

PRI SOVEREIGN WORKING GROUP

TERMS OF REFERENCE

INTRODUCTION

The PRI's signatories and partners are its greatest strength. Advisory committees and working groups provide opportunities for key stakeholders to convene, share knowledge and collaborate for change and impact. Through work with these groups, the PRI Executive ('Executive') aims to deliver practical, action-oriented research, tools, events and support to investors around the world.

This document is a terms of reference for the PRI's Sovereign Working Group (SWG).

OBJECTIVES

PRI's goal is to explore and clarify ESG integration¹ and engagement² practices in sovereign debt investing. The PRI sees this as an important area to focus on as the sovereign bond market is the largest subset of the global bond market, yet, as compared to their use with corporate bonds, ESG integration practices in sovereign debt are less widespread³. A recent study on the global state of ESG integration in equities and fixed income found that the current low adoption of ESG integration by sovereign-debt practitioners is due in part to the lack of understanding of how to integrate ESG issues into sovereign debt. Nevertheless the PRI believes there is a role for ESG integration and engagement as a tool to help investors manage and mitigate investment risks relating to ESG factors. Working group members will be asked to support the PRI by sharing their knowledge and experiences on this subject.

The objectives of the sovereign working group are to:

- Clarify and define ESG integration and engagement
- Explore possible approaches to ESG integration and engagement
- Highlight current examples and case studies of ESG integration and engagement
- Identify broad investor trends of ESG integration and engagement
- Publish guidance which helps investors implement ESG integration and engagement strategy

¹ ESG integration is the explicit and systematic inclusion of ESG factors in investment analysis and investment decisions. It is a holistic approach to investment analysis, where material factors—ESG factors and traditional financial factors—are identified and assessed to form an investment decision.

² ESG engagement refers to: interactions between the investor and current or potential investees on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.

³ CFA Institute and PRI (2018). Guidance and case studies for ESG integration – equities and fixed income.

WORKING GROUP MEMBERS (as of 01/10/2018)

Sovereign working group members

Name	Organisation	HQ country
Claudia Gollmeier (Chair)	Colchester Global Investors	UK
My-Linh Ngo	BlueBay Asset Management	UK
Mitch Reznick	Hermes Investment Management	UK
Matthew Graves	Western Asset Management	US
Martin Dropkin	Fidelity International	US
Lupin Rahman	PIMCO	US
Kristin Ceva	Payden & Rygel	US
Yvette Klevan	Lazard Asset Management	US
Margaret Childe	Manulife Asset Management	Canada
Joanna Woods	First State Investments	Australia
Marayka Ward	QIC	Australia
Anna Pot	APG Asset Management	Netherlands
Felipe Gordillo	BNP Paribas Asset Management	France
Ann Frank Andresen	Nordea Asset Management	Sweden
Nicolas Jaquier	Allianz Global Investors	Germany
Mickael Benhaim	Pictet Asset Management	Switzerland
Francis Condon	UBS Asset Management	Switzerland
Susan Burns	Global Footprint Network	US
Rodolphe Bocquet	Beyond Ratings	France
Anna Georgieva (Administrator)	PRI	UK
Justin Sloggett (Administrator)	PRI	UK

WORKING GROUP COMPOSITION AND MEMBERSHIP

Target composition and tenure

- Target composition is a 15-20 member working group
- The working group should comprise a suitable balance of asset owners and managers
- Member terms will be for the life of the project which is expected to run for a minimum of one year and a maximum of two years (to be reviewed after the first year)
- Members have the option to step down at the end of each year
- Members who step down may be replaced by an appropriate colleague at the PRI's discretion
- PRI will select a signatory to chair the SWG once members have been selected

Appointing members

- The PRI publicises membership opportunities for working groups as they arise, including the criteria for appointment of members and timelines
- The PRI aims for reasonable diversity in terms of the scale, region and type of member organisations and a range of skills among individual members
- The Executive has the discretion to accept two representatives from an organisation to sit on the SWG; in which case, dual representation should offer complementary strengths from the two individuals rather than a duplication
- Representatives should hold relatively senior management positions within their organisation
- Member organisations will be selected on the strength and engagement of their representative. SWG members will ideally have demonstrated proactive interest/a history of activity within the FI work stream, leadership in responsible investment (including connections with FI associations and other relevant industry associations)
- Priority may be given to those investors that have actively participated in the PRI Fixed Income Advisory Committee and Bondholder Engagement Working Groups from 2016-18

RESPONSIBILITIES

The PRI Executive commits to:

- convene, administer and facilitate SWG meetings and activities
- keep SWG members updated on project activities between meetings
- provide expertise from either internal or external sources, convening, facilitating and co-creating with members
- support SWG members by providing background material for outreach and research activities
- manage and deliver project outputs including reports and webinars
- coordinate communication on the activities of the working group
- manage communication flow between the working group and Fixed Income Advisory Committee and PRI regional networks on its activities and ensure alignment with high-level work stream objectives
- oversee SWG composition: review commitment and tenure, manage the application process for open positions

The SWG chair commits to

- designate enough time to fulfil project goals (estimated at an average of five hours per month)
- work with the Executive to provide leadership to the SWG as needed
- attend monthly meetings with the PRI Executive (in person or by phone) to discuss progress of the project and prepare for SWG meetings
- provide the Executive with guidance on overarching project strategy
- attend and chair semi-regular SWG meetings

SWG members

SWG members are expected to act in an advisory role to the PRI Executive. Members agree to commit sufficient time to promoting and overseeing the work stream/local network. Estimated time commitments for SWG members are at least two hours per month plus at least six two-hour conference calls per year.

Typical responsibilities may include, but are not limited to:

- A minimum of six conference calls/meetings per year, between one and two hours duration
- Regular guidance/feedback to the Executive on relevant issues. This may include providing advice/feedback on outputs such as publications and toolkits
- Speaking commitments (voluntary) on behalf of the PRI. The Executive can provide support in the form of background research and presentation slides
- Outreach and engagement with peers on behalf of the PRI. The Executive can provide support in the form of background research and pitching material
- Drafting guidance, case studies and other written project material
- All SWG members are welcome to undertake additional work, for example, drafting documents and participating in working groups if their schedules enable them to do so

CODE OF CONDUCT, CONFIDENTIALITY AND PUBLIC COMMUNICATIONS PROTOCOL

- SWG meetings should proceed only if a majority of members can attend (in person and/or on the phone). Due to regional time differences, separate calls may on occasion be held with members unable to join the meetings.
- The proactive involvement of signatories is important to the success of the group. The Executive may cancel individual signatories' participation and invite other interested signatories to participate if the required level of commitment is not demonstrated.
- Signatories must refrain from using these forums for explicit commercial purposes and should focus on furthering the goals and objectives of the project. Failure to meet these requirements may also lead the Executive to cancel member participation.
- SWG members are welcome to advertise their participation in other forums such as LinkedIn.

GOVERNANCE

The working group will be answerable to the PRI Fixed Income Advisory Committee. It is expected that certain members of the group will report back to the FIAC during their meetings and ideally there will be some crossover between the two groups to ensure the project outcomes are aligned with work already completed. FIAC and PRI sign off will be required at various stages of the project.

CONTACT

If you would like to learn more about the SWG, please contact anna.georgieva@unpri.org.

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