



PSI
Principles
for Sustainable
Insurance

PSI GOVERNANCE FRAMEWORK

OCTOBER 2020

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1

COMPOSITION OF THE PSI INITIATIVE

1.1 PSI SIGNATORY COMPANIES

All PSI signatory companies (“signatories”) are automatically affiliated with the UNEP FI Principles for Sustainable Insurance Initiative (PSI) and are UNEP FI members.

A signatory is a company writing insurance business and/or providing insurance services.¹ A signatory has confirmed in writing its approval of the Principles and its agreement to the following signatory requirements:

- Participation in the annual public disclosure process of the PSI Initiative
- Payment of the annual fees of the PSI Initiative

1.2 PSI SUPPORTING INSTITUTIONS

All PSI supporting institutions (“supporters”) are automatically affiliated with the PSI Initiative and become UNEP FI supporting institutions as well.

A supporter is an institution that carries out activities relevant to the insurance industry but is not a company. A supporter has confirmed in writing its support for the Principles.²

A supporter is encouraged to carry out at least one activity each year that would support the adoption and implementation of the Principles.³

1. Insurance business and/or insurance services include reinsurance and retrocession business and/or services.

2. Examples of such institutions include but are not limited to insurance associations, federations, institutes and initiatives; insurance regulatory and supervisory authorities; international organisations; academic and research organisations; and civil society organisations.

3. Examples of such activities include but are not limited to conducting research, providing training, hosting events, and translating materials.

2 THE PSI BOARD

The PSI Board oversees the effective implementation of the Principles in order to fulfil the PSI's purpose and vision and the PSI's contribution to the achievement of UNEP FI's overall strategic objectives.

The PSI Board is a governance body of the PSI, accountable to the PSI Annual General Meeting of signatory companies ("PSI AGM") and under the overall direction of the UNEP FI Global Steering Committee which oversees the implementation of UNEP FI's integrated, financial sector-wide mandate on sustainable finance spanning the banking, insurance and investment industries. Insurance organisations are required to sign the Principles for Sustainable Insurance ("the Principles") in order to become a UNEP FI member. The PSI Board has oversight for all activities of UNEP FI's insurance membership.

2.1 DECISION-MAKING AUTHORITY, RESPONSIBILITIES AND RELATIONSHIP WITH OTHER GOVERNANCE BODIES

2.1.1 Decision-making authority and responsibilities

The PSI Board has decision-making authority and responsibility on the following matters:

- The PSI strategy and work programme within the overall strategic parameters set by the UNEP FI Global Steering Committee.
- Changes to the Principles after consultation with PSI signatory companies. Any changes to the Principles themselves must be approved by the PSI Annual General Meeting.
- The signatory status of insurance organisations that have been identified by the Secretariat as not fulfilling the PSI requirements.⁴
- Board members act in the best interests of the PSI at all times.
- The Board defines, updates and amends the PSI governance framework, including the roles and responsibilities of the governance organs concerned and how they will work together.
- The Board develops the goals, strategy and work programme of the PSI, including implementation frameworks to deliver concrete results and positive impact. The Board will monitor and evaluate implementation progress.
- The Board prepares the decision-making process for the PSI Annual General Meeting.
- The Board, at all times, makes sure that the PSI is governed in a way that prevents anti-trust and anti-competitive behaviour and practices, and that the PSI complies with competition and anti-trust laws, rules and regulations.
- Board membership is non-remunerated.
- Board members can represent the PSI to external stakeholders after consulting with the Chair and/or Vice-Chair of the Board and the Secretariat. Board members do not represent UNEP.
- In order to remain a PSI Board member, Board members must ensure that their organisation's PSI disclosure is up-to-date and must participate actively in relevant PSI projects and activities.

4. Requirements include paying annual membership fees and disclosing annual progress in implementing the Principles.

2.1.2 Relationship with other governance bodies

- UNEP FI Global Steering Committee
 - a. The PSI Board's decisions and mandate are within the overall strategic parameters set by the UNEP FI Global Steering Committee.
 - b. The UNEP FI Global Steering Committee oversees UNEP FI's budget resulting from its base membership fees.
 - c. The PSI Board Chair and/or Vice-Chair reports to the UNEP FI Global Steering Committee on the PSI's progress in implementing the Principles and the PSI's contribution to the integrated, financial sector-wide strategy and objectives set for UNEP FI by its Global Steering Committee. The PSI Board Chair and/or Vice-Chair also report on any PSI matters of strategic relevance for UNEP FI.
- PSI Annual General Meeting
 - a. The PSI Board is elected by PSI signatory companies and, as such, accountable to their Annual General Meeting (AGM). The Board reports to the AGM, updates PSI signatory companies on relevant governance and strategic issues, and seeks input from signatory companies on these issues.
 - b. The Board can propose changes to the Principles and/or the PSI signatory requirements to the AGM for its approval.
 - c. The agenda of the AGM can be divided into two parts. For example, Insurance members can initially meet to discuss issues specific to the Insurance industry, and subsequently all UNEP FI members can meet together to discuss issues of relevance to the entire financial sector. Voting items will be cast during the segment of the meeting convening all UNEP FI banking, insurance and investment members.

