

PRI BOARD MEETING REPORT

The PRI Board had a meeting on 8 & 9 September 2019, in Paris, France, in advance of PRI in Person in Paris.

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) 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) Apologies: Lise Kingo (UNGC) *Attended 9 September only.	PRI Executive in attendance: Fiona Reynolds Christopher Sperling
---	---

DECLARATION OF INTERESTS

Additional interests declared: Vigeo Eiris is a service provider for CalSTRS, with the Sudan divestment service; and Peter Webster is a director of the Corporate Human Rights Benchmark.

MINUTES

The Board approved the minutes from the 26 & 27 June 2019 meeting.

MATTERS ARISING

The board noted two items:

1. Discussions are still ongoing on the joint PRI / UNEP FI leadership programmes.
2. September 2019 is the ten year anniversary of the Sustainable Stock Exchanges (SSE) initiative. The initiative has made considerable impact, considering its available resources. The board agreed that the initiative still has a lot of potential and that the SSE will be for future discussion.

SIGNATORY AND STAKEHOLDER INTERACTION

Board members raised several topics for discussion and information:

- The proliferation of Sustainable Development Goals (SDGs) initiatives and risk of lack of impact. The PRI is a credible forum for investor discussion and action on the SDGs and will proceed with exploring the SDGs with signatories.
- The UN-convened Net-Zero Asset Owner Alliance¹ is coordinated by the PRI and UNEP FI. The aim is to convene a leadership group with an ambitious commitment to transition their investment portfolios to net-zero GHG emissions by 2050.
- The PRI has been consulted as part of the BSI initiative to create a responsible investment standard that will be part of a future ISO process.

The board asked the executive to review as part of the 2021-24 strategy process the PRI ecosystem, including principles for where the PRI can add value, where there is signatory value, and different types of collaboration.

CHAIR REPORT

The Chair reported to the board on activities since the June 2019 board meeting and planned activities for the remainder of the year. The four agreed Chair priorities for 2019/20 are:

1. Leadership of the Board (including working with the Executive on strategy)
2. Climate (including TCFD role)
3. Sustainable Development Goals
4. Drive meaningful data

CEO 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:

- PRI in Person 2019 will be the largest Responsible Investment event ever, with a good diversity of speakers and attendees.
- The inaugural PRI awards have been positive, with higher than expected applications and a good variety of winners. The Executive will review the awards after PRI in Person, including the criteria, terms and conditions, judging panel, and the disclosure on the website about the process.
- The Reporting Framework review consultation has been well received by signatories. During the conference signatories will be looking for an indication about the future of PRI reporting and assessment.
- Shelagh Whitley has been appointed acting director of the Sustainable Development Goals, as well as her existing role, Director of ESG. There is a lot of overlap between the remits and signatories are looking to the PRI to provide guidance on the SDGs.

Eric Usher, Head, UNEP FI, briefed the board on the launch of the Asset Owner Alliance at the UN Climate week as well as the launch of the Principles for Responsible Banking on 23 September.

¹ <https://www.unpri.org/pri-blog/the-net-zero-asset-owner-alliance-lets-begin-a-decade-of-climate-action/5353.article>

Banks have been engaged, with 127 banks as founding signatories. The main focus areas are on impact assessment and target setting. The Principles are a disclosure framework and a tool to engage with regulators, investors and civil society.

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:

- Meeting with the auditors to discuss the audit process and report.
- Mid-year budget.
- Minimum reserves.
- Travel expenditure.
- New bank account process.
- Accounting for grants.
- Compliance.

Governance committee (Angela Emslie)

The committee reported to the Board on its discussions:

- 2019 PRI Board elections
- Code of Ethics and Conduct
- Chair selection planning policy.
- Directors' travel allowance.

Policy committee (Xander den Uyl)

The committee reported to the Board on its discussions:

- Sustainable Financial System programme update.

Signatory status committee (Tycho Sneyers)

The committee reported to the Board on its discussions:

- Signatory categorisation guidelines; and
- Signatory categorisation cases.

GOVERNANCE COMMITTEE

Angela Emslie, chair of the governance committee presented both the Code of Ethics and Conduct and the revised travel allowance. The board agreed that the code should apply to directors and UN advisors, and that the code should be included within letters of appointment, rather than being signed every year. The board approved the code, subject to the incorporation of suggested edits.

Board directors have a responsibility to fulfil their duties as an individual and in the best interests of the PRI as a whole. The governance committee discussed director independence and felt that this was not an issue at present. The committee discussion had focused on travel allowance equity,

across geographic areas. The board agreed to the recommendation of a simple travel allowance of up to £5k per meeting.

MID-YEAR BUDGET REVIEW AND MINIMUM RESERVES

Mark Blair, Chief Financial Officer, joined the meeting for the agenda item.

