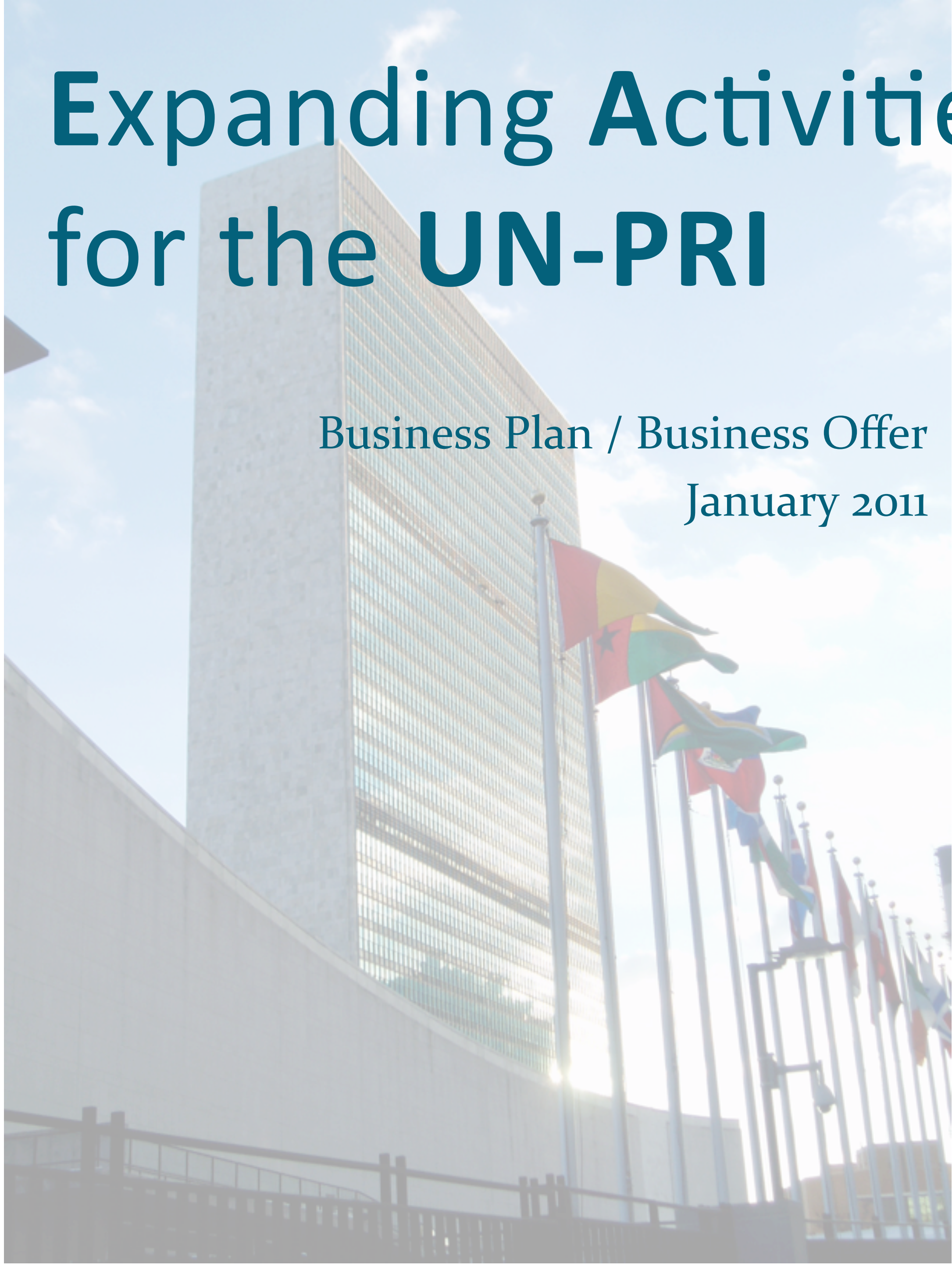
Expanding Activities Worldwide for the UN-PRI



