims to establish a framework that will, among other things, appropriately manage risk, ensure the efficient, effective and responsible use of resources, and deliver best value for money.

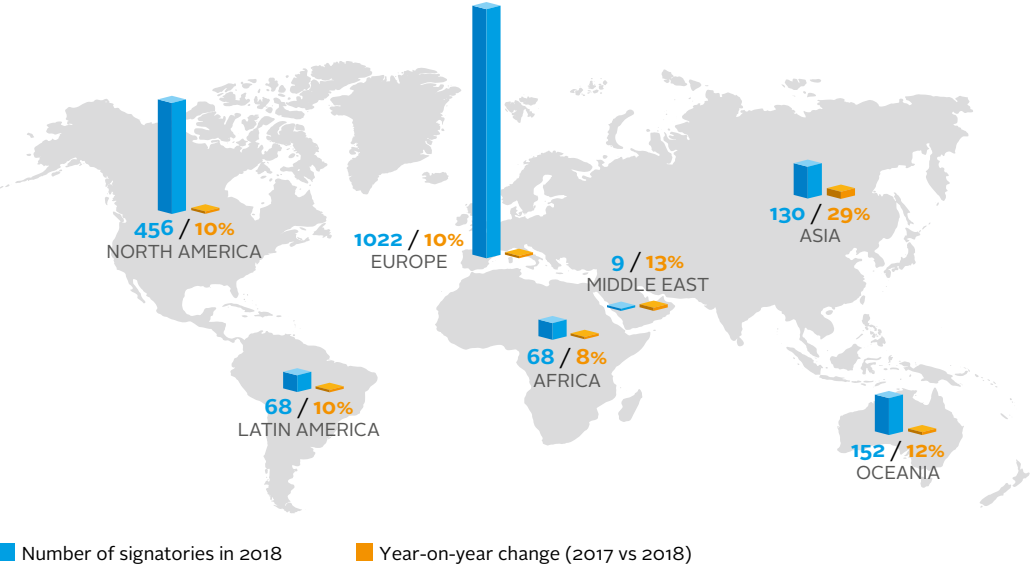
Our public communications policy ensures we advocate for the uptake of the six Principles and responsible investment, but that we don't speak on behalf of our signatories.

