UNEP Finance Initiative
Extraordinary General Meeting

Webinar Meeting

Webinar 1: 17:00-18:30, Monday 9 May 2016

Webinar 2 (Repeat): 10:00-11:30, Tuesday 10 May 2016

Central European Summer Time

Draft Minutes
UNEP FI Extraordinary General Meeting
9 & 10 May 2016
Provisional Agenda

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Appendix 1: DRAFT Governance Framework document

Agenda 1. Opening

Opening Comments of the Chair, Namita Vikas (Session 1) and David Pitt-Watson (Session 2)

Welcome. The GSC has been working hard since last October to develop a proposal for a governance framework for UNEP FI. Our goal was to come up with a proposal that will strengthen UNEP FI’s governance oversight, strategic focus and operational effectiveness, as these were the governance reform principles agreed at the 2015 AGM. The new framework proposes changes to UNEP FI’s main governance bodies, including the Global Steering Committee and the associated operational industry, regional and thematic groups. The proposal boils down to two major changes:

1. The GSC would in future be composed of UNEP FI member representatives directly elected at the time of the AGM, allowing it to fulfil its strategic oversight role more effectively.
2. The current industry, regional and thematic governance bodies would be reformed into Industry Committees with cross-cutting Thematic and Regional Advisory Boards.

UNEP FI will be celebrating its 25th anniversary in 2017. With the success of the COP21 climate agreement and the launch of the UN Sustainable Development Goals last year, we are seeing sustainable finance accelerating faster than ever before. The GSC believes that the governance reform will be a cornerstone in enabling UNEP FI to remain the No.1 Initiative for your institution to partner on sustainability issues.

Welcome from Ligia Noronha

UNEP FI has been crucially important to UNEP over the decades of its existence and particularly in 2015 when three UN intergovernmental agreements came to fruition. The role of the private sector and particularly the financial community in mobilising the investment needed for sustainable development is at the core of these now quickly evolving agendas. The Sendai Framework for Disaster Risk Reduction, the 2030 Agenda and its 17
Sustainable Development Goals, and the climate agreement signed in Paris all will critically need an engaged finance industry to succeed. As a partnership bringing together the UN with leaders in the financial community, UNEP FI is at the centre of these developments and UNEP is endeavouring to strengthen the Secretariat in a number of ways, particularly on the HR front.

Since last year we have established a number of new staff positions within the Secretariat, including on insurance, banking, climate change and ecosystems management. We have just hired a new manager to oversee signatory relations and are in the process of moving the regional coordinators out to UNEP’s regional offices to bring them closer to the membership. Shortly we will establish new positions to coordinate investment and communications. Together we believe these various new positions will help strengthen UNEP FI’s operations and help maintain the quality of work that is being undertaken with the membership. Finally, on the permanent head of the Secretariat, as you know, the secretariat has been overseen on an interim basis since early 2015 by Eric Usher. It’s been a slow process to secure a replacement who is familiar with both sides of the partnership. I had hoped to be able to announce a permanent head by this time and this is not possible. However I can say that an offer has now been made and the details are being sorted, with the hopes of making an announcement in the coming weeks.

Together UNEP and the UNEP FI membership can and is doing great work. On behalf of UNEP I would like to congratulate the membership on the progress and look forward to helping take things forward, including with this new governance framework if it is accepted during this EGM vote.

**Agenda 1.ii. Reason for holding this EGM**

A decision was voted on at last year’s AGM for the GSC to develop a reform proposal for a new governance framework to oversee UNEP FI going forward. The decision that was voted on included a set of principles, a timeline and a process for reform. The terms of half of the GSC were set to expire at the end of 2015 and therefore the AGM also approved the extension of the terms of these members by six months, until the end of June 2016, to allow for a full GSC to oversee this reform process. This EGM, to consider and vote on the UNEP FI governance reform proposal, marks the final step in this process. That is if it is indeed accepted by the membership.

UNEP FI currently has 11 governance bodies. This has become weighty and in some cases has led to a lack of coordination between the different parts of the organisation. Work programmes have become blindered. The nominations process is overly complex. For example, Regional Task Forces elect their members and then Co-Chairs, who then take seats on to the Industry Commission Boards, which then elects its Co-Chairs, one of which takes a seat on the GSC. This 3-step process can take a year to complete, often leaving seats vacant for extended periods.

This set-up also means that members sitting on the governance bodies are often overburdened with two or three roles. For example, an African Task Force Co-Chair is also a Banking Commission Board Co-Chair and further is the GSC member as the Banking representative.

