

2017
SIGNATORY
GENERAL MEETING

**PRI
BOARD
REPORT**

AGENDA

The 2017 Signatory General Meeting (SGM) will be at 09.40-11.00 on Monday 25 September 2017 in the Intercontinental, Berlin, as part of PRI in Person.

1. PRI BOARD REPORT

Martin Skancke, Chair, PRI Board
(09.40-09.50)

2. MANAGEMENT AND FINANCIAL REPORT

Fiona Reynolds, Managing Director, PRI
(09.50-10.20)

3. Q&A

Martin Skancke, Chair, PRI Board
(10.20-10.50)

4. 2017 PRI BOARD DIRECTOR ELECTIONS

Martin Skancke, Chair, PRI Board
(10.50-11.00)

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

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

The PRI sought input from signatories on the draft SGM agenda in June 2017 and invited signatories to contribute agenda items and resolutions to be put to a vote.

No agenda items or resolutions were received by the deadline of 25 July. However, time has been set aside for signatories to ask questions. If you have detailed financial or legal questions, please submit these in advance of the meeting to governance@unpri.org.

CHAIR INTRODUCTION

The Board is working well and we are constantly working to improve our performance. After our self-assessment in 2016 we agreed to five priority areas for the forthcoming year.

1. **PRI's Blueprint for responsible investment.** The Board has had a series of discussions on the *PRI's Blueprint for responsible investment*. As a Board we have been working towards more dynamic discussions, with workshops devoted to long-term strategic issues for responsible investment and the PRI, plus importantly considering how we measure our success. The launch of the Blueprint has been a real success, with positive feedback from signatories on its broad vision for responsible investment. In the latter half of 2017 the Board will work with the Executive to prioritise and implement objectives from the Blueprint in the next three-year (2018-21) strategy.
2. **Strategy oversight.** The Board has oversight of the implementation of the strategy principally via the management report, a standing item for every Board meeting. Routine reports within the management report include: key performance indicators; work stream updates; recent and forthcoming publications; quarterly signatory update; financial accounts; partnerships and fundraising updates; human resources report. Throughout the year the Board has also discussed in depth updates on work programmes such as the Academic Network and Research Forum, how the PRI is supporting investors' actions on climate, how the reporting framework is evolving to capture the responsible investment activities of service providers, and how the PRI is supporting French speaking signatories.
3. **Asset owner recruitment and stakeholder outreach support.** Throughout the year the Board provided direction to, and received regular updates on, the recruitment effort of key asset owner targets. I am glad to report that these solid foundations have contributed to recent asset owner recruitment that has exceeded expectations. The Executive has also worked with the Signatory and Stakeholder Engagement committee to prioritise key stakeholders and how the PRI can partner and communicate better with aligned organisations. Effective communication and effective partnerships avoids duplication of effort and can greatly increase our impact.
4. **Balanced decision-making between the Board and Executive.** While there has been an increased focus on strategic discussions around the Board table, the Executive continue to report on operational decisions to respective committees and to the Board via the management report. As well as reviewing the existing terms, rules and policies over the course of the year the Board has agreed to several new supporting governance documents.



Martin Skancke,
Chair, PRI

[The Grant Policy](#), [Human Rights policy](#) and [Policy committee terms of reference](#) direct the work of the Executive and explain the decision-making and oversight role of the Board with regards to the respective areas. [The Signatory Categorisation Guidelines](#) set out clearly the criteria and process for the categorisation of organisations wishing to sign up to the Principles.

5. **Committee work plans.** The Board has six supporting committees and they are critical to the Board's effectiveness. They are forums for the Board and Executive to explore strategic and governance issues in depth and from several different perspectives. Every committee has an annual work plan and calendar. The committees' work ranges from governance to the oversight of risk to strategic guidance on the PRI's work programmes. In March 2017 the Board agreed to establish a sixth supporting committee, the Policy committee, to guide the preparation of financial system and policy related content for the Board. For more information on the work of the committees see [here](#).

I would like to thank the directors that departed in December 2016, Mark Chaloner, Colin Melvin and Niels Erik Petersen, for their valuable input, especially their contribution to the PRI's governance reform. The PRI hopes to continue to benefit from the expertise of the departing board directors.