As part of the mid-year budget the proposal was for extra expenditure aligned with the Blueprint, and to revise the minimum reserves from four months payroll to three months total expenditure. The board considered several aspects of the proposals:

- The importance of maintaining adequate the minimum reserves, especially as the PRI is a growing organisation.
- Signatory fees are collected at the start of the financial year. Therefore, in theory there would be time for corrective measures. The highest risk is at the end of the financial year, when the minimum reserves could be required.
- The Executive should consider a two year budget cycle, reflecting the cycle of the annual conference.
- The rationale for the proposed expenditure items, including signatory coverage by the signatory relations team.

The board agreed that the minimum reserves help to frame the annual budget, as it informs decisions about surpluses and losses. Therefore, there should be a process and some guidelines that help with decisions on the minimum reserves. The PRI will communicate to signatories that there will be no fee rise in 2020, with the caveat that this would be reviewed if the PRI was affected by an adverse 'Brexit'. The board approved the mid-year budget and the revised minimum reserves.

CHALLENGE BARRIERS TO A SUSTAINABLE FINANCIAL SYSTEM (SFS) UPDATE

Nathan Fabian, Chief Responsible Investment Officer, Will Martindale, Director of Policy and Research, and Morgan Slebos, Director of Responsible Investment Programmes, joined the meeting for the agenda item. Nathan Fabian presented an update on the SFS programme, including the balance of work (on market practice, market structure and policy engagement), progress on current projects, priority markets and possible future plans.

The board asked questions on the PRI's prioritisation of geographical markets; work being undertaken in China and the US; the role of the policy focused signatory reference group; the PRI policy event on 9 September; the PRI's position and work to date on negative lobbying.

The board discussed several themes for consideration as part of the next strategy, in the context of the SFS programme:

- The progress of the European market, in particular the EU Sustainable Finance Taxonomy, and progress in the US market..

- If the PRI does pursue further regionalisation the organisation will require more local, for example policy, expertise to undertake local policy engagement. The fiduciary duty in the 21st century was a good example, with a central concept and country specific roadmaps.
- The SFS programme will be central to the next strategy and must align with all the other work and plans for the PRI. The Executive must have the mechanisms for ensuring that the PRI is acting on behalf of its signatories. There must be appropriately de-centralised reference groups for local policy issues.
- The Executive should reflect on how to measure effectiveness and success, and the best model(s) for change. As part of the next strategy it will be useful to reflect on the PRI's comparative advantages, where it is best to partner with others and not, developing general principles for partnership to ensure the PRI is devoting resources to where it can have maximum impact.

REGIONAL UPDATES

Lorenzo Saa, Chief Signatory Relations officer joined the meeting to introduce the agenda item. The board received presentations on selected markets, including the respective signatory base, policy environment and priorities, from members of the signatory relations team:

- Marie Luchet, Director of Continental Europe, on France;
- Eduardo Atehortua Barrero, Head of Latin America (ex-Brazil); and
- Antonio Santoro, Head of Southern Europe.

REPORTING FRAMEWORK REVIEW

Nathan Fabian, Chief Responsible Investment Officer, Graeme Griffiths, Chief Operating Officer, Elina Rolfe, Director of Reporting and Assessment, and Lorenzo Saa, Chief Signatory Relations Officer joined the meeting for the agenda item.

Elina Rolfe, Director of Reporting and Assessment, presented to the board a summary of the

- Reporting and Assessment consultation results, including on reporting objectives; framework structure; outcomes-based reporting; assessment; and signatory outputs.
- Strengths and weaknesses of the current Reporting and Assessment framework;
- Proposals for a 'Core' and 'Plus' approach to a reformed Reporting and Assessment framework; and
- Other key proposed changes, including the addition of a c-level statement; thorough review of questions and the assessment; and enhancing signatory outputs.

The board had a workshop session, with each group focusing on three questions.

- *Question 1: Do you agree with the key proposed changes to the reporting framework? Do you believe the proposed core-plus model strikes the right balance between signatory feedback, accountability, driving the PRI mission, and feasibility?*
 - There was general support for the c-level statement. But the Executive must be clear on the purpose, to sign off the report or a separate report in itself. There are also a couple of risks:

with no c-level statement there is a risk of no internal sign on; with the c-level statement there is a risk that the sign-off procedures are too onerous.