And finally, having a GSC composition that mirrors the UNEP FI operational structure tends to entrench the status quo. Most GSC members are Co-Chairs to one or more governance bodies below the GSC. This means they are expected to represent that body or part of the community on the GSC. This has merit but means that the GSC has difficulties in acting strategically. This challenge is made worse by a lack of decision-making processes vis a vis work programme development and implementation. Who decides what between governance bodies is not clear enough.

Overall this set-up has not prevented UNEP FI from doing great work and I think the 2015 Annual Overview that you have just received attests to the many fantastic activities that are underway and have been delivering results on the ground. But one of UNEP FI’s strength is its breadth, as the only sustainable finance membership organisation that cuts across the entire finance industry from banking to insurance and investment. From climate to ecosystems and social issues. That is global, with roughly half the membership coming from the developed world and half from emerging markets and other developing countries. From sustainability leaders to those who are just getting on-board. These are all the strengths of UNEP FI and to properly maximize their
collective potential we need a governance set-up that is both more strategic and more responsive to the broader membership.

These various challenges led to the following Principles for Reform agreed to at last year’s AGM.

1. Decouple GSC composition and nomination process from operational-level governance bodies
2. Refocus GSC mandate on strategic planning and equip with proper decision-making tools/guidelines
3. Leverage relevant and strategic expertise and connections

**Agenda 2. Adopting a new governance framework**

The new governance framework proposal was explained in three steps.

1. Proposed changes to the Global Steering Committee (GSC)
2. Proposed changes to the other governance bodies
3. Proposed implementation and transition plan

The overall proposed setup are four significant governance bodies, the GSC and the Banking, Investment and Insurance Committees. The relationship between the GSC and the industry committees needs to be carefully calibrated, but roughly the GSC will be a high level strategic body and the industry committees will operationally coordinate and oversee the work programmes undertaken with their industry members. The real action is in the many initiatives, programmes and projects that the membership has underway in so many areas. The role of the four governance bodies is to have a structure for coordinating and overseeing these activities in a way that coalesces the work into the best value offering possible for the membership without micromanaging and sapping the innovation quotient that is so important for UNEP FI’s many work streams to succeed.

**Agenda 2.i. Proposed changes to the Global Steering Committee (GSC)**

In terms of the new GSC set-up, the proposal is a composition of 13 members. 10 would be elected from the membership, 2 appointed, and one seat for UNEP, as is the case now. The 10 elected positions would be allocated based on industry-region member numbers. For instance European banking is one industry-region combination. Eight of the positions would be automatically allocated to the eight largest industry-region groupings. Here we have a table with hypothetical numbers showing the industry-regions with position numbers within the eight. We also see five industry-region combinations where the membership is not large enough to have their own position and therefore are termed Open regions. Positions 9 and 10 would be allocated to open industry regions and GSC may add more criteria to open positions. One criteria is that all Regions should have at least one representative on the GSC. Note that only half of the positions will be up for election in any one-election cycle. After an election, once the 10 members are in place they will decide who to appoint to Positions 11 and 12. These appointees may include senior representatives from within the membership, senior individuals who are recently retired, or possible someone coming from outside the industry, for instance a renowned scientific authority.

The intended benefits of this new approach to the GSC are:

1. Independence via decoupling from other governance bodies.
2. Flexibility via open & appointed positions
3. The potential to make the GSC more strategic by reducing the burden of GSC members leveraging external expertise, where needed.
4. Empowerment via refocusing mandate on strategic planning.

**Agenda 2.ii. Proposed changes to the other governance bodies**

The three industry committees would become the core operational bodies of UNEP FI. They will be slightly beefed up versions of the current industry commission boards as they will include not only regional representatives, as is the case today, but also thematic representatives who will ensure a closer integration of thematic work into the industry agendas. There will no longer be freestanding thematic advisory groups but rather they will be integrated. So on the banking committee one of the positions will be for a climate focused representative and the same for investment and insurance. These three climate advisors, joined by UNEP’s climate coordinator, will meet regularly to prepare UNEP FI’s climate work programme. Which essentially will be
the climate programme of the three industry committees. This work will be supported by a climate coordinator in the secretariat, as is the case now.