Business Plan / Business Offer

January 2011

POUNE Asset Management

Olivier Ribert
Managing Director

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The UN-PRI Principles

I. We will incorporate ESG issues into investment analysis and decision-making processes

II. We will be active owners and incorporate ESG issues into our ownership policies and practices

III. We will seek appropriate disclosure on ESG issues by the entities in which we invest

IV. We will promote acceptance and implementation of the principles within the investment industry

V. We will work together to enhance our effectiveness in implementing the Principles

VI. We will each report on our activities and progress towards implementing the Principles

Understanding the Jargon

UNPRI	United Nations Principles for Responsible Investment
PRI	Principles for Responsible Investments
ESG	Environmental, Social, Governance
SRI	Socially Responsible Investments
NGO	Non Governmental Organizations

SIG	Signatories to the UNPRI
AO	Asset Owners
IM	Investment Managers
PSP	Professional Service Providers
RFP	Requests For Proposal

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INTRODUCTION

- Why are we meeting?
  - ⇨ Contributing to the UNPRI development worldwide
- Poune AM's contribution to the UN-PRI
  - A knowledge of the fund management industry
  - An insider view of SRI issues
  - A deep commitment to SRI, especially RPI
  - A **business-plan** to help make things happen
- Special thanks

Business Offer

- **New challenges** for the UN-PRI
  - At **Company level**
  - Strategic **Objectives** 2009-2014
  - Remaining **Challenges**
- **Where** to start
  - **Knowing** our signatories
  - What about **Competition**
  - Developing **Synergies**
  - Exploiting **Data** even more
  - Addressing the **Funding** issue
- Reminder: preparing the **Groundwork**
  - Gathering a **Hit-list**
  - New **Management** issues
  - Strong emphasis on **Fund raising**
  - **Advance Planning** of operations
- How to **Make Things Happen**
  - Putting-up a **Team** together
  - Figuring out **What** to do and **how**

Part I

New Challenges for the UN-PRI

1. At company level
   ⇨ New structure, new issues
2. Strategic objectives
   ⇨ 2009 - 2014
3. Remaining challenges

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- Business Offer
  - New Challenges to the UN-PRI
    - At **Company** level
    - Strategic **Objectives** 2009 - 2014
      - Unfolding a **5-year strategic plan**
      - Moving Towards 2014
        - Targeted development of SIG
        - Established Ways of action
    - **Remaining** Challenges
  - Where to start
  - reminder: Preparing the groundwork
  - How to make things happen

Part I

New Challenges to the UN-PRI

Part I-1. At Company Level

New Challenges to the UN-PRI
- At Company level -

- Following great success, addressing new challenges
  - New structure:
    - PRI Association,
    - PRI Foundation
    - PRI Advisory Council
  - New issues: Managing Development
    - Company growth and development
    - Budgeting and financing
    - Fund raising and sustainable growth
    - Survival
  - UN-PRI run like a small business
    - ⇨ Cultural change

Part I

New Challenges to the UN-PRI

Part I-2. Strategic Objectives 2009-2014

- Unfolding of the 5-year strategic plan
- Moving towards 2014
  - Targeted development of SIG
  - Established ways of action

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New Challenges to the UN-PRI

- Strategic Objectives: 2009-2014 -

- Unfolding of the 5-year strategic plan (1/2)
  - Supporting SIG in their implementation of the Principles
    - ⇨ Expansion of services and influence
  - Setting-up in the UK
    - PRI Association
    - PRI Foundation
    - PRI Advisory Council
  - Strong partnership with /endorsement by the UN
    - ⇨ The UN-PRI proved its worth

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New Challenges to the UN-PRI

- Strategic Objectives: 2009-2014 -

- Unfolding of the 5-year strategic plan (2/2)
  - Introduction of mandatory subscription fees
    - According to SIG's size
  - Greater transparency on how SIG put the principles into action
    - Implementation of Principle #6
  - Moving towards 2014
    - To be developed

New Challenges to the UN-PRI

- Strategic Objectives: 2009-2014 -

- Moving towards 2014:
  Targeted development of SIG according to
  - Under-represented geographical areas
  - Defined criterion
    - Established capital market
  - Specific fund-management activities
    - Fixed income
    - Private Equity
    - Property
    - Infrastructure
    - ESG Themed investments

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New Challenges to the UN-PRI

