

## PRINCIPLES FOR RESPONSIBLE INVESTMENT 2020 SIGNATORY GENERAL MEETING MINUTES

**21 OCTOBER 2020, 09:00 – 10:30 CEST AND 18:00 – 19:30 CEST**

### Online webcast

The PRI sought input from signatories on the Signatory General Meeting (SGM) draft agenda and invited signatories to contribute agenda items and resolutions to be put to a vote. No agenda items or resolutions were received. All signatories were sent the PRI's 2020 Annual Report<sup>1</sup> in advance of the meeting.

### In attendance:

- Fiona Reynolds, PRI CEO
- Martin Skancke, PRI Board Chair (meeting Chair)
- 480+ signatory representatives attended via online webcast

### Materials:

- [SGM presentation](#)

## MESSAGE FROM THE CHAIR

The PRI Chair, Martin Skancke, welcomed signatories attending via webcast. The Chair acknowledged that PRI was hoping to greet its signatories in Tokyo for the PRI in Person conference this year, which did not happen due to the continuing impact of COVID-19 and therefore the SGM is virtual. The Chair emphasised that the SGM is an important opportunity to connect with PRI signatories and report what has been achieved in past, but also report the plans for the future.

The Chair will be presenting on the behalf of the PRI Board and would like to use this opportunity to present the work undertaken by the board during the last year. The Chair provided an overview of the SGM agenda.

In 2016, the PRI had a 10-year anniversary where the PRI strived to look forward to think about the next 10 years. In close consultation with the signatories, the PRI developed the Blueprint for Responsible Investment<sup>2</sup>. The Blueprint is a long-term strategic plan which sets out our ambitions for responsible investment. The Blueprint is the foundation of the three-year strategy plan. The board has spent a considerable amount of time in developing the draft strategy over the past year. The Chair

<sup>1</sup> <https://www.unpri.org/pri/about-the-pri/annual-report>

<sup>2</sup> <https://www.unpri.org/pri/a-blueprint-for-responsible-investment>

stressed that the PRI's primary responsibility is to advance its mission and provide value to its signatories. The PRI is releasing the three-year draft strategy<sup>3</sup> and is seeking signatory feedback to ensure that our priorities are guided by signatories, so the work PRI undertakes stays relevant and useful.

One important element of our work is reporting and accountability. The PRI has undertaken a significant reform of the Reporting & Assessment Framework, which signatories will notice when completing the annual reporting for 2021. There was considerable signatory involvement in the reform process. The Reporting & Assessment Framework is important for several reasons: it provides a framework for signatories to learn and benchmark; it is the largest database of responsible investment practices; it enables increased accountability. The 2021 reporting will be a pilot year, due to a large overhaul of the framework. The aim was to make it simpler to use, but at the same time make it more challenging and to raise standards across the board.

This year has been different for many of us and the PRI has also been affected by COVID-19. The PRI adapted to new ways of working. The role of the board has been to oversee this change and ensure that PRI continues to deliver signatory value in these difficult times. The PRI is seeking to use technology to bring the PRI closer to its signatories.

## MANAGEMENT AND FINANCIAL REPORT

Fiona Reynolds, CEO, presented the management and financial report for the 2019-20 financial year.

Fiona Reynolds welcomed signatories dialling in from all around the world to the first-ever virtual SGM. We are grateful to be able to share this annual update on our activities to show how we are progressing against the 10-year Blueprint over the last financial year and discuss our plans for the next three-year strategy.

The PRI continues to see strong growth. In 2019/20 we welcomed 665 new signatories, including 86 new asset owners. This 28% growth rate is the highest increase the PRI ever had, up from 22% last year, showcasing that responsible investment is on the move. As of March 31, 2020, the PRI had 3,038 signatories representing over USD \$103 trillion AUM. The growth has been strong across the globe both in emerging and developed markets. Latin America saw the most prominent increase of 90%. To support the growing signatory base, PRI staff has also increased to over 140 staff, based in 15 countries.