2.2 COMPOSITION OF THE BOARD, ELECTION PROCESS AND EXPECTATIONS FROM BOARD MEMBERS

2.2.1 Composition

- The PSI Board is composed of a maximum of fifteen (15) members, with a maximum of fourteen (14) senior-level officers elected from PSI signatory companies. Two (2) PSI Board seats are open for representatives from (re)insurance service providers.⁵ The maximum number of Board members that can be elected from signatory companies shall be an even number.
- Of the fourteen (14) seats, there are five (5) regional seats (i.e. Africa & Middle East, Asia-Pacific, Europe, Latin America & the Caribbean, North America) and nine (9) open seats.
- In addition, there is one (1) member appointed by UNEP, which has a permanent seat on the Board. The UNEP representative ensures that the Principles and the broader work of the PSI are consistent with, and contribute to, the overarching objectives of the United Nations. As such, the representative can exercise a veto right if a case should arise where a decision would carry a significant reputational risk for the UN or where a decision would clearly conflict with the overarching objectives of the UN.
- The PSI aims to have a Board that is representative of its membership base of signatory companies. It also aims to have Board diversity in terms of gender, geographies, lines of business, segments of the insurance industry value chain, company ownership structures, and/or other relevant considerations.⁶

5. (Re)insurance service providers are non-risk carriers, such as intermediaries (e.g. agents, brokers), risk modelling vendors and sustainability service providers.

6. Examples of such diversity include but are not limited to having men and women Board members from developed and developing regions; from Africa, Asia, Europe, Latin America and the Caribbean, Middle East and North Africa, North America, and Oceania; from life & health and non-life business ("life & health" business" can span life, health and/or pensions business, while "non-life business" is referred to as property and casualty business in certain markets), from different segments of the insurance industry value chain (e.g. insurers, reinsurers, intermediaries), and/or from companies with different ownership structures (e.g. stock, mutual, cooperative).

2.2.2 Election process

Representatives from PSI signatory companies may stand for election for a PSI Board seat. Two (2) Board seats are open for representatives from (re)insurance service providers.

■ Eligible candidates

- a. Board members shall possess personal integrity, relevant skill sets and individual commitment, as well as institutional credibility and support.
- b. Board members should have a senior position and the necessary decision-making authority within their organisations and be willing and able to devote the necessary time and effort to carry out their roles and responsibilities. They should be in a position to mobilise appropriate financial and human resources within their organisation to support their work as a Board member.

■ Tenures

- a. Board members are elected for a term of three (3) years and can serve a maximum of three (3) consecutive terms, subject to a maximum tenure of nine (9) consecutive years for any Board member.
- b. Board members having served three (3) consecutive terms can run for re-election after a break of one (1) year.
- c. In order to have a gradual succession and promote knowledge continuity, if signatory companies are electing all Board members (e.g. the first Board elections), the individual terms of elected Board members will be determined by drawing lots with tenures of two (2), three (3) or four (4) years.⁷

■ Process

- a. To qualify for election, nominees must come from signatory companies. Only one (1) nominee per signatory company is allowed. Nominees self-nominate themselves, but their nomination should have the support of their respective companies.
- b. A signatory company can vote for the maximum number of Board members that can be elected. Each nominee can only receive one (1) vote per signatory company. A signatory company can vote for its own nominee. A signatory company can abstain from voting.
- c. The election of Board members, including the nomination process, shall be conducted in accordance with UNEP FI election practices.
- d. If the number of nominees is less than or equal to the maximum number of Board members that can be elected, all nominees will be declared elected by the signatory companies.
- e. If the elected Board members are at least seven (7) people (i.e. fifty per cent (50%) of the maximum number of Board members that can be elected), there will be no further call for nominations. If the elected Board members are less than seven (7) people, the Secretariat will issue a further call for nominations for the vacant Board seats, and will follow the same election process for the initial set of Board members that were elected. If no further nominations are received, the Board members initially declared elected will be the entire Board.
- f. If the number of nominees is greater than the maximum number of Board members that can be elected, signatory companies must conduct the election of Board members as follows:

After the nomination process has been closed, each signatory company will send its vote in accordance with UNEP FI election practices. The Secretariat will report the results to signatory companies. Nominees who received the highest number of votes are elected to the Board. In case of a tie (i.e. same number of votes), signatory companies would have to hold a further election for the nominees concerned to determine who will be elected to the Board.

7. In order to align all governance seats across the three UNEP FI Industry Boards (i.e. Banking, PSI/Insurance, Investment) to run from January to December (i.e. calendar year), it is recommended that, as an exceptional case, an extra 6 months be added to the tenures of PSI Board members that will be elected in 2020, whose tenures will start in July 2020. As such, for the June/July 2020 elections, 5 PSI Board members will have a 2.5-year tenure; 5 PSI Board members will have a 3.5-year tenure; 4 PSI Board members will have a 4.5-year tenure.

