

PRI BOARD MEETING REPORT

The PRI Board had a meeting on 26 & 27 June 2019, in Amsterdam.

ATTENDANCE

The meeting was attended by the following PRI Board members and PRI Executive staff.

Board members present: Wendy Cromwell (Wellington Management) Angela Emslie (HESTA) Eva Halvarsson (AP2) Sharon Hendricks (CalSTRS) Lise Kingo (UNGC) Hiro Mizuno (GPIF) Renosi Mokate (GEPF) Martin Skancke (Chair) Tycho Sneyers (LGT Capital Partners) Laetitia Tankwe (Ircantec) Eric Usher (UNEP FI) Xander den Uyl (ABP) Peter Webster (Vigeo Eiris)	PRI Executive in attendance: Fiona Reynolds Christopher Sperling
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WELCOME FROM THE CHAIR

The Chair thanked ABP for hosting the PRI Board meeting. The Chair welcomed Sharon Hendricks, CalSTRS board chair, recently elected to the PRI Board.

Ms Corien Wortmann-Kool, Chairman of ABP, spoke about ABP, their responsible investment philosophy, engagement with members and a useful role for the PRI with regards to the Sustainable Development Goals (SDGs).

DECLARATION OF INTERESTS

Interests declared are generally for interests between board members and interests that might affect a particular board discussion or decision. Board directors noted recent changes:

- Laetitia Tankwe has been elected as a member of the French SIF (FIR).
- Moody's is now a 70% owner of Vigeo Eiris.

MINUTES

The Board approved the minutes from the 7 March 2019 meeting.

MATTERS ARISING

There is a planned update on digital and communications at the September 2020 board meeting. The board requested a discussion on general guidelines for PRI materials that should be publicly available versus what might be behind a single sign-on. Planned for the March 2020 meeting is an IT update.

SIGNATORY AND STAKEHOLDER INTERACTION

Fiona Reynolds, CEO, gave an update on recent trips to meet with signatories and policymakers in Chile and Brazil. Generally, the PRI can be perceived as being too Eurocentric and this will be for consideration as part of the next strategy, including working in local languages, and technical expertise in local markets as well as signatory relations managers.

The board reflected on the lack of representation from Latin America on the PRI Board. The last elections encouraged candidates from North America because it is a critical capital market for the PRI and responsible investment. At present the board is very diverse, across several dimensions of diversity: geography, roles, experience, gender. If possible the composition of the board should reflect the signatory base and the PRI's strategy.

Laetitia Tankwe reported the perception amongst some French signatories that the PRI does not give enough recognition to responsible investment / green labels that can drive best practice. There is an increasing heterogeneity amongst the PRI signatory base. Often the objectives are the same, but the local context and therefore implementation can be different. Ensuring that the PRI is still relevant to the diverse signatory base is a challenge.

Sharon Hendricks reported back to the board findings from her recent election campaign. Signatories felt that depth and thought leadership was lacking. Also, that there could be more opportunities for asset owners to convene and try to solve problems together.

Lastly the board discussed the risk of initiative fatigue. Although the board agreed that Climate Action 100+ was an example of a recent initiative with a good level of ambition that had 'cut through'.

CHAIR REPORT

The Chair briefed the board on the four priorities set by the board.

1. **Leadership of the board.**
2. **Climate action.** The chair will continue to participate on the TCFD.
3. **Drive meaningful data.** The chair has had positive conversations with the chair of the Corporate Reporting Dialogue. The PRI has an important role in coalescing the investor voice for reform.
4. **Sustainable Development Goals (SDGs).** The chair has worked with the Executive to refine the SDGs strategy.

MANAGEMENT REPORT

Fiona Reynolds, CEO, presented the agenda item. Included in CEO report are routine reports and exceptional items. The routine reports are updates on human resources, partnerships, management accounts, signatory relationship management and key business initiatives. Highlighted in the update:

- **Human resources.** The Executive has hired a new director of Investment Practices, Toby Belsom. The Executive will review the resourcing of the SDGs strategy in advance of the September board meeting.
- **Sustainable Development Goals.** The SDGs were discussed at every reporting consultation roundtable. Signatories are looking for the PRI to provide guidance and tools.
- **Just transition.** The ITUC has received positively the PRI's work on the just transition. The CWC also wants to work with the PRI on the 'future of work'.
- **Reporting Framework review.** Signatories have welcomed the opportunity to provide input into the consultation. Signatories view the reporting as an important accountability mechanism for the PRI and to them. It is generally viewed as positive and not a burden.