In January 2017 we welcomed two new Board directors, Eva Halvarsson, Chief Executive Officer, Second Swedish National Pension Fund (AP2) and Hiro Mizuno Executive Managing Director and Chief Investment Officer, Government Pension Investment Fund (Japan). We also welcomed back Peter Webster, Director of International Affairs, Vigeo Eiris who campaigned successfully for a second term on the Board.

The Board continues to put considerable effort into ensuring it is effective. Included in this year's Board report are the outcomes from the 2015 and 2016 Board self-assessment and our progress on the measures to improve our effectiveness.

Skills, experience and diversity are critical to a high performing board. Geographical diversity is one critical component of effective debate and decision-making. The PRI is a global organisation and aims for global representation on its Board, particularly within the asset owner designated Board positions. In our guidance to signatories for the 2017 elections we are encouraging asset owner candidates from North America and Emerging Markets, as well as encouraging female candidates for both the asset owner and investment manager positions.

I encourage all signatories to participate in the signatory voting in October and November. The PRI is a membership organisation and to continue to thrive we need to engage signatories with relevant work and activities, and signatories need to keep engaged and active in our governance. The PRI will be asking signatories to confirm my second three-year term, elect asset owner and investment manager representatives to the Board, approve the SGM minutes and vote for the PRI Annual Report and Accounts.

For my second three-year term I propose to focus on the

- implementation of the 2018-21 strategy, ensuring that the PRI has the internal capacity to deliver; and
- develop the Board and its supporting processes.

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

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

Martin Skancke,
Chair, PRI

PRI BOARD REPORT

DELIVERING ON ORGANISATIONAL PURPOSE

The Board remains focused on the PRI's purpose and long-term strategy, and the oversight of the implementation of the current 2015-18 strategy. Board agendas are set by the Chair, with input from the Managing Director, and are structured to focus on the PRI's strategic issues.

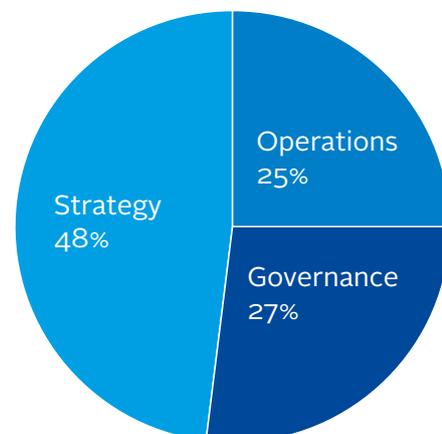
Key strategic discussions

The Board concentrated on a number of key strategic discussions throughout the year:

- **PRI's Blueprint for responsible investment.** The Board considered several inputs as part of the 10-year Blueprint discussions, including the signatory survey results, the formal signatory consultations and the 10-year independent review of the PRI's performance. The Board had workshops at consecutive meetings to provide strategic direction to the Executive. The December 2016 workshop focused on seven key questions:
 - What is the 10-year vision for responsible investment?
 - What is the PRI's role in 10 years?
 - What is the PRI's value to signatories?
 - What is the PRI's impact in 10-years?
 - How could the PRI be organised to deliver?
 - What activities will be undertaken that are not already being done?
 - Given where the Board wants the PRI to be in 10 years what does the Executive need to do now?
- The March 2017 meeting workshop focused on the measures of success and how to frame the three areas of desired impact.
- **Strengthening Accountability, Recognising Diversity signatory consultation.** After signatory feedback the Board agreed to strengthen signatory accountability, by introducing a mechanism to delist signatories that do not implement the Principles and makes no progress over time; and signatories that seriously violate the spirit of the Principles. The Board also agreed to better showcase signatory leadership and introduce Associate Members to introduce potential signatories to more learning and development opportunities.

- **Sustainable Financial System, Principles, Impact signatory consultation.** Following the consultation, the Board agreed that there was strong support for work to address systemic issues, but not to introduce a 7th Principle. At the March 2017 meeting the Board agreed to four priority Sustainable Financial System (SFS) projects:
 - Trustee readiness for a sustainable system
 - Asset consulting services review
 - Promote sustainable system linkages and the role of actors
 - Macroeconomic risks - investor response to threats and instability
- **Asset owner recruitment.** Throughout the year the Board provided direction to, and received regular updates on, the recruitment effort of key asset owner targets. 2016/17 asset owner recruitment has exceeded targets.
- **Human resources strategy.** The high-level strategy outlined the current advantages, challenges and future aims for organisational performance, design, resourcing, development, reward strategy and culture. The high-level strategy will be broken down into three-year implementation plans, considering capability, skills and structure. The Board discussed the development of the organisational structure; management capacity and further plans for training, support and guidance; capacity to support signatories in local markets; the organisational pay structure; and the alignment of staff values with signatory value and receptiveness to ideas from global staff and signatories.

