

Ms. Priya Sara Mathur
Chair, Governance Committee
Principles for Responsible Investment

Via email: governance@unpri.org

Thank you for the opportunity to respond to the PRI Governance Review – Draft Scope for Consultation. As PRI members representing the asset owner and asset manager constituencies, we believe that a strong governance structure is essential for the PRI to effectively carry out its mandate. We applaud the PRI for taking the initiative to conduct an independent review of its governance. In addition to providing comments on the Draft Scope, we express our concerns with the current governance structure of the PRI which we have highlighted below and encourage you to address these within the scope of the consultation.

Context and wider environment

Members understand that the PRI is a unique organization and therefore such confirmation need not be included within the scope of the review, nor should uniqueness be the rationale to keep the complicated structure currently in place. We understand that PRI is different from a listed company but believe it is relevant to consider how governance best practices should be integrated in the PRI governance structure. Furthermore, the reviewer should also look to models such as industry associations that have global representation as well as multi-stakeholder organizations such as EITI that have separate constituencies that require representation.

One of the guiding principles of the review is accountability. However, accountability to all PRI members is not fully reflected in the scope text. It is difficult to reconcile how members of the governing bodies are accountable to the full PRI membership. The PRI's stated main constituency is asset owners who appoint asset owners. We believe the review should also consider what mechanisms other categories of membership have in terms of recourse if they are not satisfied. While the review deals with effectiveness of individuals, the scope fails to link it directly with accountability to the membership.

Finally, we believe the review should explicitly address the inherent conflict of interests within the three categories of membership in the governance structure in order to prevent commercial interests influencing the decision-making process and policy development of the PRI.

1. Signatory Rights, Responsibilities and Representation

We believe that the scope document should be clearer about defining the rights and roles of the different categories of signatories, identifying who should have a deciding power and who should have a participation role given the nature of their organization. This is consistent with the principle of Representation that guides the review. The evaluation of those should be done based on a fundamental analysis of the PRI core values, activities and mission. From this assessment, the governance structure can be developed in line with those rights and roles. If the rights are clear, it is easier to elaborate the detailed structure.

2. The PRI governing bodies/3. Committees of the PRI governing bodies

As investors, we hold our investee companies to the highest levels of governance. We exert a significant amount of time and effort to work with investees to ensure that they incorporate best practices within their respective governance structures. Unfortunately, we believe that aspects of the current PRI governance structure do not emulate the best practices that we are requesting from others. We find it difficult to reconcile requesting best governance practices of our investees while the PRI governance structure does not have all these best practices in place. Our concerns are as follows:

- The multi-layered structure adds a level of complexity that is in our view unnecessary.
- The lack of a democratic process to select PRIAC and PRIAB members within the current structure is opaque to members and inconsistent with best practice of electing board representatives:
 - The appointment of a Chair to the PRIAC when best practice is for the chair to be selected from the group of elected directors.
 - The appointment of the PRIAB by the members of the PRIAC. The “heavy lifting” in the PRI governance structure (i.e. oversight of the PRI secretariat) is done by an appointed board. In this structure, members have no influence as to the members of the PRIAC and there is an inherent lack of direct accountability of PRIAC members to PRI members.
- There are inherent conflicts of interest within the current structure given the cross-membership between the PRIAC and PRIAB. Asset owners of the PRIAC evaluate the PRIAB and there are 4 individuals who are members of both bodies (3 of which are identified as asset owners) so in effect members of the PRIAC are placed in the position of evaluating their own performance.

Therefore, we believe that the scope document could mention a review of the best practices that we ask the companies and other investments to put in place. In addition, the scope should specifically review and define the requirements for a candidate’s nomination.

We also note that the UN representatives on PRIAC attended no meetings in 2013 (they did send delegates). For us, this raises the question of how engaged the UN is in the PRI and is it

necessary for the UN to continue to be involved in the governance of the organization. Furthermore, there seems to be an inherent conflict with the UN organizations having permanent PRIAC seats when these organizations have very different mandates compared to the mandates of PRI members. The PRI is an investor-led organization and based on a fiduciary duty that is different from that of the UN. We are therefore concerned with the effectiveness of the PRI when these mandates conflict and would seek the scope explore the justification for the continued involvement of the UN in the PRI governance structure.

We thank you for the opportunity to provide feedback. As PRI members, we remain committed to the organization and believe that a strong and effective governance structure is fundamental to the ongoing success of PRI. Please feel free to contact any of the following individuals for further information or clarification:

APG – Marta Jankovic, marta.jankovic@apg-am.nl
bcIMC – Jennifer Coulson, jennifer.coulson@bcimc.com
Caisse de dépôt et placement du Québec – Marie-Claude Provost,
mcprovost@lacaisse.com
Ontario Teachers' Pension Plan – Paul Schneider, paul_schneider@otpp.com

Sincerely,



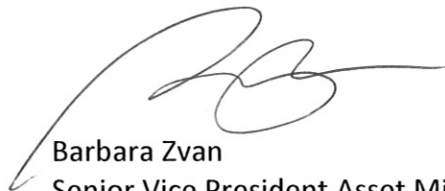
Marta Jankovic
Senior Sustainability and Governance Specialist
APG Asset Management



Bryan Thompson
SVP Equities
bcIMC



Ginette Depelteau
Senior Vice President
Compliance and Responsible Investment
Caisse de dépôt et placement du Québec



Barbara Zvan
Senior Vice President Asset Mix & Risk &
Chief Investment Risk Officer
Ontario Teachers' Pension Plan

cc Fiona Reynolds, Managing Director, PRI