COMMITTEE REPORTS

The Board received updates from chairs or members of the respective committees.

Finance, Audit and Risk committee (Peter Webster)

The committee reported to the Board on its discussions:

- Audit process
- Operational risks
- Compliance

Governance committee (Angela Emslie)

The committee reported to the Board on its discussions:

- 2019 PRI Board elections guidance
- Director eligibility rules

Human resources and Remuneration policy (Renosi Mokate)

The committee reported to the Board on its discussions:

- Organisation pay review process
- Human Resources policies

Signatory status committee (Tycho Sneyers)

The committee reported to the Board on its discussions:

- Signatory categorisation cases
- Minimum requirements progress

ELECTIONS AND ELIGIBILITY RULES

Angela Emslie, governance committee chair, led the discussion on the 2019 annual elections. The committee recommended that the election guidance calls for senior level experience and leadership on responsible investment. As with past years the election guidance will not advocate for particular geographic regions where there is a re-nominating board director, so as to not be seen to favour a current director. The cut-off date for nominations is 21 August.

The board agreed that it is still appropriate that a director is employed or supported by a signatory organisation, and that the clarification was for a *change* in role / organisation, rather than the ongoing support of a signatory if there is no change. The revisions make it explicit that a director (a relevant officer or former relevant officer) must be employed or supported by a relevant signatory; and that a director must be employed or supported by a relevant signatory, within a month of departing from the 'original' signatory. The board noted that the limited financial support for PRI directors and the term limit (not always coinciding with an employment term) can be problematic for some applicants. The board approved the changes to the eligibility rules, within the Election Rules.¹

The Governance committee had also discussed plurality voting and possible changes to the Election rules. The board discussed arguments for and against plurality voting. The current rules mandate that voters cast all votes available, which forces voters to consider all candidates and the composition of the board holistically. However, a voter cannot weight their vote(s) behind one or more chosen candidates. The board agreed that there was not enough rationale for changing the voting rules at this time.

PROCUREMENT POLICY

Peter Webster, chair of the Finance, Audit and Risk committee presented the revised Procurement policy. The policy includes purchasing guidelines, thresholds, accountability checks and review measures. The committee had asked the Executive to insert another possible criteria, the alignment of the external organisation with the PRI's mission and values. The board approved the revised policy.² The policy will be reviewed after one year of operation.

HUMAN RESOURCES

The Human Resources and Remuneration committee recommended the organisational pay review process and the anti-bribery policy for approval. The board had questions on the distribution of pay pie chart, which is the attribution analysis for the allocation of pay rewards. The board approved the pay review process.

The board approved the scope, format and general content of the Anti-Bribery policy. The board asked the Executive to include offers of employment as potential inducements, and try to draft the

¹ PRI election rules:

https://dwtzyx6upklss.cloudfront.net/Uploads/h/g/p/202007priassociationboardelectionrules_61399.pdf

² Procurement policy: https://d8g8t13e9vf2o.cloudfront.net/Uploads/x/e/r/201906priprocurementpolicy_477311.pdf

overall policy in a more 'positive light' that reflects best practices, rather than being too negative in tone.

2018/19 ANNUAL REVIEW

The Chair asked the board to reflect on risks for future progress, the levels of ambition for each Blueprint priority area, any significant work that needed to be undertaken, input for the forthcoming strategy and lastly feedback on the materials provided for future annual reviews.

Fiona Reynolds, CEO, presented the progress against the strategy and Blueprint priorities. The Executive had delivered projects and enabled positive outcomes within the majority of the priority areas and enablers with the exception of:

- *Creating real-world impact aligned with the SDGs*, where the PRI doesn't have enough momentum and signatories are looking for guidance from the PRI.
- *Driving meaningful data*, where there had been a lot of good work undertaken, but the PRI is really just starting out.
- *Enhance our digital capacity to improve communication*, where there is now a new director and promising work is now being undertaken.

Fiona Reynolds also briefing the board on key pieces of work forthcoming over the next year and strategy cycle:

- the Human rights framework;
- the Reporting framework review;
- the Active ownership strategy;
- convening asset owners generally;
- increasing accountability via the minimum requirements;
- enhancing the PRI Academy;
- increasing policy engagement and expert groups;
- possible PRI regionalisation over the next strategy cycle; and
- further work in the impact investing space.