Board discussions during the year



PRI BOARD DISCUSSIONS AND ACTIONS IN 2016/17

May 2016 (call)

- Discussion of the draft '*Sustainable Financial System, Principles, Impact*' signatory consultation paper.

June 2016 (meeting)

- Discussion of the signatory satisfaction and engagement survey results.
- Discussion of [From Principles to Performance](#), an independent evaluation of the PRI's achievements and challenges at 10 years.
- Discussion of the outcomes of the '*Strengthening Accountability, Recognising Diversity*' signatory consultation.
- Discussion of the initial feedback from the '*Sustainable Financial System, Principles, Impact*' signatory consultation.
- Discussion of the draft *Signatory Categorisation Guidelines*.
- Discussion of the asset owner recruitment strategy.
- Discussion of possible further collaborative work with the G20 Green Finance Study Group
- Discussion of the Academic Network and Research Forum work programmes.
- Discussion of the 2016 PRI Board elections and regional Board representation.
- Discussion of the key messages for the annual report and SGM.

September 2016 (meeting)

- Discussion of the outcomes from the '*Sustainable Financial System, Principles, Impact*' signatory consultation.
- Approval of the recommendations from the '*Sustainable Financial System, Principles, Impact*' signatory consultation.
- Discussion of the proposal for a PRI's *Blueprint for responsible investment*.
- Discussion the PRI climate changed aligned work
- Update on the possible collaborative work with the G20.
- Discussion of the key messages for the SGM.
- Discussion of the proposed service provider reporting framework.
- Approval of proposed changes to the Articles / Rules / terms / policies, prior to signatory approval.
- Approval of the 2016 election process and candidates.

- Approval of the Board self-assessment survey and process.
- Approval of Chair succession planning scenarios.
- Approval of the Signatory Categorisation Guidelines.
- Discussion of the mid-year financial review.
- Approval of the 2017/18 budget guidelines, including 2017 fee increase and discounts for emerging market asset owner signatories.
- Approval of a contract with PRI Enterprises to provide a limited number of online courses to signatories and potential signatories.

December 2016 (meeting)

- Approval of the election results.
- Discussion of the Board self-assessment results and approval of focus areas for 2017.
- Discussion of the PRI's 10-year vision.
- Approval of the PRI's proposed five focus areas on climate change.
- Discussion of PRI in Person 2017, 2018 and 2019.
- Approval of a PRI [Grant Policy](#).
- Approval of the revised [Signatory Categorisation Guidelines](#).

March 2017 (meeting)

- Approval of the revised terms of reference for the [Signatory and Stakeholder Engagement committee](#).
- Approval of the terms of reference for the new [Policy committee](#).
- Approval of two signatory categorisation cases.
- Approval of the *Sustainable Financial System* work programme four priority projects.
- Discussion of the 10-year vision statement and measures of success for the PRI's *Blueprint for responsible investment*.
- Approval of the PRI actions to support the FSB task force recommendations.
- Approval of the 2017/18 budget.
- Approval of the Human Resources strategy.
- Approval of the [Human Rights policy](#).
- Approval of the details of [Associate Membership](#) status.
- Discussion of a PRI Francophone network and language requirements of signatories.
- Approval of Chair priorities and contract for 2017/18. Discussion of Chair second term.

Standing items at every Board meeting:

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

LEADERSHIP

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

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

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

PRI Board agreed policies

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

Values

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

THE PRI'S SIX CORE VALUES**PRINCIPLES DRIVEN**

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

AUTHENTICITY

We are true to our organisation, its mission and ourselves

COOPERATION

We work together constructively with mutual respect and enthusiasm

OPENNESS

We welcome diversity and expect transparency in our activities

EMPOWERMENT

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

RESPONSIBILITY

We take ownership for our actions and outcomes

Commitment

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

Board members also devote a significant amount of time to signatory meetings alongside the Board meetings and within their local markets. All Board members are required to be present at the SGM.

For more information on the attendance records see [here](#).

INTEGRITY

Board directors must abide by the Code of Ethics and the Directors' Terms of Reference. Also, every election candidate is asked to state that they *"Will not bring the PRI Board or PRI Association into disrepute if elected"*.