Last year's PRI in Person in Paris was the largest responsible investment event ever, bringing together 1,800 delegates from 830 organisations and 54 countries. Despite limitations on in-person meetings in the latter part of the year, the PRI signatory base has never been more engaged. This year 850 signatories attended relationship meetings, regional forums convened 578 signatories, over 529 signatories participated in 32 advisory committees and working groups, and increasingly

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<sup>3</sup> [https://dwtyzx6upklss.cloudfront.net/Uploads/c/y/t/pri\\_strategic\\_plan\\_202124\\_consultation\\_paper\\_90157.pdf](https://dwtyzx6upklss.cloudfront.net/Uploads/c/y/t/pri_strategic_plan_202124_consultation_paper_90157.pdf)

signatories are using the recently launched collaboration platform<sup>4</sup>. PRI signatories are active and engaged across the initiative.

As our staff and signatory numbers have grown, the finances have also increased to support our activities. The headline figures are that: total income grew to £19.7m, up from £14.7m in 2017/18; total expenditure grew to £18.0m, up from £14.2m in 2017/18; and there was a surplus of just over £1.8m. Despite the challenges of the pandemic, the PRI remains in a strong position. The PRI will continue to hold a minimum of three months of full operating expenses which is in line with the PRI reserves policy. The financial statements are in the annual report. The PRI's corporate structure remains unchanged from last year. The group comprises seven entities and PRI Association is the ultimate holding company.

The PRI's mission is to bring together responsible investors to develop sustainable markets that contributes to a prosperous world for all.

The PRI has seven current 'flagship' projects:

- A Legal Framework for Impact
- Climate Action (100+, COP26, Inevitable Policy Response)
- ESG in Credit Risk and Ratings
- European Technical Expert Group on Sustainable Finance – Taxonomy
- Human Rights and Modern Slavery
- Manager Selection, Appointment and Monitoring
- Sustainable Development Goals

Throughout the year, PRI supported signatories on priority ESG issues, and delivered publications and tools for investment managers and asset owners. The theory of change at the PRI is that a rising tide lifts all boats. Hence to advance responsible investment and to fulfil our mission, we must bring everybody along on this journey with us. The PRI seeks to support all of its signatories regardless of depth of knowledge on responsible investment, size or stage of ESG incorporation. One of the key pieces of work the PRI delivered was a series of short reports providing an introduction to the main approaches to responsible investment, for those at the beginning of their journey.

The PRI is supporting investors by increasing depth of insight across asset classes; leading awareness and response to existing and emerging ESG issues. A few highlights include ESG in Credit Risk and Ratings programme<sup>5</sup>, Technical guide on responsible investment in the hedge fund industry<sup>6</sup>, and case studies on passive investment strategies<sup>7</sup>.

The PRI is seeking to empower its signatories to exercise investor rights and last year the PRI launched active ownership 2.0<sup>8</sup>. The PRI coordinated collaborative engagements to help maximise

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<sup>4</sup> <https://collaborate.unpri.org/>

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

<sup>6</sup> <https://www.unpri.org/hedge-funds/technical-guide-esg-incorporation-in-hedge-funds/5729.article>

<sup>7</sup> <https://www.unpri.org/investment-tools/passive-investments>

<sup>8</sup> <https://www.unpri.org/download?ac=9721#:~:text=Active%20Ownership%202.0%20is%20a.and%20effort%20over%20narrow%20interests.>

investors' collective impact. Through acting in concert guides, PRI is aiming to help address concerns in markets about collaborative engagements, working with law firms to clarify where barriers do or do not exist.

One ongoing engagement to highlight is the Global Tailings Review that is led by signatories John Howchin, Council on Ethics Swedish National Pension Funds, and Adam Matthews, Church of England Pensions Board. The PRI co-convened the global tailings review alongside United Nations Environment Programme (UNEP) and International Council on Mining and Metals (ICMM). The review has led to the development of the first standard that can be applied to existing and future tailings facilities around the world. Fiona Reynolds thanked John Howchin and Adam Matthews for their leadership. This demonstrates active ownership 2.0 in action, where investors are using their leverage to bring change.