- Strategic Objectives: 2009-2014 -

- Moving towards 2014:
  Established ways of action
  - Deployment of considerable additional resources
  - Enhance collaborative activities
    - ⇨ PRI Clearinghouse, academic network
  - Expansion of local country networks
    - ⇨ To all countries with established capital market
  - Use of financial reserves to fund the development
    - ⇨ Planned deficit of £500,000
  - Addressing remaining challenges
    - ⇨ To be developed

Part I

New Challenges to the UN-PRI

Part I-3. Remaining Challenges

New Challenges to the UN-PRI

- Remaining Challenges -

- Integrating ESG issues into alternative asset classes
  - Hedge funds and fixed income
  - Monitoring of outsourced voting activities
  - Incentivising SIG staff on ESG issues
  - Property

- Establishing processes that move the market toward long-term performance targets
  - ⇨ Adjusting AO an IM interest

New Challenges to the UN-PRI

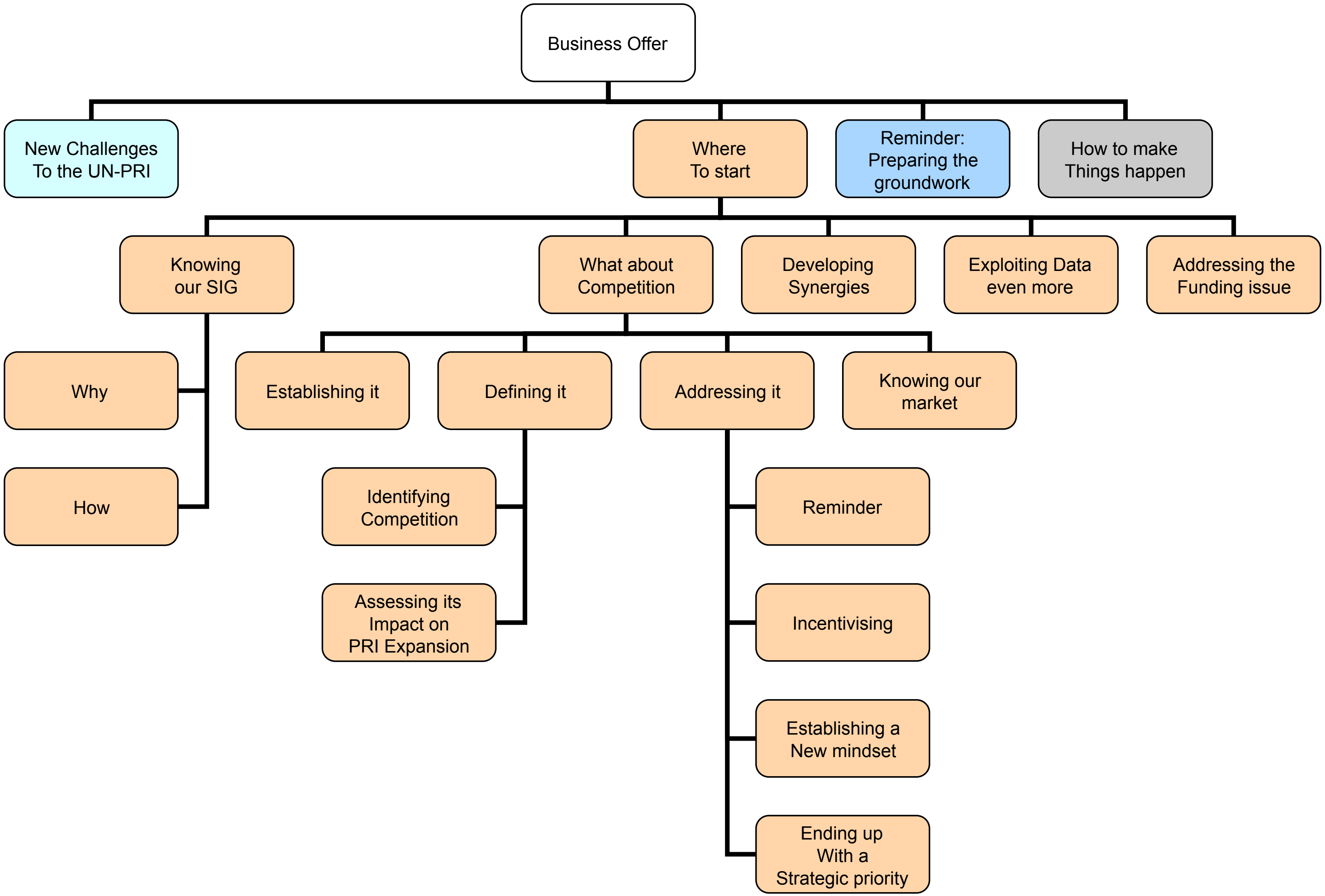
- Remaining Challenges -

- Improving the flow and quality of ESG research
    - Encouraging SIG to produce high quality research
    - Expanding the academic network worldwide

- Working smarter with policy makers, particularly in the developing world
    - ⇨ Ensuring capital markets reward sustainable investment

Part II

Where to Start:
Developing Sensible Processes


Business Offer
New Challenges To the UN-PRI
Where To start
Reminder: Preparing the groundwork
How to make Things happen
Knowing our SIG
What about Competition
Developing Synergies
Exploiting Data even more
Addressing the Funding issue
Why
How
Establishing it
Defining it
Addressing it
Knowing our market
Identifying Competition
Assessing its Impact on PRI Expansion
Reminder
Incentivising
Establishing a New mindset
Ending up With a Strategic priority

Part II

Where to Start: Developing Sensible Processes

1. Knowing our SIG better
2. What about competition?
3. Developing synergies
4. Exploiting data even more
5. Addressing the funding issue

Part II

Where to start:
Developing sensible processes

Part II-1. Knowing our SIG better

Developing Sensible Processes

- Knowing our SIG better -

➔ Keeping contact with top management on a regular basis (to be defined)

1. Why?
2. How?

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Knowing our SIG better

- keeping in touch with SIG top management -

1. Why?

- Gives better control over the implementation of PRI in agreement with “*greater transparency push*” from 2012