THE PRI IN NUMBERS

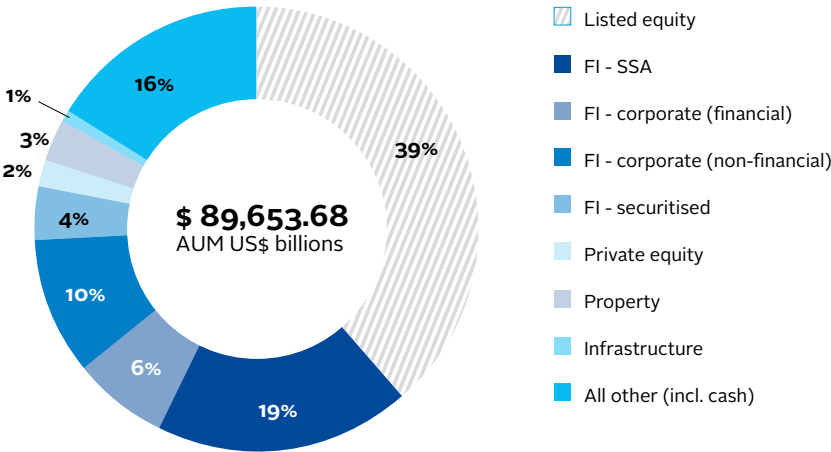


Reporting breakdown

PRI signatories region breakdown and increase against 2017

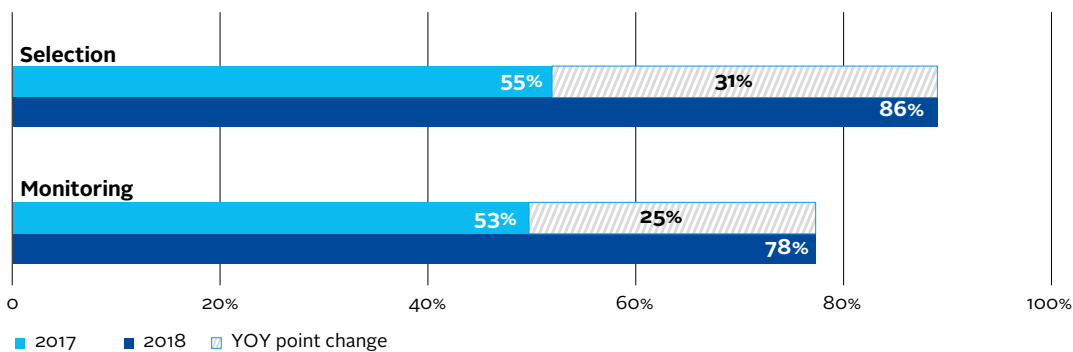


Signatory breakdown by asset and AUM*

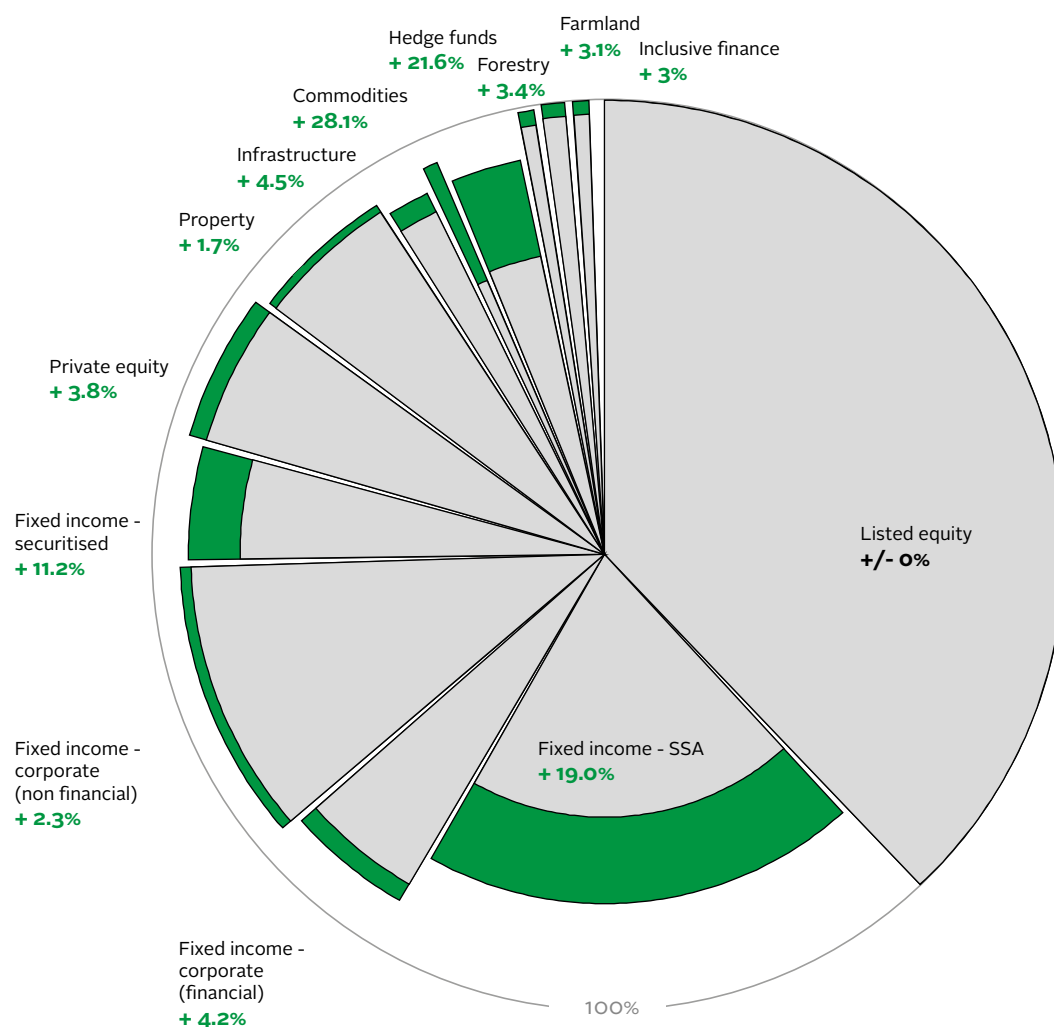


*Includes double counting

Asset owners considering ESG/active ownership in the selection and monitoring of external managers

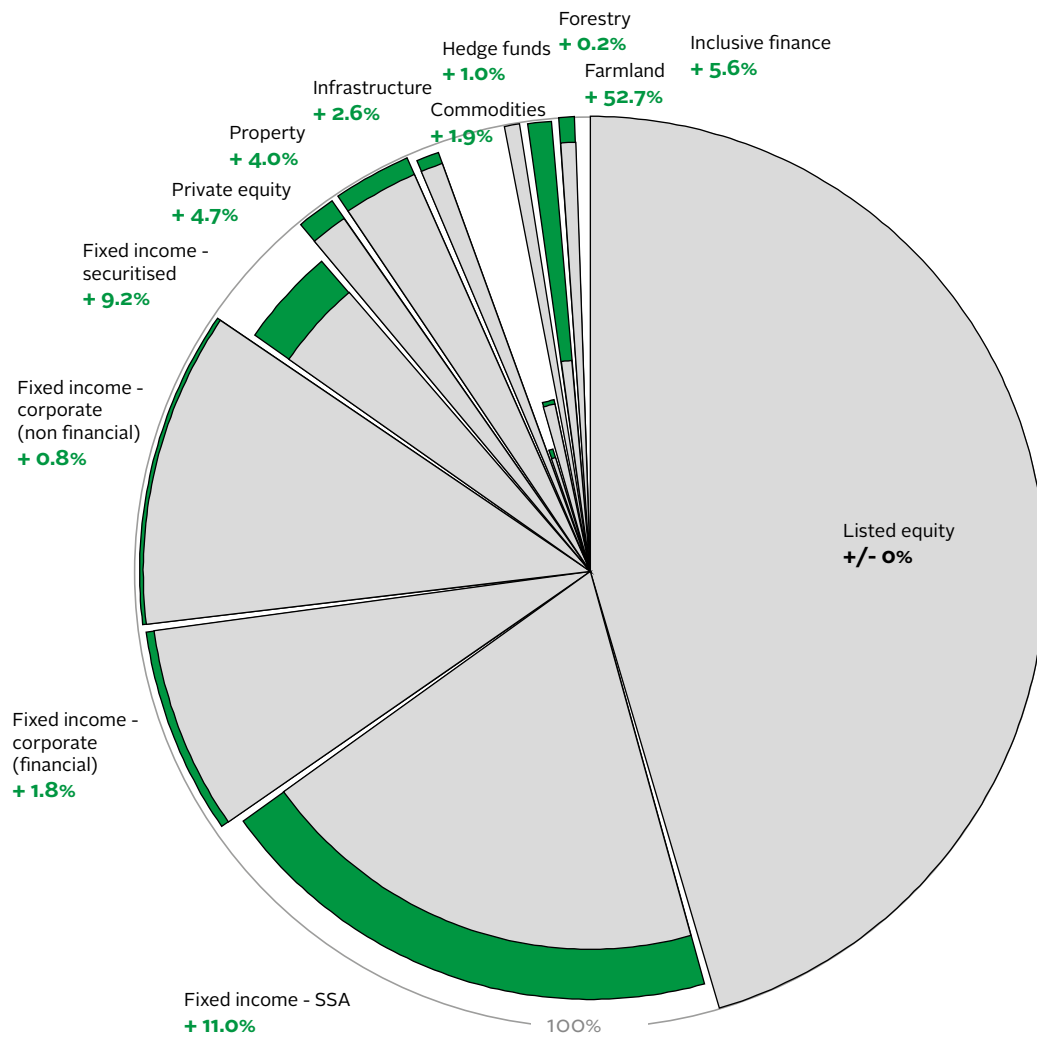


Responsible investment activity: 2018 asset breakdown and year-on-year progress by asset class for indirectly managed assets by asset owners



