

# SIGNATORY GENERAL MEETING 2016



# BOARD REPORT

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This report looks at the PRI Board work undertaken over the past year, including the strategic discussions, PRI Executive oversight and measures to improve the Board's effectiveness.

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 [PRI Association Board Directors' Terms of Reference](#).

## BOARD DISCUSSIONS

During the 2015/16 financial year the Board meet three times in person and three times via conference call. The directors from the Executive are invited to all Board meetings, and members of the management team are invited to present on specific agenda items.

Key strategic discussions:

- **Long-term ambitions and impact:** Blueprint for Responsible Investment (including the sustainable financial system project, potential revisions to the Principles, alignment with the Sustainable Development Goals, the PRI's long-term impact and signatory accountability);
- **Asia (ex-Japan) strategy:** initial two-year work plan (2016–2018);
- **Key projects:** PRI's role in COP21, Fiduciary duty in the 21st century;
- **Work-stream strategies:** Policy and Research work plan, priority PRI-coordinated engagements, dissemination of the Reporting Framework;
- **Strategy implementation:** strategic measures, asset owner recruitment, 2015 Report on progress, 2016 signatory satisfaction and engagement.

The Board has also instigated more regular communication between the Executive and the Board between meetings, including monthly updates from the Managing Director.

## PRI BOARD DISCUSSIONS AND ACTIONS IN 2015/16

### April 2015 (call)

- Approval of the 2015/16 budget
- Approval of company secretary (Bristows LLP) and auditors (Buzzacott LLP)
- Approval of Board committees and members
- Approval of 2015 PRI Board election communications
- Discussion of the establishment of a PRI US entity

### June 2015 (meeting)

- Discussion of PRI risks and the risk management framework
- Approval of the PRI's strategic measures
- Approval of rules and policies required by the Articles
- Approval of the PRI Board committees terms of reference
- Agreement of the Board self-assessment template and skills matrix
- Further discussion on the proposed PRI US entity
- 10-year anniversary plans and reflections on the PRI's ambitions over the next 10 years
- Update from the Executive on the Fiduciary duty in the 21st century project
- PRI in Person 2015 update and plans for 2016
- Executive presentation on PRI-coordinated collaborative engagements

### September 2015 (call and meeting)

- Approval to increase signatory fees for 2016/17 only by inflation
- Discussion of the PRI's strategy in Asia
- Approval of the establishment of a C Corporation, registered in Delaware, to consolidate the PRI's existing US operations
- Approval of the 2015 PRI Board election candidates
- Approval of UN Permanent Advisors Terms of Reference
- Presentation on PRI human resources and approval of updated HR policies
- Discussion of the Policy and Research work plan
- Presentation on how the Executive plans to identify, map and manage relationships with signatories and key external stakeholders
- Approval of priority and policy for PRI-coordinated engagements
- Presentation of the highlights of the 2015 Report on progress
- Discussion on signatory accountability
- Report on the PRI's 10-year anniversary plans

**December 2015**

- Discussion of the sustainable financial system consultation and the PRI's work aligned with the UN Sustainable Development Goals
- Approval of the Recognising diversity, strengthening accountability formal consultation
- Discussion of how the Reporting Framework can be shared more widely with signatories
- Presentation on the PRI's role in COP21
- Review of PRI in Person 2015
- Presentation of the Board self-assessment results
- Approval of PRI Board committee composition, starting January 2016

**February 2016 (meeting)**

- Discussion of signatory categorisation guidelines
- Presentation on asset owner recruitment and the role of the Board
- Results of the Chair assessment and approval of the 2016/17 Chair contract
- Presentation of the initial results of the signatory satisfaction and engagement survey
- Introduction to the new Director of Investment Practices and Reporting, Kris Douma
- Approval of the PRI in Asia (ex-Japan) initial two-year work plan (2016–2018)
- Approval of the 2016/17 budget
- Discussion of a possible ESG-focused UN resolution
- Discussion of the Board self-assessment results and 2016 Board elections
- Presentation on plans for PRI in Person 2016, Singapore
- Reflection on the independent report on PRI's impact over the past 10 years
- Outline of the proposed Blueprint for Responsible Investment
- Update on the next phase of the Fiduciary duty in the 21st century project

**At each meeting**

Discuss:

Management report – updates on key projects, work stream activities, PRI accounts, human resources and signatory recruitment/delisting

Review:

- Minutes of the previous meeting
- Matters arising
- Register of interests
- Correspondence
- 12-month rolling Board agenda

**COMMITTEES REPORT**

Five Board committees were established in April 2015 within the new governance structure to facilitate the work of the Board. Every committee has a terms of reference, setting out roles and responsibilities, and an annual work plan. Committees support a lot of the strategic, operational and governance discussions at the Board. Committees are often asked by the Board to explore certain issues in more depth and then report back with the arguments considered and a recommendation for Board approval.