- Shows SIG our implication and support
- Increases opportunities to ask for
  - More funding through PRI Foundation to increase proportion of SIG financially contributing to UN-PRI (one third so far)
  - More referrals according to PRI # 4 and #5
  - Feedback on our services and their industry

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Knowing our SIG better

- keeping in touch with SIG top management -

2. How?

- Establishing a local visit agenda on a rolling year basis
  - » Advanced planning of worldwide journeys
  - » Incorporation of special events

  ⇨ Cost and time optimisation: **better efficiency**

- Keeping on developing / expanding a range of implementation support activities

  ⇨ Clearinghouse, webinars, information and tools, reporting and assessment processes, workstreams

- Relying on local networks and expanding them in key target and market areas

Part II

Where to start: Developing sensible processes

Part II-2. What about Competition?

What about Competition?

1. Establishing it
   - ⇨ Starting with a dialogue
2. Defining it
   - Identifying Competition
   - Assessing its impact on PRI expansion
3. Addressing it
   - Reminder
   - Incentivising
   - Establishing a new mind-set
   - Ending-up with a strategic priority
4. Knowing our market

What about Competition?

1. Establishing it: starting with a dialogue

– ***(Mr A)*** What are you talking about? The UN-PRI has no competition!

– ***(Olivier)*** Are you sure?

– ***(Mr A)*** Yes!

– ***(Olivier)*** So why aren't all AO, IM and PSP signatories to the UN-PRI?

– Maybe because they are not interested.

– Why aren't they interested?

– Maybe because the PRI do not suit their business models

– What business models are you referring to?

– There are many!

What about Competition?
- 1. Establishing it -

– I think, there is only one.

– Really? Which one then?

– Making as much money as possible and as fast as possible.

– Of course!

– So the UN-PRI are considered, mainly, an obstacle to quick profit?

– Euu…That's a bit of a shortcut you take!

– I think the UN-PRI are often considered a hindrance to business at best, an obstacle to making money at worst. Let me explain what I see and what I would do to overcome this perception.

– OK, I am listening.

What about Competition?

2. Defining it

- Identifying Competition:
  - ⇨ *"Making as much money and as fast as possible"*
- Assessing its impact on PRI:
  - At Company level
  - At management level

What about Competition?