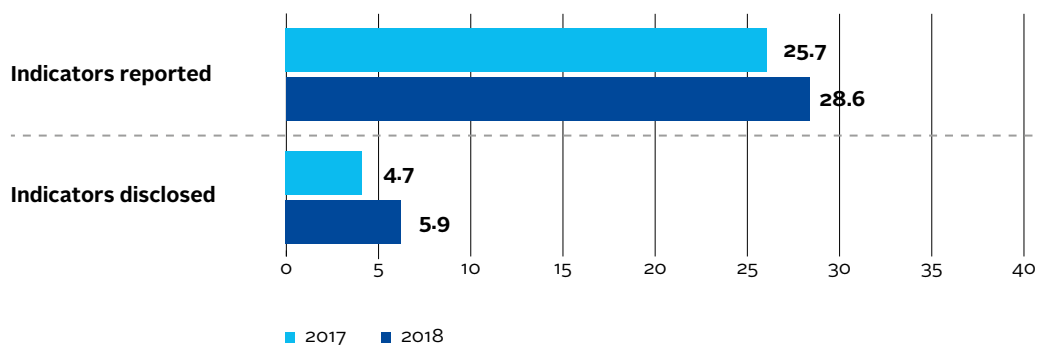
The degree to which RI is implemented for each asset can vary from 0% (centre of the chart) to 100% (wedge extends to outer circle). The percentage point increase is shown in green.

Responsible investment activity: 2018 asset breakdown and year-on-year progress by asset class for directly managed assets by investment managers



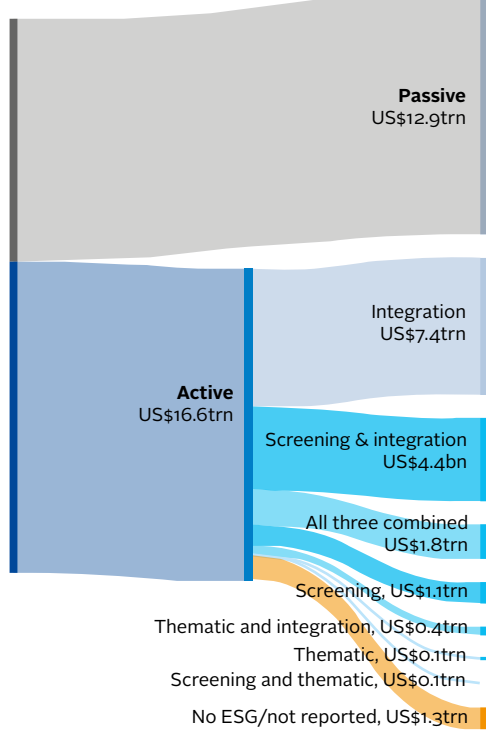
The degree to which RI is implemented for each asset can vary from 0% (centre of the chart) to 100% (wedge extends to outer circle). The percentage point increase in RI for a given asset is shown in green.

Average number of voluntary indicators reported and disclosed (based on 1186 reporters)