The board gave feedback on the annual review and future plans, particularly:

- questioning the progress of the projects within the *Empowering asset owners* priority area;
- resourcing for the SDGs work programme;
- the shift to facilitating better quality engagement as part of the Active Ownership strategy;
- resourcing for policy engagement as part of the *Sustainable Financial system* priority area;
- the role of the Reporting Framework as the PRI embarks upon a review and potential reform;
- the ongoing challenge of providing signatory value to a diverse signatory base;
- the importance of good communication with signatories; and
- how the PRI can best work with partner organisations.

The board was generally very impressed with the volume and variety of projects that the Executive had achieved over the past year. The board agreed that the development of the Blueprint was very positive, setting out clear long-term priority areas and helping with the strategy process. The

organisational re-structure has also been positive. Signatory retention, signatory growth and good grant income have contributed to solid financials. The broader question for the board and Executive in future is whether the ambition levels for the PRI are appropriate.

2019 REPORTING RESULTS

Graeme Griffiths, Chief Operating Officer, and Elina Rolfe, Director of Reporting and Assessment joined the meeting. Eline Rolfe presented the results from the 2019 signatory reporting. The board asked questions on: AUM coverage of signatories' RI policies; trends in Latin America over the past three years; shifts in asset owners managing assets versus the use of external managers; regional trends for the mentions of the SDGs; and signatories' progress against the minimum requirements.

The Executive has also contracted an external consultant to review the IT infrastructure that supports Reporting and Assessment. The recommendation is for incremental changes.

SIGNATORY RELATIONS UPDATE

Lorenzo Saa, Chief Signatory Relations Officer, joined the meeting to present an update on signatory growth and relationship management in 2018/19, as well as request the removal of the associate membership category.

The board discussed a number of topics:

- Trends in regional growth and strategically important markets.
- Drivers for new signatories, including regulation, responsible investment momentum, staff resourcing.
- Reasons for delisting, including mergers or reporting.
- The PRI's strategy for asset consultants.
- The service offering for local signatories, and the difference between delivering global projects in local markets, versus delivering local projects in local markets.
- Asset owner recruitment and the assistance of board members.

Generally, the board welcomed the increased professionalism of the signatory relations effort over the past three years. The board approved the removal of the associate member category.

'REAL-WORLD IMPACT' SESSION WITH EXTERNAL SPEAKERS

Nathan Fabian, Chief Responsible Investment Officer, and Kaori Shigiya, Head of the Sustainable Development Goals, joined the meeting for the external presentation and the SDGs strategy session. The purpose of the presentations was to develop a common understanding of important ideas related to 'impact', 'investor contribution to real world outcomes', 'intentionality' and the PRI's proposed framework for considering SDG activity. There were three presentations:

1. Clara Barby, Impact Management Project: investor impact and implications for investor work on the SDGs.
2. Claudia Kruse, APG: signatory case study on SDG implementation.

3. Nathan Fabian, PRI: the role of Taxonomies and outcome based frameworks in delivering the SDGs.

SUSTAINABLE DEVELOPMENT GOALS STRATEGY

Nathan Fabian, Chief Responsible Investment Officer, introduced the strategy. The strategy has aimed to utilise investment approaches and language that appeal to the majority of signatories and can be incorporated into their investment thinking. The investment approaches outlined in the paper can be adopted within one and the same organisation, they are not a classification of signatory type. The board was asked to comment on the overall approach, including the framing and language, as well as the specific projects.

The board gave feedback on the proposed strategy:

- **Investment lenses.** The board debated the characterisation of the different lenses and the terminology used, including opportunity and risk, long-term returns versus returns, alignment versus contribution, impact versus externalities, and externalities in the short term and long term.
- **Investor type.** Signatories will approach the SDGs very differently, dependent upon their mandate. The main task for the PRI is to enable and explain the SDGs to the broad signatory base. Categorising signatories into separate buckets could be counter-productive.
- **Active ownership is critical.** To effect real change corporates must be engaged on the alignment of their business model with the SDGs, rather than just viewing the SDGs as part of their CSR. Significant impact on the SDGs can be through the re-allocation of capital within existing companies (as well as investor re-allocation of capital).
- **Do no harm** is an easy concept and a natural starting point for investors, that should be part of the discussion and could be utilised as part of this strategy.
- **PRI value.** The role of the PRI should be to develop and communicate a general framework for the SDGs, and allow the market to develop tools to assist with the implementation of the framework. The PRI also will provide a value to signatories by being a platform of platforms and convening signatories.
- **Emerging markets.** To achieve the SDGs investors will have to allocate more AUM to emerging markets and the current strategy isn't explicit about this.
- **Market diversity.** The Executive should aim to develop a strategy that is appropriate for multiple markets and not too Eurocentric.