**ETHICS COMMITTEE**

**Members:** Geeta Aiyer, Marcel Barros, Niels Erik Petersen (Chair), Xander den Uyl\*\*

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.

**KEY DISCUSSION ITEMS:**

The committee reviewed the PRI Code of Ethics, and recommended no changes. The committee reiterated to the Board that although directors are nominated by a signatory organisation and elected by signatories from one signatory category, directors have a responsibility to fulfil their duties as an individual and in the best interests of the initiative as a whole.

The committee met once between 1 April 2015 and 31 March 2016.

[Terms of Reference](#)**FINANCE, AUDIT AND RISK COMMITTEE**

**Members:** Mark Chaloner, Priya Mathur, Colin Melvin (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.

**STANDING ITEM:****Risk register**

At the start of the year the committee reviewed the risk register methodology and process. 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. New risks added to the risk register during the year include: the PRI website and cyber-security, fraud response security, litigation, currency fluctuation, falling AUMs and the potential for the UK to leave the European Union. After every committee meeting the risk register is updated and circulated to the Board. The committee provides an update on the register at every Board meeting.

#### KEY DISCUSSION ITEMS:

- 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 2015. The committee recommended the PRI Board approve the accounts.
- The newly established cyber-security risk register, recommendations from the security maturity review and key proposed actions over the next 12 months.
- PRI internal controls including practices around authorisation, documentation, reconciliation, security and separation of duties.
- The establishment of a contingency reserve, set aside for possible eventualities such as falling signatory AUM and annual event risk.

The committee met twice between 1 April 2015 and 31 March 2016.

#### [Terms of Reference](#)

### HUMAN RESOURCES AND REMUNERATION COMMITTEE

**Members:** Mark Chaloner\*\*, Renosi Mokate (Chair), Daniel Simard\*, Xander den Uyl\*\*, Eric Wetlaufer\*

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:

- PRI Executive-related policies: Staff and Political Activity; Travel; Equality, Diversity and Inclusion.
- Alignment of PRI Executive-related fringe benefit packages across geographies.
- Amendments to the Shared Parental Leave and Maternity Leave policy, aligned with changes to UK employment law as of 1 April 2015.
- Revisions to UK pensions for the PRI Executive as a result of new legislation on auto-enrolment as of 1 April 2015.
- Results of the PRI Executive engagement questionnaire and proposed actions.
- Results of the PRI Executive 360 reviews, appraisals and proposed salary reviews.

- Review of the Managing Director performance and recommendations to the Board on the Managing Director goals and time allocation for 2016/17.
- Review of the Chair performance and recommendations to the Board on the Chair contract, remuneration, goals and time allocation for 2016/17.

The committee met three times between 1 April 2015 and 31 March 2016.

#### [Terms of Reference](#)

### SIGNATORY AND STAKEHOLDER ENGAGEMENT COMMITTEE

**Members:** David Atkin (Chair)\*, Sandra Carlisle\*\*, Angela Emslie\*\*, Priya Mathur (new Chair)\*\*, Renosi Mokate, Gavin Power, Daniel Simard\*, Eric Usher, Peter Webster

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.

#### STANDING ITEMS:

- Signatory categorisation clarifications and precedents.
- New approved signatories by quarter.
- Asset owner recruitment.
- Review of formal signatory complaints to the PRI Board or Executive.
- PRI KPIs relevant to the remit of the committee: signatory collaboration, downloads of PRI publications, PRI events participation, stakeholder collaborations, projects with UN partners, asset owner growth and signatory satisfaction.