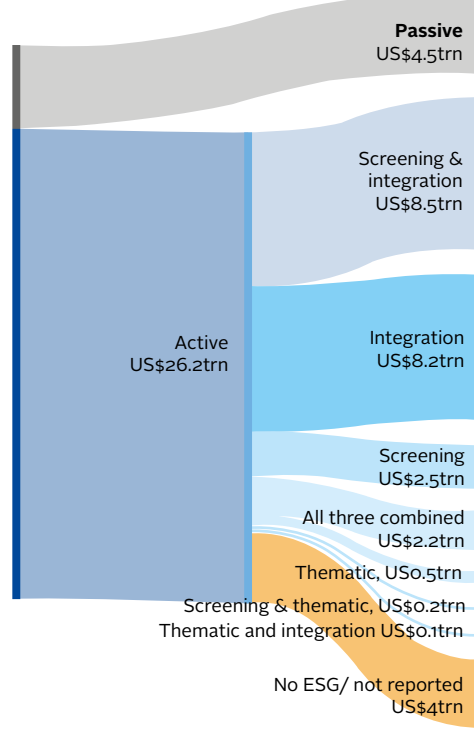


Responsible investment strategies used in actively managed assets

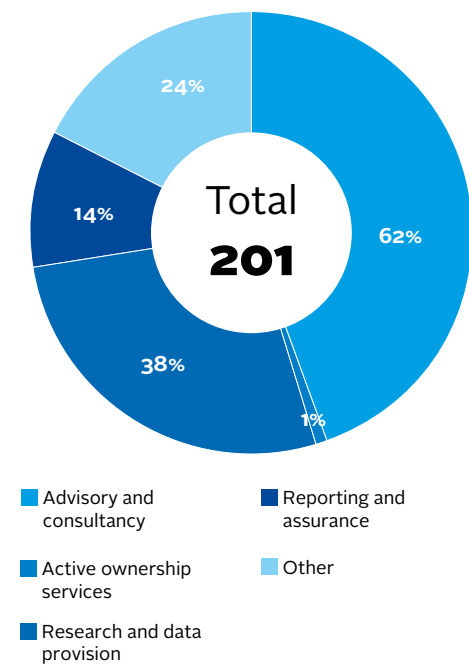
Listed equity US\$29.5trn



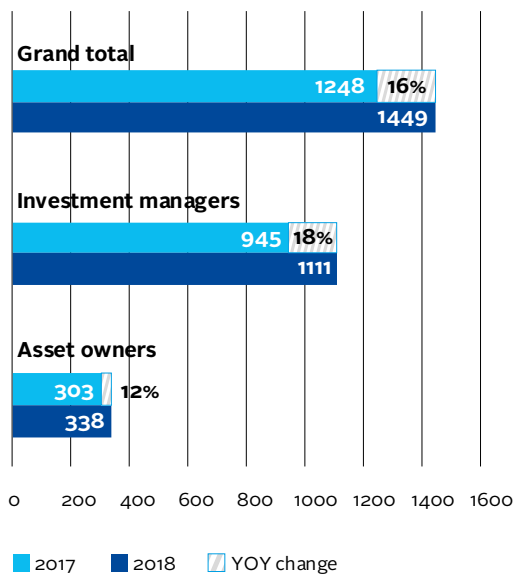
Fixed income US\$30.7trn



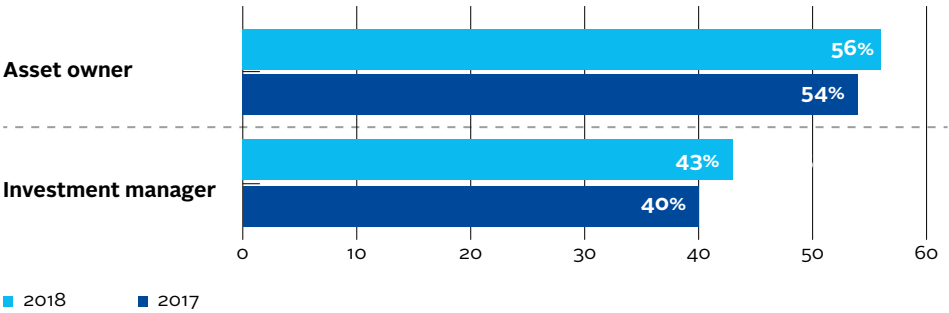
Service providers reporting in the new service provider Reporting Framework



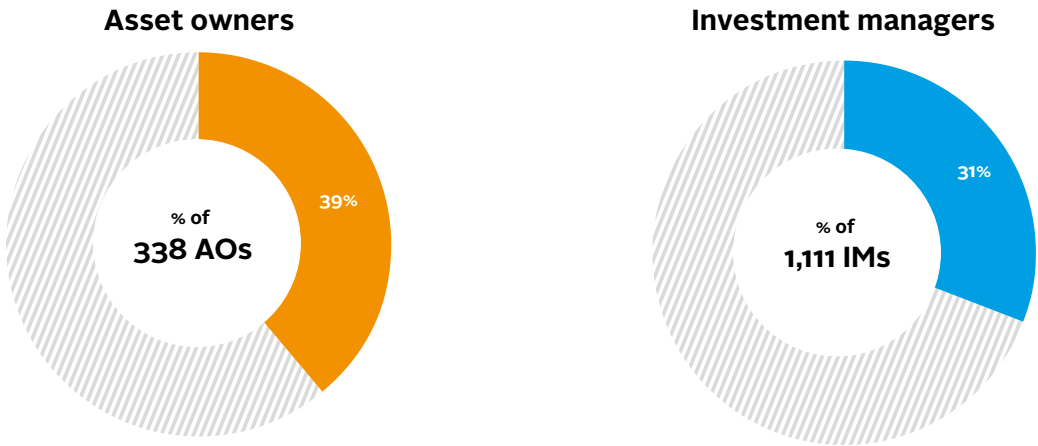
Number of signatories reporting in the Reporting Framework



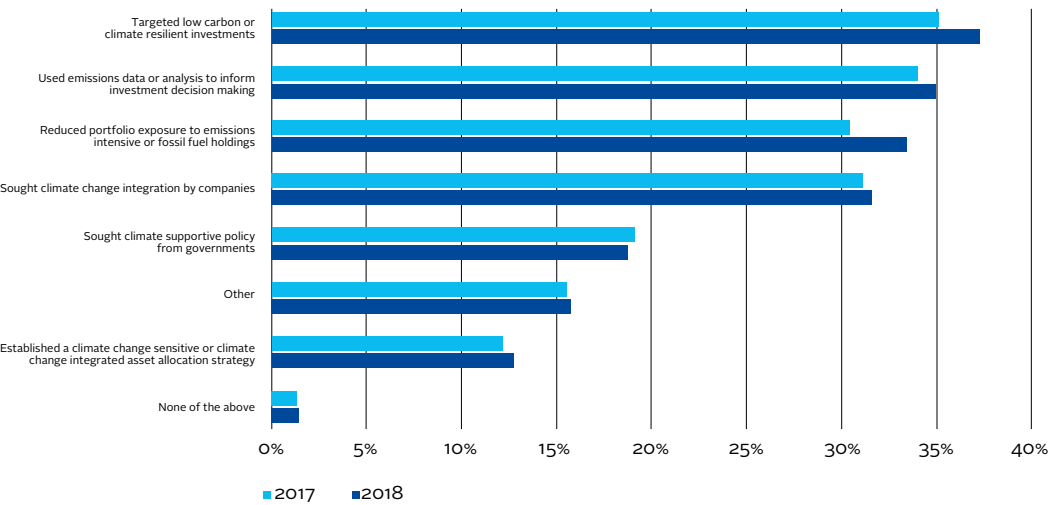
Signatories responding to the Reporting Framework indicating engagement with policymakers