At every meeting, Board directors are given the opportunity to declare relevant interests, which are recorded in the register of interests. Interests can include commercial relationships between Board members or between the Chair and signatory organisations.

DECISION-MAKING, RISK AND CONTROL

Delegation and control

As well as reviewing the existing terms, rules and policies over the course of the year the Board has agreed to several new supporting governance documents. The [Grant Policy](#), [Human Rights policy](#) and [Policy committee terms of reference](#) direct the work of the Executive and explain the decision-making and oversight role of the Board with regards to the respective areas. The [Signatory Categorisation Guidelines](#) set out clearly the criteria and process for the categorisation of organisations wishing to sign up to the Principles.

A number of committees to facilitate the workings of the Board were established within the new governance structure in April 2015:

- Ethics committee
- Finance, Audit and Risk committee
- Human Resources and Remuneration committee
- Signatory and Stakeholder Engagement committee
- Skills, Diversity and Elections committee

In March 2017 the Board agreed to establish a Policy committee to guide the preparation of financial system and policy related content for the Board. The Board also agreed to revise the terms of the Signatory and Stakeholder Engagement committee to focus more on the oversight of the signatory lifecycle, including signatory accountability measures, an important element of the Blueprint. A summary of the committees' work is on pages 13-15.

Risk

The Finance, Audit and Risk committee reports to the Board at every meeting on important strategic and / or operational risks. The committee has also reviewed the auditor. For more information see the committee report.

Management report

The Board has oversight of the implementation of the strategy principally via the management report, a standing item for every Board meeting. Routine reports within the management report include: key performance indicators; work stream updates; recent and forthcoming publications; quarterly signatory update; financial accounts; partnerships and fundraising updates; human resources report. The report has been recently revised, with a more direct reporting from the managing director to encourage a more open discussion with the Board. The MD introduction, before the routine reports, is structured into:

- What recent achievements should we celebrate?
- What is currently worrying me and should concern the Board?
- What are the big issues that I see on the horizon?
- Since the last Board meeting – what am I spending my time on?
- What is on my mind and I would like advice from the Board on?

The MD introduction has been well received.

BOARD EFFECTIVENESS

2015 Board self-assessment

In last year's SGM papers we reported on the results of the 2015 Board self-assessment. In the table below we report on the progress in 2016 against the measures agreed in late 2015.

Measures to improve effectiveness (2016)		
Area	Action	Progress
Induction	Develop the new director induction process	Revised induction programme includes: <ul style="list-style-type: none"> ■ Comprehensive induction material pack. ■ Introductory calls with Chair and Managing Director. ■ Half-day session with management team, including 1-1 meetings with heads of work programmes. ■ Refresher inductions offered to all directors annually. ■ Better use of Board meetings in PRI offices to introduce Board members to the Executive.
Self-assessments	Develop individual director self-assessments	Reflections on individual performance have been included in the 2016 Board self-assessment.
Director role	Clarify the expectations of current directors	<ul style="list-style-type: none"> ■ Board and committee meeting attendance requirements have been codified in the Directors' Terms of Reference. ■ For prospective Board directors, attendance requirements and expectations (term, time and expenses) are published in the election materials.
Director role	Set Board goals for the forthcoming year	The Board agreed to five goals for 2016: <ol style="list-style-type: none"> 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.

2016 Board self-assessment

The general reflection was that the 2015 self-assessment framework was too detailed and consequently the results too fragmented. The 2016 survey was more streamlined and structured into three parts:

1. Effectiveness of the Board against Board goals and role:
 - Strategic plan and oversight of the implementation
 - Monitoring operations, including risks
 - Signatory relations and rights
 - Elements of Board effectiveness
 - Board behaviours and dynamics

2. Narrative questions (PRI Board strengths; how to increase the Board's effectiveness: focus areas for the next year; suggestions for Board specific training)
3. Self-reflection on performance

The results were generally positive. This year more emphasis was placed on the actual Board discussion of the assessment results, including celebrating the reported strengths of the PRI Board (Chair leadership, positive relationship between the Board and Executive, and oversight of the PRI's governance), exploring divergent opinions and collectively agreeing on measures to improve the Board's effectiveness.