#### KEY DISCUSSION ITEMS:

- Signatory categorisation guidelines, including process and precedents.
- How to identify, map and manage relationships with signatories and key external stakeholders.
- Research for further collaborations with key stakeholders.
- Asset owner recruitment and the role of the Board.
- Clarification of the fee structure and rules for service providers.
- Signatory categorisation rules for campaigning organisations.

\* Until December 2015

\*\* From January 2016

- PRI transparency on fee discounts and reciprocal arrangements.
- Participation of service provider signatories in PRI coordinated collaborative engagements.

The committee met four times between 1 April 2015 to 31 March 2016.

[Terms of Reference](#)

## SKILLS, DIVERSITY AND ELECTIONS COMMITTEE

**Members:** Geeta Aiyer, Sandra Carlisle\*\*, Angela Emslie (new Chair)\*\*, Martin Skancke (Chair)\*, 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:

- The proposed Board self-assessment framework and skills matrix.
- Results of the Board self-assessment and proposed actions for the Board, Board committees and the Executive.
- Development of a Chair assessment template and process, including collaboration with the Human Resources and Remuneration committee to analyse and communicate the results.
- 2015 PRI Board Elections communications, including requested expertise: previous/current Board experience, experience in investment markets outside of Europe/US and demonstrated leadership within responsible investment/ESG expertise.
- Eligibility of the 2015 PRI Board election candidates. (All candidates were recommended as eligible.)
- Approval of the 2015 PRI Board election results.
- New Director induction process, including introductory calls with the Chair and Managing Director and half day sessions with the Management team, focused on PRI strategy and work streams.
- 2016 PRI Board elections, with a focus on encouraging specific diversity, skills and experience. The committee reflected on the PRI's strategic priorities, the results of the Board skills self-assessment and the current Board diversity. The committee focused on how to encourage candidates from signatories with a headquarters in Asia.

- A review of the effectiveness of the mid-term election rules.
- Outreach measures to encourage diverse Board election candidates with suitable skills, experience and leadership.

The committee met seven times between 1 April 2015 and 31 March 2016.

[Terms of Reference](#)

\* Until December 2015

\*\* From January 2016

## BOARD EFFECTIVENESS

### BOARD SELF-ASSESSMENT

Within the revised Articles of PRI Association, the PRI Board is mandated to undertake a self-assessment every year and an independent assessment every two-to-four years, and to report to signatories on the results of these reviews.

The 2015 Board self-assessment framework focused on three areas:

1. performance on core responsibilities (shaping the organisation's mission and strategic direction, ensuring that there is leadership and adequate resources, monitoring and improving the organisation's performance);
2. focus issues for the next one-to-two years;
3. effectiveness enablers (size and structure, composition, leadership, processes).

The self-assessment was carried out in November 2015 via a detailed questionnaire. All Board members and the Managing Director responded to the survey. The assessment results were initially discussed by the Skills, Diversity and Elections committee in December 2015. A summary of the results and proposed actions was presented by the committee to the Board at the February 2016 meeting, for an in-depth discussion.

The results of the first self-assessment were generally positive. The most positive scores were for:

- the leadership of the Board and committees;
- the reporting to signatories on the discussions and actions of the Board at the SGM;
- the structure, roles and responsibilities of Board committees;
- the quality of Board meeting preparation (papers and Chair outreach);
- the common understanding on the Board of the PRI's purpose and mission;
- the agreement on the distinction between board-level and management-level decisions.

The Board agreed on four action points to improve its effectiveness:

1. develop the new director induction process;
2. develop individual director self-assessments, linked to succession planning and development of Board leaders;
3. clarify the expectations of current directors (and future directors in the election materials), for example the responsibilities of PRI advocacy, regional representation, asset owner recruitment and working with stakeholders;
4. set Board goals for the forthcoming year.

The Board agreed to five goals for the forthcoming year:

1. oversee the implementation of the strategy;
2. oversee delivery of the 10-year anniversary plans;
3. support asset owner recruitment and stakeholder outreach;
4. establish balance of decision-making between the Executive and the Board;
5. develop work plans for the Board committees.

The general reflection was that the self-assessment framework was too detailed and consequently the results too fragmented. Future self-assessment frameworks will be more streamlined and focus the Board on a few select items to improve its effectiveness.

### CHAIR ASSESSMENT

In late 2015 the Executive coordinated an assessment of the Board Chair. The assessment focused on two areas:

- leadership of the Board, ensuring its effectiveness and working with the Executive;
- feedback on focus activities for the Chair in 2016/17.