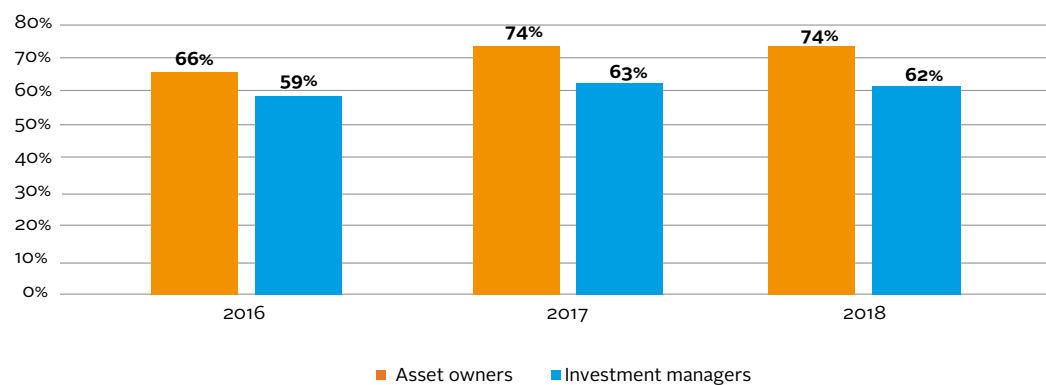
Percentage of signatories that reported on the new TCFD-aligned climate indicators



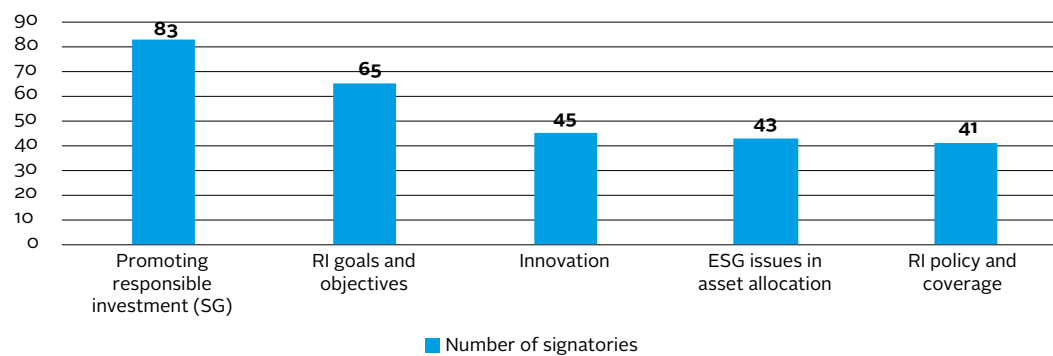
Activities signatories report they undertake to combat climate change



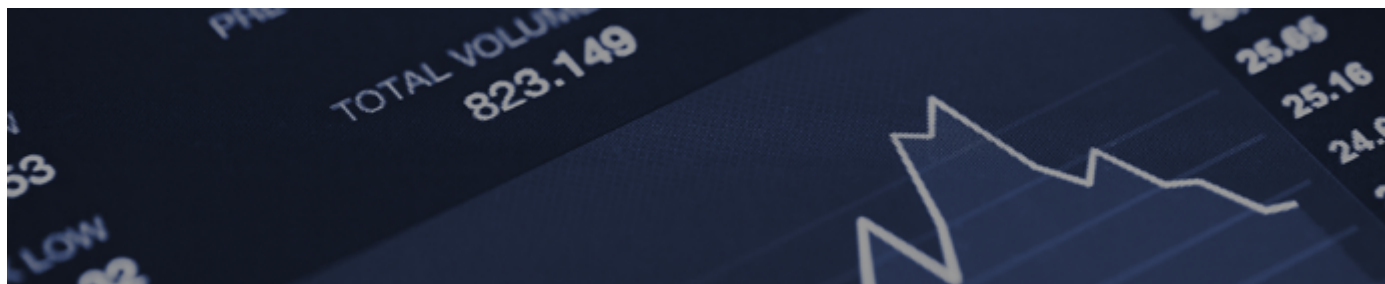
Percentage of signatories reporting that they see climate change as a long-term threat



Top five sections in the Reporting Framework where signatories mention the SDGs



FINANCIAL STATEMENTS



Financing the next phase of responsible investment

INCOME

Between 1 April 2017 - 31 March 2018, total income grew to £10.4 million, up from £8.1 million on 2016/17.

	2016/17 actual (£000s)	2017/18 actual (£000s)	2018/19 budgeted (£000s)
Membership fee - renewal	7,269	8,414	9,869
Membership fee - new	538	690	785
Grants, donations, other	154	462	473
PRI in Person income surplus	-92	597	307
PRI Academy	252	285	499
Total income	8,122	10,448	11,934

SIGNATORY FEES

All signatories pay annual fees, based on their total assets under management or, for service providers, number of employees. In 2017/18, income from new and existing signatories came to £9.1 million, up from £7.8 million in 2016/17.

GRANTS, DONATIONS AND OTHER INCOME

The PRI received £462,000 in grants and donations. Projects funded include our work with the Rockefeller Foundation on the credit ratings project; UNEP FI on our fiduciary duty work; Ceres on a deforestation workstream; and the Finance Dialogue, who provided a grant for our work on climate change and environmental risk.

EXPENDITURE

Between 1 April 2017 - 31 March 2018, total expenditure excluding PRI in Person grew to £10.2 million.