- Using the outputs as one element of assessing an external manager would be very useful for some signatories.
 - The board discussed verification and assessment. The board agreed that any assessment should be scalable and robust.
- *Question 2: Looking at the characteristics of 'core' and 'plus' do you agree with these elements? Are any core components missing?*

Board comments:

- The rationale for the 'core' and 'plus' elements. The incentive for completing the 'plus' element must be clear, for example to provide context, comment, more outcomes based material, and enable learning and the identification of leaders.
 - The stability or dynamism of the 'core' in relation to the 'plus'.
 - The importance of good gradation in the 'core' and 'plus' to ensure scoring differentiates.
- *Question 3: What would you like to see at the December 2019 Board meeting?*
- The board would like to:
- see the next level down details, examples of questions from the 'core' and the 'plus'; the assessment; the outputs; and use cases;
 - understand the potential costs and resources required to deliver the reformed reporting framework;
 - discuss the implementation plan, including measures to mitigate risk; and
 - be briefed on the plans to consult formally with signatories on the proposed reforms.

SERVICE PROVIDER ACCESS TO DATA

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

Asset consultants (and other service providers) can view public data in individual reports and all signatory responses in excel format via the PRI's Data Portal but, unlike asset owner and investment manager signatories, they are unable to request access to private signatory data—including assessment reports. As a result of not having such access (via the Data Portal), asset consultants now regularly request private data directly from investment managers outside the Data Portal. Such service provider requests are often granted.

The board discussed the merits of allowing service provider signatories to request private signatory data via the PRI data portal, including:

- the risks;
- the ideal, for service providers to not just re-package the material, but add value; and
- that service providers could share or utilise the data for the benefit of signatories and non-signatories.

The board agreed that the PRI should be encouraging the wider use of PRI data in the market, and 'drive meaningful data'. The board approved the proposal.

REPORTING FRAMEWORK REVIEW – DISCUSSION SUMMARY

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

Fiona Reynolds summarised the board feedback from the reporting framework reform session the previous day. The board discussed several aspects of the timetable and communications:

- Initial signatory consultation will be with the Reporting and Assessment Advisory committee and asset class committees before the end of the year. More formal and broader signatory consultation will continue in 2020.
- The Executive plans to start scoping the revised Reporting and Assessment framework in early 2020. Any new framework should be both scalable and flexible.
- The fundamentals of incorporation / responsible investment, to be tested in the 'core' modules, will be a critical discussion for the Executive and signatories.
- The first year will be a 'pilot' year.

The board agreed to the messaging and the timelines.

DIGITAL AND COMMUNICATIONS UPDATE

Graeme Griffiths, Chief Operating Officer, and Gary Mitcalfe, Director of Digital and Communications joined the meeting for the agenda item. Gary Mitcalfe presented to the board on progress in 2019 on the PRI's digital and communications, developing the team and external facing initiatives.

The board had multiple questions, based on the presentation: consistency of PRI messaging and measures to address; the PR capacity outside of the London HQ; the longer term plans for developing skills and expertise within the team; the strategy for getting signatories active on the new collaboration platform; the tracking of signatory *and* individual interests, and in turn more tailored communications; and future plans for media partnerships.

The main focus of the board's discussion was on the proposal to reserve some materials for signatories only behind a single sign on / 'paywall'. The proposal is a significant change in principle and therefore the chair sought feedback from the board. The board discussed arguments for and against, and possible mitigations to bridge the gap.

The board agreed that on this important question there were tensions between the PRI being a membership body and a mission driven organisation. On balance the board agreed that there was no consensus for the implementation of a 'paywall' and therefore to not proceed at this time. The board asked the Executive to try to track and understand which audiences are using PRI materials and how. Signatory and stakeholder access to PRI materials will be reviewed as part of a broader discussion on the 2021-24 strategy and signatory value.

The board welcomed the comprehensive presentation and progress made on the PRI's digital and communications capacity and impact.

SIGNATORY AND STAKEHOLDER INTERACTION – PART 2

Fiona Reynolds reported back to the board about a meeting with the Committee for Workers Capital (CWC) on 8 September. The board discussed the points raised by CWC at the meeting: progress of PRI's work on social issues, particularly human rights; signatory accountability on social issues; and access for smaller asset owners to PRI events.

SIGNATORY GENERAL MEETING COMMUNICATIONS

The chair briefed the board on the Signatory General Meeting format. Fiona Reynolds summarised the key messages for signatories.

MINING AND TAILINGS DAM SAFETY INITIATIVE

The board received an update on the Mining and Tailings Dam Safety Initiative from Adam Mathews, Church of England Pensions Board, and John Howchin, Council of Ethics Swedish National Pension Funds.

FUTURE MEETINGS

The Board will meet next in person on 9 & 10 December 2019. Planned agenda items include:

- Reporting and Assessment Framework reform
- 2019 signatory survey
- 2021-24 strategy
- Asia Pacific briefing
- Foster a community of active owners
- Drive meaningful data update
- PRI in Person 2019 review
- Inevitable Policy Response briefing