Measures to improve effectiveness (2017)		
Area	Action	Progress
Mission	Focus on mission	Discussion of the 2018-21 strategy scheduled for the September and November 2017 Board meetings.
Diversity	Encourage diversity of viewpoints	Board discussions structured, where possible, to allow for better utilisation of the geographic diversity of perspectives and skills of the directors.
Board role	Increase Board outreach & ambassadorial role	A 'Signatory and stakeholder interaction' agenda item has been introduced into the Board agenda, for Board members to provide their feedback on recent meetings and conversations with signatories as part of their ambassadorial roles.
Participation	Improve participation, for Board and committees	<ul style="list-style-type: none"> ■ More interactive Board sessions planned. ■ Creating a sense of trust and cohesiveness amongst the Board, through Board only dinners and restricting the number of Executive in attendance at the Board meetings. ■ Better committee planning of the annual committee meetings and scheduled agenda items.
Board papers	Improved Board papers	Better guidance to the Executive on Board papers that are more analytical and focused on strategic issues.
Committees	More effective committees	<ul style="list-style-type: none"> ■ Revised committee paper format. ■ Revised committee paper vetting process. ■ Better use of committees' delegated authority.
Board goals	Set Board goals for the forthcoming year	<p>The Board agreed to five focus areas for 2017:</p> <ol style="list-style-type: none"> 1. PRI 2018-21 strategy 2. Asset owner recruitment 3. PRI's geographic reach 4. Outreach to leaders within signatories and non-signatories 5. Executive oversight and support

In late 2017 the PRI Board will instruct an independent expert to conduct, and report in writing on, an independent review of the functioning of the Board. The Chair will report the results of the independent expert's review to the 2018 SGM.

2016 Chair assessment

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

1. Leadership of the Board, ensuring its effectiveness and working with the Executive;
2. Performance on the agreed five priorities for the chair in 2016
 - a) Strategy (inc. 10 year plans & possible 7th principle)
 - b) Stakeholder relationships inc. UN partners
 - c) Asset owner recruitment

- d) Carbon and climate change
- e) Signatory accountability (inc. segmentation)
3. Feedback on focus activities for the Chair in 2017/18

The results were generally very positive on the leadership of the Board and performance on the agreed five priorities. Board members agreed three priority areas for the Chair in 2017:

1. Oversight of the development of the 2018-21 PRI strategy, aligned with the *PRI's Blueprint for responsible investment* objectives;
2. Asset owner recruitment; and
3. Signatory and stakeholder engagement in the US, Emerging markets and Asia.

The Board also agreed to nominate the Chair for a second term.

DIVERSITY

The PRI Board is composed of:

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

As set out in the Diversity Policy the PRI is committed to promoting and encouraging diversity both in the work that it undertakes, promoting the implementation of the Principles, and in the Company's own operations, the Board and Executive. The Board aims to achieve the appropriate balance of skills, diversity, experience, independence and knowledge of the organisation to enable it to discharge its duties and responsibilities effectively. Geographical diversity is one critical component of effective debate and decision-making. The PRI is a global organisation, and aims for global representation on its Board, particularly within the asset owner positions. As part of the 2016 election process the PRI encouraged *asset owner* candidates from signatories with headquarters in Asia. All candidates were asked to demonstrate within their election materials governance experience, experience in investment markets outside of Europe / US, specifically Asia; and demonstrated leadership within responsible investment.

In January 2017 the PRI was pleased to welcome three newly elected directors that will bring their perspectives, skills and knowledge to the Board:

- Eva Halvarsson, Chief Executive Officer, Second Swedish National Pension Fund (AP2) – Asset owner representative
- Hiromichi Mizuno, Executive Managing Director and Chief Investment Officer, Government Pension Investment Fund (Japan) – Asset owner representative
- Peter Webster, Director of International Affairs, Vigeo Eiris – Service provider representative

In the 2017 PRI Board elections there are three open asset owner positions and one open investment manager position. The asset owner elected directors that are set to continue on the Board are from Asia (1), Australasia (1) and Europe (2). The Board is encouraging asset owner candidates from North America and Emerging Markets to try to ensure that there continues to be global representation on the Board.

The current gender balance amongst the elected directors is fairly evenly balanced (5 males; 6 females). However, four female directors are coming to the end of their

terms in 2017. The Board is therefore encouraging female candidates. Candidates are also asked to elaborate on their demonstrated governance experience, leadership within responsible investment, ESG expertise and other experience relevant to the long-term success of the PRI.