- 2. Defining it -

- Assessing impact on PRI at **Company** level (1/2)
  - A host of new costs and expenses:
    - Increased workload on staff / more staff
    - Added procedures
    - Added external scrutiny
    - IT intensive
    - Staff-education intensive
    - Time consuming
    - Short- and long-term appraisals

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What about Competition?

- 2. Defining it -

- Assessing impact on PRI at **Company** level (2/2)
  - To cut a long story short:
    - Non-core added exposure and risk
    - Hypothetical return
    - Increased burden globally

⇨ **Why bother?**

What about Competition?
- 2. Defining it -

- Assessing impact on PRI at **management** level
  - Impact of PRI globally:
    - Increased cost of operations
    - Decreased potential gain
  - Bottom-line:
    - Lower bonus expectation

⇨ **Why bother?**

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What about Competition?

3. Addressing competitive issues

- Reminder
- Incentivising
- Establishing a new mindset
- Ending-up with a new strategic priority

What about Competition?

- 3. Addressing it -

3.1. Reminder

- **For AO:**

  Necessity to balance the needs for immediate returns with core strategic long-term growth

- **For IM:**

  Necessity to maximise short-term returns while keeping in-line with long-term investors' expectations

- **For individuals:**

  Necessity to secure their bonuses

What about Competition?

- 3. Addressing it -

3.2. Incentivising long-term PRI development

- Impact of regulation
- Impact of political leverage
- Impact of lobbying

What about Competition?

- 3. Addressing it -

3.3. Establishing a new mindset

- Present situation
  - AO and IM state of mind is PRI are a cost-generating and non-essential requirement
  - ⇨ As a consequence, PRI are no priority to them

- Future situation
  - Establish that PRI are beneficial to them
  - Prove that PRI are going to make them money
  - Show them they have no choice
  - Remind them of the survival as the fittest

What about Competition?

- 3. Addressing it -

3.4. Ending-up with a strategic priority (1/2)

- Because AO have the capacity to make things change at their core through the impact they have over IM and PSP
- **AO should be a main strategic priority** for the UN-PRI expansion

⇨ Why?

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What about Competition?

- 3. Addressing it -

3.4. Ending-up with a strategic priority (2/2)

- Why focusing on AO as a top priority
  - AO establish the rules through **RFP** (Request For Proposals)
  - RFP can be easily amended to incorporate ESG issues and PRI criterion
  - AO have a direct impact on the compensation package negotiated with IM and PSP
- As a consequence:
  - IM have to follow those rules or miss out on existing / new business
  - Balancing the interest of AO and IM can be effectively tackled when setting short-middle-long term objectives
  - PSP have to adjust to AO's requests and develop new expertise in ESG or lose business

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What about Competition?

4. Knowing our market

- Allows to better assess SIG's psychology
- Allows to better assess SIG's needs
  - Adjust / adapt / develop new ways to get to them
  - Develop / refocus our strategy

⇨ In fine, for UN-PRI management
  - Better visibility
  - Better efficiency
  - Better results

Part II

Where to start:
Developing sensible processes

Part II-3. Developing Synergies

- With other UN entities
- With major organisations worldwide

Developing Synergies

1. With other UN entities

- In compliance with the UN General Assembly Resolution "***Towards global partnership***"
- On the **political side**: introductions and referrals to foreign potential SIG and diplomats
  - ⇨ Then further down the line internationally through the contacted diplomats
- On the **technical side**: sharing even more with *Global Compact* and *UNEP*

Developing Synergies

2. With major organisations worldwide

- The WWF
- Government entities dedicated to ESG and SRI
- Major NGO
- Using the existing client database
  - ⇨ See “*knowing our SIG better*”
  - ⇨ See “*Exploiting data more thoroughly*”
- Using **local country networks**

Part II

Where to start: Developing sensible processes

Part II-4. Exploiting data even more

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Exploiting data even more

Having data is good; but having relevant, organised and meaningful data is better.