The same approach will be used for regional advisors. For instance the Latin Americans (Asian) representatives on the three industry committees will together oversee the UNEP FI work programme for Latin America, still supported by a Latin American (Asian) coordinator in the Secretariat that is based at UNEP’s regional office in Panama. (Bangkok)

The Key benefits for these operational governance bodies is the following:

1. Consolidation of regional and thematic agendas into and across the industry bodies.
2. Streamlining of nomination & voting processes.
3. Improved efficiency and accountability

You as a member would interact with and be supported by this reformed governance approach. Much does in fact remain the same. You will meet and vote annually through an AGM; there will be Global Roundtables every two years; a new element will be regional roundtables to be held in each region in the off year of the GRT. But you will still have a regional leadership to support you, now called a regional advisory board and supported by a regional coordinator in the secretariat. You will have an Industry committee to oversee work in your industry, which will be composed of industry representatives, thematic representatives and regional representatives, as already stated. Your industry committee will be the centre of UNEP FI operations for your industry. Meanwhile the GSC will be the highest-level governance body charged with ensuring strategic coordination and oversight of the Initiative. As a member you will be encouraged to run for election to either the GSC or your industry committee. If for the industry committee you could run for a thematic position, a regional position or an open position.

Agenda 2.iii. Proposed implementation and transition plan

There are two principles to be applied during implementation

1. Existing mandates are valid until they expire - New governance structure replaces positions only as they expire.
2. Existing governance bodies mandated to implement the transition in consultation with other affected bodies.

In terms of immediate next steps, if members approved the new governance through this EGM, the GSC in-person meeting taking place on 11 May will allocate members positions and finalise the election process. Call for self-nomination to start soon after followed by elections in June-July. After the elections, the GSC fills position 11 and 12 by appointment.

The GSC transition plan is that we have half the current GSC continuing their mandate until end of 2017 and the first set of GSC members under the new governance framework coming in over the summer. The first new GSC members will have a transitional term (of 3.5 years as per the slide) to ensure the two parts of the GSC have an overlapped period.

Questions:

1. Why do we need a 3.5 year transition term?
   This is a proposal for now, and will be discussed during the GSC on 12 May. We need an overlap of terms between the two parts of the GSC to stagger. The new set of GSC members from 2018 to 2020 need to have a period of overlap with the first set of GSC members starting in June/July this year. This means the transitional term could be either 2.5 years to end 2018 or 3.5 years to end 2019. Either would kick start a rolling cycle of 3 year terms of the two groups within the GSC to stagger.

2. Will appointed positions to the GSC, if not from membership organizations, be voting members?
   Yes, they should be as it is quite difficult having non-voting members. Of course, their selection by GSC will be taken into consideration in order to broaden and strengthen GSC as a whole. Whoever is brought on will have views that align with our own.
3. What happens in the event of disagreements on materiality of certain programs/issues of focus between the bodies? Is there a resolution process?
   The GSC be carefully developing the governance guidelines from the upcoming GSC meeting if the vote is successful, and finalized by the time of AGM in October. The intent is to ensure the allocation of responsibilities, that would not stop the creative process but will enable UNEP FI to operate more strategically.

4. Where can we get the webinar slides?
   Slides are available on the extranet or send us an email. We can send them directly.

5. How many votes are needed to make the voting valid?
   The quorum is a quarter of the membership and votes are decided by a simple majority.

6. What will be the timeline developing decision-making guideline?
   Decision making guideline will be launched officially at the time of AGM, which will be held in Dubai on 27 October. New and current GSC will work to finalize the guideline till AGM.

7. Can we confirm the industry committee will have the abilities to set strategies within their industry?
   After many meetings with different governance bodies, a number of the bodies have a same problem where it is uncertain as to who has which responsibility and authority. At the GSC in-person meeting this Thursday, if the EGM vote is successful, the GSC will start to prepare a set of decision making guidelines. Guideline will be about who make which decision in the governance and the level of authority of different governance bodies. This will determine the responsibilities and relationships of all governance bodies and will be workable to all levels of governance bodies. The idea is for the GSC to have more strategic function and industry bodies more operational functions, still working and related in some points together.

8. How will positions #11, #12 of GSC be appointed?
   After the new members positions are selected from the coming election, GSC will consider the geographical balance and the expertise of the GSC membership to discuss the ideal profiles of appointed members who can give additional expertise and broaden the Initiative.

9. What are the positions #9, #10 of GSC? How will they be elected?
   The first 8 members positions will be based on industries–regions allocated by number of members. Position #9 and #10 will be opened to the remaining industry-regional combination with priority to any unrepresented region. The GSC may also add more criteria according to strategic needs.

10. How will the decoupling of GSC from other governance bodies happen?
    All the members position will be directly elected from the membership. It is now more independent than ever before. They are no longer representatives of underlined bodies, but still working together with other governance bodies. Decoupling will allow GSC to be at a higher level, focus on strategic planning and reduce burden of the GSC members.

- END -