The candidates will be announced at the SGM and for more information on the elections see [here](#). The election process is overseen by the Skills, Diversity and Elections committee and more information on the work of committee is on page 15.

OPEN AND ACCOUNTABLE

Consultations

To mark the PRI's 10-year anniversary in 2016 the PRI undertook a series of initiatives to review progress so far and to create an ambitious and achievable vision for how the PRI should progress over the next 10 years. This included global signatory and stakeholder surveys, an independent impact evaluation and major signatory consultations. These activities culminated in the launch of the *PRI's Blueprint for responsible investment* in 2017.

- Nearly 2,000 individuals attended regional consultation workshops and webinars, from over 520 organisations (nearly 50% of all signatories)
- Over 500 written responses to the *Strengthening Accountability, Recognising Diversity* signatory consultation
- Nearly 200 written responses to the *Sustainable Financial System, Principles, Impact* signatory consultation.

The Board has carefully considered the consultation responses and there have been a series of Board discussions to discuss thoroughly and agree on the *PRI's Blueprint for responsible investment*.

PRI Board as ambassadors

Part of every PRI Board directors' role is to be an ambassador for the PRI, advocating for the PRI and importantly listening to signatories and stakeholders. Signatory events are planned to coincide with Board meetings, for example the PRI 10-year anniversary event in June 2016, or vice versa, with the September 2016 Board meeting immediately preceding PRI in Person Singapore. Board meetings, especially in London, are also an opportunity for the Board to meet with the Executive staff, beyond the usual suspects of the management team.

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

SGM

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

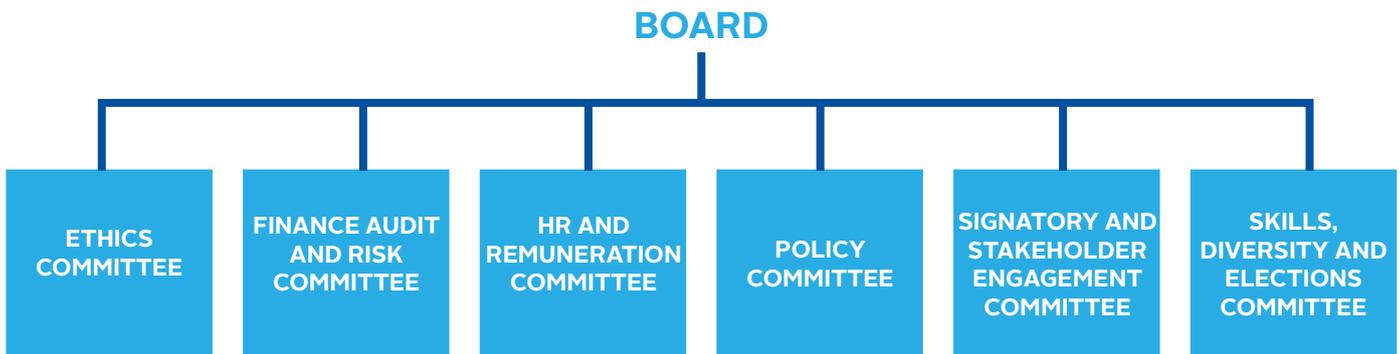
Signatories approved the [2016 Signatory General Meeting minutes](#) via an online vote alongside the Board election vote.

Board reports (April 2016 – March 2017)

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

- [June 2016 Board meeting](#)
- [September 2016 Board meeting](#)
- [December 2016 Board meeting](#)
- [March 2017 Board meeting](#)

PRI BOARD COMMITTEES



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

Below is a summary of the work of the committees from April 2016 to March 2017:

ETHICS COMMITTEE

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

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

The committee did not meet formally between 1 April 2016 and 31 March 2017.

[Terms of reference](#)

FINANCE AUDIT AND RISK COMMITTEE

Members: Mark Chaloner*, Eva Halvarsson**, Priya Mathur, Colin Melvin (chair)*, Peter Webster (new chair)**

The committee advises 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

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. The committee provides an update on the register at every Board meeting.

Risks discussed by the committee included terror attack risk; grant funding risks; political risk in key PRI networks; IT infrastructure risk; risk of expansion into new networks; and 'competition' risk. During the financial year the PRI attained the Cyber Essentials scheme certification. As the next three year strategy is developed, additional risks to the delivery of the strategy will also be identified.