	2016/17 actual (£000s)	2017/18 actual (£000s)	2018/19 budgeted (£000s)
Staff costs (including networks, recruitment, training and development)	5,186	6,441	7,795
Bought-in services, consulting and research	838	1,171	1,343
Meetings and travel expenses	649	787	1,042
Premises costs	398	435	531
IT costs and telephone	386	593	831
Events, conferences and hospitality	139	220	302
Legal and professional services	139	124	77
Subscriptions, reports and printing	99	100	130
Academy commissions and marketing	54	69	84
Other expenditure (insurance, postage, office supplies, bank charges)	161	240	152
Total (PRI in Person expenditure not included)	8,051	10,181	12,287

EXPENDITURE BY AREA	2016/17 actual (£000s)	2017/18 actual (£000s)	2018/19 budgeted (£000s)
Management and operations	1,961	2,305	2,165
Global outreach and networks	1,765	2,210	2,767
Communications	887	886	1,165
Policy and research, climate, academic work	694	1,228	1,279
Investment practices	722	856	1,061
ESG engagements	549	642	775
Reporting and assessment	537	690	936
Premises costs	398	434	531
Grants, other	97	394	392
PRI Academy	297	377	431
Partnerships	143	157	235
Consultancy and research (separated in 2018/19)	-	-	550
Total	8,050	10,181	12,287

NUMBER OF STAFF BY DEPARTMENT	June 2017	June 2018	Forecast March 2019
Signatory services (Reporting and assessment, Investment practices, ESG engagements)	35	37	41
Networks and global outreach	21	24	27
Operations, finance, partnerships, PRI Academy	17	17	18
Communications and events	9	10	10
Policy, research and academic network	9	13	13
Executive	3	3	3
Grants, donations, other income	-	3	3
Total	94	107	115

STAFF AND NETWORK COSTS

Our people are our most important asset. In 2017/18, we increased staff spending to £6.4 million, up from £5.2 million in 2016/17. Total staff numbers grew to 107 as of June 2018.

Staff costs are budgeted to increase to £7.8 million to reflect growing staff numbers - a projected eight additional members of staff.

Bought-in services, consulting and research
External suppliers are contracted where there is a short-term or one-off requirement for support or expertise, and where internal resources or expertise are unavailable.

The PRI incurred costs greater than £10,000 with: Carnstone (who helped create the PRI's three-year strategy); the London School of Economics (with whom we worked on the just transition project); ERM (with whom we worked on private equity monitoring and reporting guides); Aidenvironment (assessment for collaborative engagement); TIIP (on income inequality), Freshfields (EU regulatory and public affairs service); Energy Transition Advisors (climate transition scoping study and the climate transition work programme); Collaborare Advisory Pty Ltd (on a guide for asset owners on the TCFD recommendations); 2* Investing Initiative (on the customisation of the Paris Agreement Capital Transition Assessment tool); Monfort (social media agency); Ostinato Associates (corporate communications services); PwC (translation of the 2018 Reporting Framework).

MEETING AND TRAVEL

As a global organisation, travel is critical to ensuring we can fully engage with our signatories around the world. Increases in travel expenditure largely reflect rising staff numbers. Total travel costs increased to £787,000, up from £649,000 in 2016/17.

PREMISES COSTS

Premises costs increased to £435,000, up from £398,000 in 2016/17. This is owing to an increase in London business rates.

IT COSTS AND TELEPHONE

IT costs increased to £593,000, up from £386,000 in 2016/17. This is because of a number of factors such as enhancements to the Data Portal, additional Salesforce licenses and devices for new joiners.

LEGAL AND PROFESSIONAL

Legal and professional costs decreased to £124,000, down from £139,000 in 2016/17.

OPERATING SURPLUS

After taking into account interest receivable, depreciation and tax, the PRI achieved a surplus of £193,185 for 2017/18.

CASH RESERVES

Cash increased to £4.6m at the end of the year. This included receiving both sponsorship and delegate fees for PRI in Person San Francisco.

FEE DISCOUNTS AND WAIVERS

Asset owners headquartered in a country classified by the IMF as an emerging market or developing economy are entitled to apply for a fee discount. Please refer to the [IMF's World Economic Outlook 2016](#) (Statistical Appendix, p.209) for a full list of eligible countries.

The PRI will bill service providers based on only their investment staff, where that service provider has distinct divisions that provide distinct services. If one of those divisions provides a service that is not relevant to investors (and therefore the principles), this division will be excluded from the fee calculation.

The PRI previously offered discounts for joint UNEP FI-PRI members and reciprocal fee arrangements. These were discontinued in 2017.

Account name	HQ Country	Signatory Category
Aquila Capital Green Assets GmbH	Germany	Investment Manager
Brasilprev Seguros e Previdência	Brazil	Asset Owner
Ceres	United States	
ClearBridge Investments	United States	Investment Manager
Earth Capital Partners LLP	United Kingdom	Investment Manager
Economus	Brazil	Asset Owner
FASERN	Brazil	Asset Owner
Funcef	Brazil	Asset Owner
FUNCESP	Brazil	Asset Owner
Global Sustain	United Kingdom	Service Provider
Government Employees Pension Fund of South Africa	South Africa	Asset Owner
Hermes Investment Management	United Kingdom	Investment Manager
Inflection Point Capital Management U.K. Ltd.	United Kingdom	Service Provider
Infraprev	Brazil	Asset Owner
Interfaith Center on Corporate Responsibility (Delisted)	United States	Service Provider
International Corporate Governance Network (ICGN)	United Kingdom	Service Provider
Khazanah Nasional Berhad	Malaysia	Asset Owner
LA Retirement Fund	South Africa	Asset Owner
Lendlease	Australia	Investment Manager
Mirova	France	Investment Manager
Mitsubishi Corp. - UBS Realty Inc.	Japan	Investment Manager
MMI Group Limited	South Africa	Asset Owner
Normandin Beaudry	Canada	Service Provider
Northern Trust Asset Management	United States	Investment Manager
Pax World	United States	Investment Manager
PBI Actuarial Consultants Ltd.	Canada	Service Provider
Petros - Fundação Petrobras de Seguridade Social	Brazil	Asset Owner
PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil	Brazil	Asset Owner
Real Grandeza	Brazil	Asset Owner
Sanlam Limited	South Africa	Asset Owner
State Street Global Advisors (SSGA)	United States	Investment Manager
ThomasLloyd Group	United Kingdom	Investment Manager
Tomorrow's Company	United Kingdom	Service Provider
Tribe Impact Capital LLP	United Kingdom	Investment Manager
Trillium Asset Management	United States	Investment Manager
Valia	Brazil	Asset Owner
VicSuper	Australia	Asset Owner

PRI ASSOCIATION
(A COMPANY LIMITED BY GUARANTEE)

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR
ENDED 31 MARCH 2018**

DIRECTORS

P Webster
T Sneyers
M Madureira
R Mokate
P Mathur
M Skancke
S Carlisle
X Den Uyl
A Emslie
E Halvarsson
H Mizuno

COMPANY SECRETARY
Bristows Secretarial Limited

COMPANY NUMBER
07207947

REGISTERED OFFICE
5th floor, 25 Camperdown Street
London, E1 8DZ

INDEPENDENT AUDITOR
Buzzacott LLP
130 Wood Street
London, EC2V 6DL

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the consolidated financial statements of PRI Association and its subsidiaries, together referred to as 'the group', for the year ended 31 March 2018.