Despite COVID-19, the number one ESG issue continues to be climate change. Therefore, the PRI has continued to expand the work in this area and championed climate action in a variety of ways. There is a substantial increase in signatories acting on climate change with 85% of asset owners and 81% of investment managers factoring climate-related risks and opportunities into their investment strategies or products. The PRI's major initiatives seeking to support investors in taking action against climate change include; the Inevitable Policy Response, the Task Force on Climate-related Financial Disclosures (TCFD), the UN Climate Change Conference UK 2020, The Investor Agenda, Climate Action 100+, and the Net-Zero Asset Owner Alliance. In September 2019, the PRI launched the Net-Zero Asset Owner Alliance with United Nations Environment Programme Finance Initiative (UNEP FI). Currently, 30 asset owners are committed to net-zero across their entire portfolio by 2050. This is ground-breaking work, which hasn't been done before.

The PRI made reporting on a subset of TCFD based PRI climate reporting indicators mandatory to drive forward TCFD implementation. 2,097 investors reported on TCFD indicators in 2020, representing USD \$97 trillion in AUM. In the next reporting cycle, the mandatory TCFD based questions will be publicly disclosed and privately assessed. Making TCFD indicators mandatory is one part of the wider initiative to increase signatory accountability.

The PRI introduced the first set of minimum requirements in 2018. Signatories who do not meet the minimum requirements enter a two-year engagement period where the PRI provides support and resources to help them make necessary changes to policies and practices. Largely the engagements has been very successful. In 2018, the PRI engaged with 121 signatories of which 69% met the minimum requirements in 2019. In 2019, the PRI engaged with 123 signatories of which 83% met the minimum requirements in 2020. This year the first set of signatories has reached the end of this process and 5 signatories were delisted for not meeting the minimum requirements. The PRI aims to encourage signatories to move forward in their responsible investment practices. However, the PRI needs to take action if signatories are not meeting the minimum requirements.

This year the PRI has completed an extensive signatory consultation on Reporting & Assessment. It published a detailed proposal of what the new Reporting Framework, assessment and outputs would look like. Over 580 signatories participated in the consultation. The signatory feedback provided

valuable insight into the strength of the current Reporting & Assessment process and where improvements could be made. The pilot launch of the new framework is scheduled for early 2021.

Whilst the PRI seeks to increase accountability, it is also important to showcase leadership. Therefore, the PRI has developed a leaders' group to recognise signatories that are already implementing best practice. Each year the leaders' group focuses on a new topic from the Blueprint. This year it focuses on climate reporting against the indicators in the PRI Reporting Framework. Signatories are encouraged to visit the leaders group page<sup>9</sup> to find out more. The PRI awards<sup>10</sup> highlight innovation and impact amongst signatories. This year's winning projects were selected by an independent judging panel. Fiona Reynolds congratulated 2020 leaders' group and all of the award winners.

It would be difficult to achieve the PRI's mission without addressing systemic obstacles. As part of the global policy engagement programme, the PRI continues to engage with policymakers around the world, with a focus on the European Union, China, US, and UK. The PRI prepared 11 briefings and submitted 34 consultation responses last year. Fiona Reynolds thanked signatories and stakeholders for their continuous support and commitment to advancing the Principles. Fiona Reynolds particularly thanked signatories for participating in working groups and advisory committees.

Fiona Reynolds also thanked the PRI Board. Like many organisations due to COVID-19, the PRI had to adapt to the change and move to virtual board and committee meetings. This imposed challenges for the board members based in different parts of the world. However, all board members have shown strong commitment and adapted to the change. Fiona Reynolds sincerely thanked the PRI staff for their dedication, leadership, and ability to adapt to challenging circumstances.