KEY DISCUSSION ITEMS:

- Review of the 2015/16 budget outcome and process. The variance between budget and outcome was because of the built-in budget contingency for potential delistings and lower signatory growth; higher than expected signatory growth and AUM inflation; and a lag in human resources recruitment. The committee agreed to the Executive's proposal to include an HR vacancy rate and remove the contingency fund.
- Meeting with the auditors, independently from the Executive, to review the PRI Association and PRI Enterprises audited statutory accounts for the year ended 31 March 2016. The committee recommended the PRI Board to approve the accounts.
- Review of the PRI auditors, Buzzacott Ltd, who have been the auditors since 2010/11. The committee recommended to the Board to re-appoint Buzzacott for a further period.
- Signatory fees and foreign currency. The committee had a discussion on signatory fees and foreign currencies bearing in mind the relative strength of sterling for emerging market signatories over some past years. The recommendation was the keep the present system of setting fees in sterling for the time being, in view of the complexities of multicurrency arrangements and the existence of other measures that help to mitigate the effect of currency fluctuations, for example the fee discounts for asset owners in emerging markets.
- Planning for and review of the 2017/18 budget. The committee recommended to the Board budget guidelines for 2017/18: 3% fee increase in April 2017; asset owners in emerging markets fee discount upon application; and a target of £50,000 budget surplus.

During the review of the proposed 2017/18 budget the committee requested further guidance for the Board on PRI Academy progress, consultancy spend and multi-year programmes.

- Recommendation to the Board to revise the format of financial reporting to the Board. Report format to include: breakdown of operating revenue; breakdown of operating expenses by work stream and services; breakdown of top five operating expenses; composition of net assets; intercompany debt.
- Internal controls for the PRI subsidiaries, PRI US Incorporated and PRI Hong Kong Ltd.
- Recommendation to the Board to have an annual key person risk during the *in camera* Board agenda item.
- Review of the procurement policy and recommended a revised version for Board approval.

[Terms of reference](#)

HR AND REMUNERATION COMMITTEE

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

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

STANDING ITEMS:

- Employee turnover
- Relevant employment law updates

KEY DISCUSSION ITEMS:

- Oversight of the annual Executive review process, including 360s and benchmarking, and outcomes. Salary reviews recommended to the Board.
- Review of the Executive Learning and Development plans.
- Review of the Chair, Directors and Managing Director's terms of reference and recommended revised versions for Board approval.
- Review of the proposed Human Rights policy and implementation plan. The committee recommended the policy for Board approval.
- Review of the Human Resources strategy, including proposals on the organisational performance, design, resources, development, rewards and culture. The strategy is a high-level overview to support the

Blueprint. A more detailed HR strategy will support the 2018-21 strategic plan. The committee recommended the high-level strategy to the Board.

- Review of the Managing Director assessment and Chair assessment.

[Terms of reference](#)

POLICY COMMITTEE

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

The terms for the new Policy committee were agreed by the Board at the March 2017 Board meeting. The purpose of the committee is to guide the preparation of financial system and policy related content for the Board. This incorporates strategic guidance on the activities to realise the sustainable financial system aspect of PRI's mission, including for example, the Sustainable Financial System and Sustainable Development Goals programmes. The role of the committee is to guide the Executive in the preparation of materials for the PRI Board, reviewing planned papers and related materials, encompassing programme plans, and financial and resourcing plans.

[Terms of reference](#)

SIGNATORY AND STAKEHOLDER ENGAGEMENT COMMITTEE

Members: Sandra Carlisle, Angela Emslie, Priya Mathur (chair), Renosi Mokate, Gavin Power*, Eric Usher*

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

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:

- Asset owner growth. The committee reviewed the asset owner recruitment process, including targets, recruitment materials and the recruitment protocol for Board members.
- PRI's stakeholder relationships. The committee reviewed the Executive's plans for identifying, mapping and managing key stakeholder relationships. As part of the exercise the PRI surveyed a select group of key stakeholders to get feedback on alignment, how the PRI has collaborated historically and areas for improvement. Regular catch-ups with key stakeholders, for example with the SIFs, have been established.
- Development of the signatory categorisation guidelines. The committee agreed to categorisation based on a 'principle' approach. To identify asset owners three main characteristics will be sought: the investor's discretion on its assets, the long-term nature of its investments and the non-commerciality of its asset management activities. The guidelines aim to provide clear guidance on the process and categorisation of signatories, including any historical precedents established. The Board approved the guidelines.
- Associate membership rights. The committee reviewed the proposed rights and responsibilities of potential members. Associate membership will be limited to asset owner organisations and the focus will be on learning, development and education services. The Board approved the associate membership proposals from the committee.
- Exploratory discussion of the possible process and criteria for delisting signatories that contravene the spirit of the Principles.
- Review of the Signatory Rules, SGM Rules, Permanent UN Advisors terms of reference.
- Role of the committee. In February 2017 the committee proposed for Board approval a revised remit: oversight of the signatory lifecycle, including signatory accountability measures. The focus areas of the committee will include: signatory status and categorisation; the active participation of signatories in PRI activities and work streams; guidance on the expectations for signatory accountability and methodologies for delisting; outreach to prospective signatories; and effective partnerships with key stakeholders. The committee will also provide guidance on key communication messages around the signatory life cycle and stakeholder management. The Board approved the revised terms of reference.

[Terms of reference](#)

SKILLS, DIVERSITY AND ELECTIONS COMMITTEE

Members: Geeta Aiyer, Sandra Carlisle, Angela Emslie (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:

- Board geographic diversity. The committee agreed on the importance of geographic diversity on the Board for the mission and the strategic direction of the organisation. The committee agreed to encourage the 2016 election candidates with: demonstrated leadership within responsible investment, ESG expertise and other experience relevant to the long-term success of the PRI; experience in investment markets outside of Europe / US, specifically Asia; and governance experience, such as previous / current Board experience. The Board agreed to the proposal by the committee to have an exclusivity period in the 2016 elections for candidates from asset owner signatories with headquarters in Asia, followed by an open call for candidates.
- Revisions to the mid-term election rules. The committee proposed that directors elected in mid-term elections serve for a term of up to three years, rather than until the end of the calendar year. The revision was agreed by signatory vote in November 2016.
- Oversight of the 2016 PRI Board elections. All candidates were eligible. Upon notification that Mark Chaloner would resign at the end of the year the committee recommended to the Board that the PRI open the asset owner elections to two open positions.
- Development of the Board self-assessment template and oversight of the self-assessment process. The committee chair lead the Board discussion on the outcomes of the self-assessment.
- Chair succession plans. Succession planning for the Board Chair role is good practice and could be required for several circumstances. The Board asked the committee to consider and propose short-term contingency and transition plans for the Chair role, including managing the work of the Board if the Board Chair is unable to chair a meeting at short notice, or resigns mid-term; the re-appointment of an existing Board chair; and the recruitment of a new Board chair. The Board approved the proposed succession plans.
- Review of the induction process for new directors and guidance on possible improvements.

[Terms of reference](#)

2017 SIGNATORY VOTING

The Board encourages signatories to participate actively in all area of PRI governance. Signatories will be asked to vote for and / or approve, via an online vote in October and November, the following:

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

For more information on the 2017 elections and voting procedure see [here](#).

SIGNATORY RIGHTS

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

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

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

PRI BOARD ATTENDANCE

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

JANUARY - DECEMBER 2016

	PRI Board		PRI Board committees			
	Meetings	Calls	Finance Audit and Risk	HR and Remuneration	Signatory and Stakeholder Engagement	Skills Diversity and Elections
Total number of meetings:	4	2	2	2	3	4
Geeta Aiyer	3/4	1/2				3/4
Marcel Barros	2/4	0/2				
Sandra Carlisle	3/4	2/2			1/3	1/4
Mark Chaloner	2/4	2/2	2/2	1/2		
Angela Emslie	4/4	1/2			3/3	4/4
Priya Mathur	4/4	2/2	2/2		3/3	
Colin Melvin	2/3*	2/2	2/2			
Renosi Mokate	2/4	1/2		2/2	3/3	
Niels Erik Petersen	3/4	2/2				
Gavin Power	2/4	2/2			2/3	
Martin Skancke	4/4	2/2				
Eric Usher	2/4	2/2			1/3	
Xander den Uyl	4/4	2/2		2/2		
Peter Webster	4/4	2/2			3/3	2/2**

The Ethics committee did not formally meet in 2016.

*Colin Melvin resigned from the PRI Board in December 2016.

**Peter Webster stepped down from the committee during and after the 2016 PRI Board elections.

JANUARY – JUNE 2017

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

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



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

United Nations Environment Programme Finance Initiative (UNEP FI)

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

More information: www.unepfi.org



UN Global Compact

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