PRINCIPAL ACTIVITY

The principal activity of the group and the company in the year under review continued to be that of a network of international investors working together to put the Principles for Responsible Investment into practice.

The company is not for profit.

Directors

The directors who served during the year were:

- P Webster
- T Sneyers (appointed 1 January 2018)
- M Madureira (appointed 1 January 2018)
- M Barros (resigned 31 December 2017)
- R Mokate
- P Mathur
- M Skancke
- S Carlisle
- G Aiyer (resigned 31 December 2017)
- X Den Uyl
- A Emslie
- E Halvarsson
- H Mizuno

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the surplus or deficit of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

SMALL COMPANIES EXEMPTIONS

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

M Skancke
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRI ASSOCIATION

We have audited the financial statements of PRI Association (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise the Group Statement of comprehensive income, the Group and company Balance sheets and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a group strategic report.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Katherine White
(Senior statutory auditor)
for and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 £	2017 £
INCOME		
Administrative expenses	11,190,048 (11,015,443)	9,048,086 (9,055,609)
OPERATING (DEFICIT)/SURPLUS		
Interest receivable and similar income.	174,605	(7,523)
Interest payable and expenses	19,740 (1,383)	20,525
SURPLUS BEFORE TAXATION	192,962	13,002
Tax on surplus	223	(4,432)
SURPLUS FOR THE FINANCIAL YEAR	193,185	8,570
Foreign exchange movement on reserves	1,471	(8,054)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	1,471	(8,054)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	194,656	516
SURPLUS FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the parent company	193,185	8,570
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the parent company	194,656	516

The notes on pages 8 to 14 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

	NOTE	2018 £	2018 £	2017 £	2017 £
FIXED ASSETS					
Intangible assets	4		4,470		14,221
Tangible assets	5		120,351		168,713
			-----		-----
			124,821		182,934
CURRENT ASSETS					
Debtors: amounts falling due within one year	7	1,859,432		1,028,833	
Cash at bank and in hand		4,641,662		3,496,495	
		-----		-----	
		6,501,094		4,525,328	
Creditors: amounts falling due within one year	8	(3,496,322)		(1,773,325)	
		-----		-----	
NET CURRENT ASSETS			3,004,772		2,752,003
			-----		-----
NET ASSETS			3,129,593		2,934,937
			=====		=====
CAPITAL AND RESERVES					
Foreign exchange reserve			(7,117)		(8,588)
Contingency reserve	9		450,000		450,000
Income and expenditure account			2,686,710		2,493,525
			-----		-----
			3,129,593		2,934,937
			=====		=====

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf

M Skancke
Director

COMPANY BALANCE SHEET

	NOTE	2018 £	2018 £	2017 £	2017 £
FIXED ASSETS					
Tangible assets	5		120,351		168,713
Investments	6		846		846
			-----		-----
			121,197		169,559
CURRENT ASSETS					
Debtors: amounts falling due within one year	7	1,916,121		1,096,329	
Cash at bank and in hand		4,501,776		3,362,176	
		-----		-----	
		6,417,897		4,458,505	
Creditors: amounts falling due within one year	8	(3,358,839)		(1,732,724)	
		-----		-----	
NET CURRENT ASSETS			3,059,058		2,725,781
TOTAL ASSETS LESS CURRENT LIABILITIES			-----		-----
			3,180,255		2,895,340
NET ASSETS			-----		-----
			3,180,255		2,895,340
			=====		=====
CAPITAL AND RESERVES					
Other reserves			450,000		450,000
Surplus brought forward		2,445,340		2,538,120	
Surplus/(deficit) for the year		284,915		(92,780)	
		-----		-----	
Profit and loss account carried forward			2,730,255		2,445,340
			-----		-----
			3,180,255		2,895,340
			=====		=====

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf.

M Skancke
Director

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

PRI Association is a company limited by guarantee incorporated in England and Wales. Its company registration number is 07207947. The registered office is 25 Camperdown Street, London, E1 8DZ

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 CASH FLOW

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under FRS 102 Section 1A - small entities.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the company and its subsidiaries as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 from presenting its individual statement of comprehensive income.

2.4 INCOME

Income represents annual subscriptions paid by members, events income, voluntary donations and grants. Subscriptions are recognised on joining the Association or on subsequent renewal dates, on an accruals basis. Events income is recognised as the event occurs. Donations are recognised on a receipts basis.

Reimbursement grants are recognised in line with relevant expenses on an accrual basis.

2.5 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. Amortisation is provided at rates calculated to write off the cost of intangible fixed assets, less their estimated residual value, over their expected useful lives of 4 years.

2.6 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvement costs - 20% straight line
Fixtures and fittings - 20% straight line
Office equipment - computers - 33.33% straight line
Office equipment - other - 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

NOTES TO THE FINANCIAL STATEMENTS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.7 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 FINANCIAL INSTRUMENTS

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

2.11 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transaction took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.13 FINANCE COSTS

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS

2.14 OPERATING LEASES

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.15 PENSIONS

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2.16 INTEREST INCOME

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.17 TAXATION

Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

3. EMPLOYEES

The average monthly number of employees, including directors, during the year was 77 (2017 - 73).