Various programmes, guidance and initiatives mentioned have taken the PRI one step closer to meeting our commitment outlined in the 10-year Blueprint. In spite of the challenges investors have faced around the world, it's clear that there has been significant progress on responsible investment. COVID-19 has shown the importance of sustainability. A healthy economy, healthy businesses must be underpinned by healthy people and a healthy planet. People, profit and planet are all interconnected. Investors are playing their role to ensure not only we recover from COVID-19 but that we build back better.

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<sup>9</sup> <https://www.unpri.org/leaders-group-2020/6524.article>

<sup>10</sup> <https://www.unpri.org/winners-of-the-pri-awards-2020/6518.article>

## STRATEGY CONSULTATION

The PRI's strategy is driven by its signatories. To develop the three-year strategy, the PRI would like to consult with its signatories. Through surveys, focus groups and board members, signatories have made a variety of requests such as: provide examples of best practice, deepen ESG integration across asset classes, guidance on incorporating issues into the investment framework, continued focus on climate change, wider variety and more standardised data, shaping and measuring outcomes in line with the SDGs, and increase the focus on social issues, particularly human rights etc...

The PRI received fantastic input from its signatories and incorporated their ideas, vision, challenges and priorities into the Blueprint. The Blueprint provides a strong framework to organise and prioritise our activities. In the face of the pandemic, it is clear that the Blueprint is more important than ever before. Through the lens of signatory feedback, we have developed draft priority work areas where the PRI proposes to focus its efforts over the next three years.

At a high level under the responsible investors part of the Blueprint, the PRI will drive ESG incorporation, increase stewardship ambitions, strengthen accountability, and recognise leadership. To create sustainable markets, the PRI will address legal barriers, improve end-to-end sustainability data, align policies, regulation and market incentives, and embed sustainability in the economic recovery from COVID-19. To create a prosperous world for all the PRI will enable investors to focus on outcomes, secure net-zero commitments, elevate social issues, and work with investors to deliver the SDGs.

Current events, including COVID-19, will have an input into the strategy. The human and economic toll of the crisis continues to be significant and it has affected signatories around the world in different ways. However, the silver lining in this tragedy is that it has given a significant boost to sustainability and the opportunity to leverage the crisis, to build back better. The pandemic has served as a proof point for sustainability. The PRI signatories have never been more engaged on ESG issues and the PRI has witnessed a record level of uptake in sustainability strategies.

As we look to recover from COVID-19 and to build back better the SDGs have never been more important. The SDGs is a world's business plan and to recover we need to fund and implement this plan. The SDGs were launched 5 years ago, but the time is running out to achieve them. The UN Secretary-General recently said that "overall we are seriously off track" and one of the reasons for the slow progress is the lack of financing. United Nations Conference on Trade and Development (UNCTAD) estimates that funding requirements for SDGs is between USD \$5 to \$7 trillion per year from the private sector alone. Now it's the time to accelerate SDGs, and investors have a key role to play.

We believe that investors' leverage enables them to shape outcomes in the real world in terms of increasing positive outcomes and decreasing negative outcomes. To help investors seeking to shape

outcomes in line with the SDGs, the PRI recently launched investing with SDG outcomes report<sup>11</sup> which provides a five-part framework for investors that are seeking to understand the real-world outcomes of their investments. The PRI is working with Freshfields to take a new step in the fiduciary duty work, focusing on the law and how it enables or detracts from being able to prioritise sustainability outcomes.

The PRI is aiming to drive meaningful data, which better enables responsible investment by looking at end-to-end data that is decision-useful. We have recently announced a new partnership between the PRI and the World Business Council for Sustainable Development (WBCSD) to drive joint corporate-investor action. Through this partnership, the PRI will work on decision-useful sustainability data and aligning incentives such as remuneration. The collaboration will complement existing efforts and approaches to developing ESG data and strengthen the effectiveness of current standards and frameworks. These issues have been in discussion for a long period of time, and our partnership is about helping to solve them.