The board generally agreed with the approach, level of ambition at this time and the projects. The board agreed that the Executive could finalise the SDGs strategy based on the board's feedback.

REPORTING FRAMEWORK REVIEW

Graeme Griffiths, Chief Operating Officer, and Elina Rolfe, Director of Reporting and Assessment joined the meeting.

Fiona Reynolds, CEO, provided a high-level summary of the signatory consultation: there was broad support for the Reporting Framework and the multiple objectives; many ideas from signatories for improvements; there is low appetite for wholesale reform, but the framework needs to keep up with

current practice; signatories are using the reporting and the outputs for varied uses; irrespective of any reporting framework reform the PRI can improve the reporting outputs to provide better signatory value; signatories want to use the outputs to communicate with stakeholders, but they are not fit for that purpose at present.

Elina Rolfe, Director of Reporting and Assessment, went into more depth about the signatory feedback, trade-offs between the reporting objectives and proposed solutions for reform. The board's discussion was primarily in reaction to a reform test case.

- **Diversity.** The diversity of the signatory base is an increasing challenge. There is a wide spectrum of signatories from 'beginner' to 'advanced'.
- **Utilisation.** The PRI needs to understand better how signatories utilise the framework and its outputs and test any proposed reforms against these scenarios.
- **Signatory trends.** Asking different questions of beginner, intermediate and advanced signatories would undermine the PRI's understanding of trends across the whole signatory base.
- **Qualification.** Devising criteria to select or ask signatories to self-select will be very difficult. Time thresholds within the beginner, intermediate and advanced categories may be arbitrary.
- **Modular or cumulative system.** The existing Reporting Framework is based on mandatory and voluntary questions. The PRI could develop a system based on mandatory and voluntary modules.
- **One size fits all.** A uniform and prescriptive framework can be difficult for some organisations working within specific regulatory environments. Ideally the framework should be as flexible as possible, and the PRI should aim to be as inclusive as possible.
- **Public data vs private data.** Making data public can inhibit signatory reporting.
- **Assurance.** Mandating assurance would be contentious. However, the PRI could encourage over time more data quality checks.

The board requested more definite proposals at the September 2019 meeting, including communications for signatories at PRI in Person, followed by further refined proposals at the December 2019 meeting.

2021-23 CHAIR TERM

Angela Emslie, Governance committee chair, led the agenda item. Martin Skancke, PRI Chair, did not participate in the discussion.

As part of the discussions the board considered the following factors:

- Strategy cycles and input and oversight of the 2021-23 strategy.
- Succession planning.
- The importance of continuity on the board, considering the turnover of elected directors.
- The appropriate skills, experience and time commitment required from the Chair.

The formal decision to nominate the Chair to signatories will be taken by the board in June 2020. The Chair has his/her appointment as Chair and term of office confirmed by the approval of a simple

majority of signatories, including a simple majority of asset owner signatories ([PRI Articles of Association](#)).

PRI IN PERSON UPDATE AND SGM COMMUNICATIONS

Graeme Griffiths, Chief Operating Officer, joined the meeting for the agenda item, to brief the board on the forthcoming conference.

The Chair briefed the multiple roles of board members at the annual conference: session speakers; participants in the Signatory General Meeting (SGM); and general ambassadors and ‘trouble-shooters’. Board members will also be able to attend part of the academic conference.

At the SGM the board and Executive will report to the signatory base on the progress against the Blueprint priorities and the current strategy.

CHAIR PRIORITIES

The board confirmed the chair priorities:

- Leadership of the board
- Climate action;
- Sustainable Development Goals; and
- Drive meaningful data.

FUTURE MEETINGS

The Board will meet next in person in September 2019, in advance of PRI in Person, Paris. Planned agenda items include:

- Foster a community of active owners
- Convene and educate responsible investors
- Reporting Framework review update
- Digital and communications update
- Ethics and code of conduct policy
- Mid-year budget review
- Signatory General Meeting communications