- g. A Board member represents the signatory company. If a Board member leaves his/her company, the signatory company concerned may appoint a new representative or relinquish the Board seat. If the signatory company does not appoint a new representative within two (2) months from the date the Board seat was vacated, the Board seat is automatically deemed to have been relinquished by the signatory company. Consequently, a new Board member will be elected by signatory companies for the remaining term of the former Board member (i.e. not for a new, full term).

2.2.3 Expectations of Board members

- Board members are required to commit to prepare for and attend the meetings, with all financial costs of attending borne by their respective organisations.
- Board members cannot use alternates or delegates to attend in their place. However, the Board, at its discretion, may allow others to attend as guests.
- In order to remain a PSI Board member, Board members must attend at least sixty percent (60%) of Board meetings in any given year.
- If there is a conflict or potential conflict between Board members' own personal interest or the interest of the insurance organisation they represent and their obligation to act in the best interests of PSI/UNEP FI members, the Board member must inform the Board Chair and the PSI/UNEP FI Secretariat and abstain from discussions and voting on the matter concerned.
- Where Board members participate in financial decision-making and influence or make decisions regarding contracting with third parties or consultants, Board members are required to inform the Board Chair and the PSI/UNEP FI Secretariat of any affiliations of private or professional nature that they have with counterparties or candidates. Any such interests should be declared in writing to the PSI/UNEP FI Secretariat and the Chair. The Board may decide that the Board member concerned should not participate in the discussion and decision-making on the matter at hand.

2.3 CHAIRING, DECISION-MAKING AND MEETINGS

2.3.1 Chairing

- The Board members will elect the Chair and Vice-Chair from the risk carrier organisations among them. The Chair and Vice-Chair seats cannot be held by representatives of service providers nor by the representative of UNEP.
- If the Chair and (or) Vice-Chair are (is) unable to continue his/her (their) term, an election process will be determined by the Board and carried out by the Secretariat.
- A Chair and a Vice-Chair are elected for a term of three (3) years and can serve a maximum of three (3) consecutive terms.
- A Chair and a Vice-Chair who have served three consecutive terms can be re-elected after a break of one (1) year.
- The Chair and Vice-Chair must have support from their institution for such a role and must be able to devote sufficient time and effort to the work of the PSI. This entails working closely and regularly with other Board members and the Secretariat.
- The Chair of the Board is responsible for leading the PSI with support from the Secretariat. The Vice-Chair serves as the deputy of the Chair and also presides over meetings when the Chair is unable to attend.

- The following are the roles and responsibilities of the Chair:
 - a. Chairing Board meetings in a collegial and consensus-building manner and acting in the best interests of the PSI at all times.
 - b. Presiding over the PSI Annual General Meeting of signatory companies (AGM).
 - c. Working together with the Secretariat in setting the agenda and preparing the papers for Board meetings and the PSI AGM.
 - d. Making sure that decisions made by the Board are implemented.
 - e. Representing the PSI to external stakeholders. The Chair and the Vice-Chair do not represent UNEP.
 - f. Participating in UNEP FI Global Steering Committee meetings and the UNEP FI Annual General Meeting.
 - g. Reporting to the UNEP FI Global Steering Committee on the progress and activities of the PSI.
 - h. Reporting to the Board on the progress of UNEP FI and activities relevant to the PSI.

2.3.2 Decision-making

- By default, decision-making will be by consensus.
- If consensus is not possible, decisions will be made by a simple majority vote, with each member of the Board holding one (1) vote. In case of a tie, the Chair becomes entitled to another vote to break the tie.
- If a Board member cannot participate in a meeting, he/she may be able to cast a vote by e-mail before or after the meeting or by phone during the meeting, where practical and appropriate, as determined by the Board members present.

2.3.3 Meetings

- The Board aims to meet at least once per quarter and in person at least once a year. The Board aims to rotate in-person meeting across regions: Africa, Asia, Europe, Latin America and the Caribbean, Middle East and North Africa, North America, and Oceania.
- Board meetings can be held by teleconference or videoconference.
- A Board meeting can be held immediately before or immediately after the PSI Annual General Meeting.

3

THE PSI ANNUAL GENERAL MEETING

The PSI Annual General Meeting (AGM) is the assembly of all PSI signatory companies to which PSI supporting institutions are invited to participate as observers. It usually takes place alongside the UNEP FI Annual General Meeting, which convenes all three UNEP FI industry groups—banking, insurance and investment. If requested either by more than fifty per cent (50%) of Board members or by more than fifty per cent (50%) of signatory companies, the Board can also call for a PSI Extraordinary General Meeting (EGM). The PSI Board Chair presides over the PSI AGM or EGM. The Board determines the format/venue and the date of the AGM or EGM.

3.1 AGM DECISION-MAKING AND RESPONSIBILITIES

- Discusses the progress of the PSI and resolves any key issues (e.g. governance, strategy).
- Makes decisions with a simple majority vote by signatory companies. Each signatory company has one (1) vote.

3.2 AGM VOTING RIGHTS

- PSI signatory companies have the right to vote while PSI supporting institutions do not have the right to vote.
- All signatory companies are expected to participate in person or to submit their votes remotely. Signatory companies unable to attend can send their votes in advance or use proxy voting.

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