In the past, social issues have often been treated differently by investors, corporates and governments, taking a back seat to environmental and governance issues. Interestingly, social and human rights issues have grown significantly over the past few years. In a recent PRI survey, 64% of respondents said that COVID-19 has made social issues priorities. In the 2019 Reporting Framework, signatories highlighted human and labour rights as priority issues. The PRI has fantastic signatories who are doing great work in this area. In the past five years, approximately 115 institutional investors have engaged with 100 companies through PRI led collaborative engagements. According to PRI data portal, more than 120 investors are already screening their investment portfolios based on the United Nations Guiding Principles (UNGP) and Organisation for Economic Co-operation and Development (OECD) guidelines. Although we have a group of signatories who are very engaged on human rights issues, it doesn't represent the bulk of the PRI's signatory base and we still have a long way to go. The PRI launched a five-year program on human rights and recently concluded human rights consultation which provides a six-step framework to implement human rights into investment activities.

The aggregate impact of our current stewardship practices is failing to meaningfully reduce systemic risks or address the SDGs. Last year, the PRI launched Active Ownership 2.0 programme, focusing on how we think stewardship needs to evolve. We will produce guidance on practical implementation, particularly around investor proxy voting and real economy policy advocacy. As part of the ongoing review, we will also be aligning Reporting and Assessment Framework to encourage and reward leadership that is starting to emerge in this area.

Investors are critical to transition to net zero and without the finance sector, we will not be able to solve climate change. The PRI will continue to work with investors across four key areas including corporate engagement, investments, investor disclosure and policy advocacy with governments and other stakeholders. Climate Action 100+ is a great example of Active Ownership 2.0. It's the largest ever investor engagement with over 500 investors representing USD \$47 trillion AUM. If we were to

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<sup>11</sup> <https://www.unpri.org/sustainable-development-goals/investing-with-sdg-outcomes-a-five-part-framework/5895.article>

achieve the Paris Agreement, investors need to do more than pushing corporates and they also need to commit to net-zero across their entire portfolio.

From January 2021, the PRI will make it mandatory to report and disclose against TCFD based governance and strategy questions. We will also introduce reporting on sustainability outcomes and not just processes. This year there was a three-fold increase in investor climate reporting to PRI in the first quarter of 2020, which was a result of PRI making it mandatory to report to those who were voluntary to disclose. Yet this increase in reporting does not necessarily signal a change in investment practice. Many investors are start of their journey with TCFD. The PRI conducted a staircase analysis on quality of investor reporting and found that only 2% of investors who reported were in the strategic category. We need investors across the globe to engage with governments because without changes to government policy settings, it is difficult to achieve net-zero. Through our IPR work, we are encouraging investors and governments to act. Many countries still do not have net-zero targets.

The PRI aims to increase signatory accountability by improving reporting, increasing minimum requirements and strengthening assurance. The PRI worked in close consultation with its signatories to develop a new Reporting & Assessment Framework that is shorter and easy to use, but at the same time more challenging to attain higher scores. It will feature a process-based core component of close-end questions that will be mandatory and assessed. It will also have advanced open-ended plus component of process and outcome questions which are voluntary and not assessed. The PRI introduced minimum requirements in 2018 and this is a critical component of our plans to increase signatory accountability. We have committed to gradually increase the minimum requirements for signatories over time. In the next set of changes, we will increase the standards required and reduce the time allowed. Signatories are encouraged to respond to the minimum requirements questions as part of the strategy consultation.

The other element of increasing accountability is showcasing leadership. The PRI will support its signatories to be purposeful, consistent, transparent, engaged, and responsible. We will also establish a set of new leadership programs for signatories to get involved in. Last year the PRI launched the leaders' group and the PRI awards to showcase leadership and best practices from across the PRI signatory base for everyone to learn from. The leadership group assesses the breadth of signatory excellence across their organisations focusing on a specific theme each year. The theme of 2021 will be stewardship. The PRI will continue with independently judged PRI awards to recognise individual projects across the signatory base. Through our accountability and leadership initiatives, the PRI will continue to move the needle of what it means to be a signatory and celebrate leadership as well as raising the bar both at the bottom and top.