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS

GROUP

INTELLECTUAL PROPERTY RIGHTS £

COST

At 1 April 2017

39,006

At 31 March 2018

39,006

AMORTISATION

At 1 April 2017

24,785

Charge for the year

9,751

At 31 March 2018

34,536

NET BOOK VALUE

At 31 March 2018

4,470

At 31 March 2017

14,221

NOTES TO THE FINANCIAL STATEMENTS

5 TANGIBLE FIXED ASSETS

GROUP AND COMPANY

	LEASHOLD IMPROVEMENT COSTS £	FIXTURES AND FITTINGS £	OFFICE EQUIPMENT £	COMPUTER EQUIPMENT £	TOTAL £
COST OR VALUATION					
At 1 April 2017	191,433	69,989	31,859	59,279	352,560
Additions				34,233	34,233
At 31 March 2018	191,433	69,989	31,859	93,512	386,793
DEPRECIATION					
At 1 April 2017	100,126	41,885	17,913	23,923	183,847
Charge for the year	38,287	13,998	6,012	24,298	82,595
At 31 March 2018	138,413	55,883	23,925	48,221	266,442
NET BOOK VALUE					
At 31 March 2018	53,020	14,106	7,934	45,291	120,351
At 31 March 2017	91,307	28,104	13,946	35,356	168,713

6. FIXED ASSET INVESTMENTS

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company, and are included in the consolidated financial statements:

NAME	REGISTERED OFFICE	CLASS OF SHARES	HOLDING
PRI Enterprises Limited	25 Camperdown Street, London, E1 8DZ	Ordinary	100%
PRI US Inc.	45 Rockefeller Plaza #54, New York, NY, 10111-0100, USA	Ordinary	100%
PRI Association (Hong Kong) Limited	27 th Floor Alexandra House, 18 Chater Road, Central, Hong Kong	Ordinary	100%

COMPANY

INVESTMENTS IN SUBSIDIARIES £

At 1 April 2017	846
At 31 March 2018	846
At 31 March 2017	846

NOTES TO THE FINANCIAL STATEMENTS

7. DEBTORS

Trade debtors
Amounts owed by group undertakings
Other debtors

GROUP		COMPANY	
2018 £	2017 £	2018 £	2017 £
644,652	424,475	550,455	386,015
		182,157	131,895
1,214,780	604,358	1,183,509	578,419
<hr/>		<hr/>	
1,859,432	1,028,833	1,916,121	1,096,329
<hr/>		<hr/>	

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors
Corporate tax
Other taxation and social security
Other creditors

GROUP		COMPANY	
2018 £	2017 £	2018 £	2017 £
927,747	302,992	913,236	298,193
74	4,443	-	4,105
130,539	114,171	125,848	110,660
2,437,962	1,351,719	2,319,755	1,319,766
<hr/>		<hr/>	
3,496,322	1,773,325	3,358,839	1,732,724
<hr/>		<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

9. CONTINGENCY RESERVE

There is no planned change to the contingency reserve set aside in the year from the 2015/16 surplus. This money was set aside after a number of risks were considered. Chief among these was a potential fall in markets that would adversely impact fee income.

10. PENSION COMMITMENTS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds.

The pension cost charge represents contributions payable by the group to the funds and amounted to £246,784 (2017 - £159,260).

Contributions totalling £28,264 (2017 - £17,672) were payable to the pension funds at the balance sheet date and are included in creditors.

11. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2018 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
Not later than 1 year	104,520	205,372	83,959	188,006
Later than 1 year and not later than 5 years	-	83,959	-	83,959
	104,520	289,331	83,959	271,965

12. RELATED PARTY TRANSACTIONS

There were no other related party transactions requiring disclosure in the financial statements.

13. COMPANY LIMITED BY GUARANTEE

The company is limited by guarantee and does not have any share capital. The liability of the members in the event of the company being liquidated is limited to £1 per member.

PARTNERSHIPS

KEY TARGETS

Work with our partners generated £794,000 (PRI target: £500,000)

Organisations can partner with the PRI by:

- partnering or exhibiting at PRI in Person and other events;
- working with the PRI on research or a publication;
- hosting a signatory event;
- supporting the PRI Network in their region;
- collaborating with the PRI Academy, Academic Network and Research Forum.

The PRI thanks the following organisations for providing financial or in-kind support during the year, such as providing complementary access to research and data, and sponsoring or hosting PRI events and publications.

GRANTS

The PRI wishes to acknowledge the following organisations for their support:

Carbon War Room, Ceres, ClimateWorks Foundation, European Climate Foundation, Finance Dialogue, Generation Foundation, GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, Gordon and Betty Moore Foundation and Rockefeller Foundation, We Mean Business and UNCTAD.

IN-KIND DONATIONS

The PRI also wishes to thank the following organisations for providing in-kind access to data: FTSE Russell, MSCI, RepRisk and Vigeo Eiris.

OUR PARTNERS THIS YEAR

PARTNERSHIPS INCOME

PRI IN PERSON 2017

- **Diamond:** DWS (formerly Deutsche Asset Management)
- **Gold:** Amundi, Bloomberg, Deka
- **Silver:** Aberdeen Standard Investments, BNP Paribas, Clearbridge Investments, Martin Currie Investment Management, MFS Investments, MSCI, UBS
- **Bronze:** Bank of America Global Wealth and Investment Management, Beyond Ratings, BMO Global Asset Management, FTSE Group, HSBC Global Asset Management, Oekom-Research, Russell Investments, Sustainalytics, Vigeo Eiris, Wellington Management Company

PRI ACADEMIC NETWORK CONFERENCE 2017

- Union Investments

The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org



The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org



UN Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 9,500 companies and 3,000 non-business signatories based in over 160 countries, and more than 70 Local Networks.

More information: www.unglobalcompact.org