The questions were devised by the Executive and approved by the Chair of the HR and Remuneration Committee. All Board members and the Managing Director responded to the survey.

The results of the assessment were very positive. Following discussion of the survey the Board agreed to three broad focus activities for 2016/17 for the Chair:

1. Leadership of the Board;
2. PRI strategy and consultations;
3. Targeted outreach to potential asset owner signatories and stakeholders.

### BOARD SKILLS, EXPERIENCE AND DIVERSITY

Signatories acknowledge that the PRI's Board needs to be representative of the diversity amongst PRI signatories in order to generate effective debate and discussion around the key issues that it considers, and to deliver the broadly-founded leadership that the initiative deserves. Diversity encompasses a sufficient mix of relevant skills/competence, and differing perspectives, including through geographical origin, ethnicity, gender, language and culture

The current Board is geographically diverse, including representatives from Africa, Australasia, Europe, North America and South America, and has a 65:35 ratio of male to female directors.

The Board undertook a skills self-assessment exercise that found the current Board is strong on: strategic thinking and leadership, and knowledge of the pension and investment industry (including responsible investment). As a result, the PRI is encouraging 2016 PRI Board election candidates who could strengthen the Board with expertise in governance and risk management (gained from Board experience) and expertise of working across multiple jurisdictions (gained from experience within global organisations).

Candidates will therefore be asked to set out within their election materials: governance experience, such as previous/current Board experience, and experience in investment markets outside of Europe/US, especially Asia. Candidates are also asked to elaborate on their demonstrated leadership within responsible investment, ESG expertise and other experience relevant to the long-term success of the PRI.

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#### GOVERNANCE, SKILLS AND KNOWLEDGE:

- governance, risk and compliance
- financial and audit
- strategic thinking and leadership
- industry knowledge, including responsible investment
- environmental, social and governance expertise
- geographical scope
- mission-led organisations
- technology and marketing/communications
- executive management

## ATTENDANCE RECORDS

	Board meetings	Board calls	Ethics Committee	Finance, Audit and Risk Committee	Human Resources and Remuneration Committee	Signatory and Stakeholder Engagement Committee	Skills, Diversity and Elections Committee
<b>Total number of meetings - 1 April 2015- 30 August 2016</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>9</b>
Geeta Aiyer	3/4	3/5	0/1				6/9
Masaru Arai (term started June 2015 - December 2015)	2/2	2/2					
David Atkin (term ended December 2015)	2/2	3/3				3/3	
Marcel Barros	3/4	2/5	1/1				
Sandra Carlisle (term started January 2016)	1/2	2/2				0/2	0/3
Mark Chaloner	3/4	5/5		4/4	1/1		
Angela Emslie (term started January 2016)	2/2	1/2				2/2	3/3
Priya Mathur	4/4	5/5		4/4		2/2	7/7
Colin Melvin	2/4	3/5		4/4			
Renosi Mokate	3/4	3/5			3/3	2/5	
Niels Erik Petersen	3/4	5/5	1/1				
Gavin Power	3/4	5/5				5/5	
Luciane Ribeiro (term ended April 2015)	n/a	0/1					
Daniel Simard (term ended December 2015)	2/2	3/3			2/2	3/3	
Martin Skancke	4/4	5/5					6/6
Eric Usher	2/4	4/5				3/5	
Xander den Uyl (term started January 2016)	2/2	2/2	1/1		1/1		
Peter Webster	4/4	5/5				5/5	8/8
Eric Wetlaufer (term ended December 2015)	1/2	2/3			2/2		



## The Principles for Responsible Investment (PRI) Initiative

The PRI Initiative is a UN-supported international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organisation's investment strategy, approach and resources. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

The PRI Initiative has quickly become the leading global network for investors to publicly demonstrate their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues, and to incorporate these factors into their investment decision making and ownership practices.

More information: [www.unpri.org](http://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](http://www.unepfi.org)



### UN Global Compact

Launched in 2000, the United Nations Global Compact is both a policy platform and practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to catalyse actions in support of broader UN goals. With 7,000 corporate signatories in 135 countries, it is the world's largest voluntary corporate sustainability initiative.

More information: [www.unglobalcompact.org](http://www.unglobalcompact.org)