To summarise, over the next three years the PRI will be working closely with its signatories to bridge the existing gap between financial risks and outcomes in line with the SDGs, to align legal frameworks, improve sustainability data and remove roadblocks, elevate human rights, increase investor stewardship ambition, increase net-zero commitments, and strengthen accountability and highlight leadership. ESG incorporation will continue to play a core role in PRI's work over the next three years. The PRI will continue to publish the range of introductory guides which are valuable to



newer signatories. Our technical work will also help signatories to meet the increasing range of challenges from regulators and other stakeholders in areas such as TCFD, EU taxonomy and human rights, to enable signatories to develop policies and practices. Over the next three years, we will continue to work globally as well as locally, taking a digital-first approach to help us achieve the ambitious agenda and to continue to deliver value to our signatories as our membership continues to grow in both size and diversity. We hope to deliver our next three-year strategy without raising fee beyond inflation.

The consultation begins today until the 25 November. The PRI Board will review your feedback in December and will determine the final strategy, which will launch on 1 April 2020. The PRI values signatory feedback and encourages signatories to participate in the strategy consultation.

If we are successful in implementing our strategy over the next three years, we believe that it has the potential to contribute to real-world changes. The work will be underpinned by investors shaping real-world outcomes, in line with the SDGs. We look forward to receiving your feedback and working with the PRI signatories on this ambitious agenda. Together we can move sustainability forward in the next three years in a way we have never done before.

## PRI BOARD ANNUAL ELECTION CANDIDATES

The 2020 PRI Board annual election is for **one asset owner** and **one investment manager** representative positions. Five candidates have nominated for the one open asset owner position and seven candidates have nominated for the one open investment manager position. Signatories will be asked to vote for candidates from 21 October to 4 December<sup>12</sup>.

### Asset owner candidates:

- Patricia Alejo, Portfolio Manager, Pontificia Universidad Javeriana
- Rafael Castro, Executive Manager of Compliance and Internal Control, PREVI
- Juan Camilo Osorio Londono, Chairman of the Board, Afore Sura
- Kamal Mitha, Head Investments, Sasria
- Renosi Mokate, Chairperson, GEPF Board of Trustees, GEPF

### Investment manager candidates:

- Alyssa Go, VP of Sustainability, RRG Capital Management
- Peter Greenwood, Director of ESG and Impact, TriLinc Global, LLC
- Roelfien Kuijpers, Global ESG Client Officer, DWS Group
- Carola van Lamoen, Head SI Center of Expertise, Executive Director, Robeco
- Jessica Malmfors, CEO, Nordea
- Longhai Qian, Chair of Supervisory Board, First Capital Securities Co., Ltd
- Tycho Sneyers, Managing Partner, LGT Capital Partners

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

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<sup>12</sup> <https://www.unpri.org/pri/pri-governance/board-elections>

## SIGNATORY Q&A

Signatories asked questions on:

- Why the travel budget is higher for 2020/21 despite COVID-19.
- Explain the PRI's strategy on grant funding.
- Provide staff breakdown by teams to allow an assessment of resources spent.
- The requirement to engage and vote is prohibitively expensive for some smaller managers.
- Timeframe for signatories to view the new Reporting Framework.
- Share the SGM presentation with signatories.
- The influence of Brexit on the PRI's operations.
- The PRI's strategy for increasing the presence and practice of responsible investment in emerging markets.
- The PRI's strategy on TCFD adoption for signatories in concentrated emerging markets (South Africa).
- Explain how collaboration with WBCSD will add value to other initiatives.
- Frameworks used by the PRI to inform proxy voting decision by signatories.
- Scope for adjusting signatory fee schedule to better accommodate emerging market investors.
- The PRI's response to possible regulatory divergence in ESG rules for fund managers between US and UK/EU.
- The PRI's regionalisation strategy in meeting the needs of the US market.
- The influence of COVID-19 on the PRI's operations and how did the PRI adapt.
- The PRI's plans to grow the UN Net Zero Asset Owner Alliance.
- The process for delisting signatories who failed to meet the minimum requirements.
- Additional guidance and resources available for fixed income asset managers.