1. Assessing the real impact of SIG shares between our three targets: AO, IM, PSP
2. Assessing the future impact of developing countries
3. Establishing a development strategy
4. Making sure data are relevant and meaningful

Exploiting data even more

- 1. Real impact of SIG shares -

1. Assessing the real impact of SIG shares between AO, IM and PSP (1/2)
   - For AO (main target), what is the real market penetration
   - What is the "developing market" penetration based on the MSCI EM Index
   - Based on the map repartition, what to do about
     - Asia (China & Japan)
     - Africa
     - South America (see map)

Exploiting data even more

- 1. Real impact of SIG shares -

1. Assessing the real impact of SIG shares between AO, IM and PSP (2/2)
    - Determining the SIG playing fair game and those in need of more help to meet their commitment to PRI
    - Building-up our database with regular up-dating about regulation and government policies being implemented on a country by country basis
        - ⇨ Help of local country network
    - Provides strong fact-based elements to present to potential local SIG

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Exploiting data even more

- 2. Future Impact of Developing Countries -

2. Assessing the future impact of developing countries

    - Weighing in their present share with projections for 2050
    - Identifying countries with most potential of PRI development
    - Cross-referencing with established objective of reaching countries with existing capital market

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Exploiting data even more

- 3. New Development Strategy -

3. Establishing a development strategy balancing

   - The **present** situation with an over-represented Western World
   - The future situation (**horizon 2050**) with shifting powers to developing countries
   - Setting-up of "**milestones**" to check and control the evolution of the UN-PRI activities

Exploiting data even more

- 4. Relevant Data -

4. Making sure data are relevant and meaningful

- Establishing benchmarks to put raw data into perspective
  - ⇨ Comparing the # of SIG by type with the local population: having 60 IM SIG in South Africa is certainly better market penetration than the same number in the US
- Assessing the market penetration of our different types of SIG (AO, IM, PSP)
  - Geographically
  - Strategically

Part II

Where to start:
Developing sensible processes

Part II-5. Addressing the funding issue

- Objectives
- Reaching self-sufficiency
- Reminder

Addressing the Funding Issue

- 1. objectives -

1. Objectives (1/2)

- Facing a new situation
  - ⇨ Following the **transformation of the UN-PRI** organisation and its ambitious plan for development, **funding** has become a core issue highlighted with the set-up of a separate entity
  - ⇨ As a consequence, creation of the **UN-PRI Foundation**.
- Facing new needs
  - ⇨ The point is to secure the funding of all operations to ensure the sustainability of all UN-PRI activities.

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Addressing the Funding Issue

- 1. objectives -

1. Objectives (2/2)

- Planned UN-PRI actions
  - Subscription fee made mandatory
  - Use of financial reserves to kick-start business (planned deficit of £500,000 on year 1)
  - Direct fund-raising activities through the UN-PRI Foundation
  - Some subventions

Addressing the Funding Issue
- 2. Reaching self sufficiency -

2. Reaching Self-Sufficiency: Additional proposed actions

To cut a long story short, my view of securing a healthy financial base to the UN-PRI and help conquer new SIG at the mean time could also be enhanced by:

- Structuring fund-raising activities not only within the PRI Foundation
- Backing it up with special "ammunitions".

Addressing the Funding Issue

- 2. Reaching self sufficiency -

- How to do it in more details (1/4)
  - Regular contact with the SIG base
  - Aggressively implement the expansion of the SIG base
  - Offer of new services worldwide as part of other "*Implementation Support Services*"
    - Sustainability audits (carbon & environment footprints)
    - Responsible Property Investment audits

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Addressing the Funding Issue

- 2. Reaching self sufficiency -

- How to do it in more details (2/4)
  - Creating "**official sponsorships** to the UN-PRI"
    - "Global" ones for registered SIG only
    - "Restricted" ones for special projects
  - **Incentivising** fund-raising among staff in a substantial way

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Addressing the Funding Issue

- 2. Reaching self sufficiency -

- How to do it in more details (3/4)
  - Developing “**special projects**” for SIG
    - Designed to be sold during meetings with existing or potential SIG
    - Presented in order to increase revenues largely above the subscription fee threshold
  - Examples
    - We are developing a new Information System
    - We are setting up in your country a major gathering to raise awareness of PRI. We need your help and you could be a “special sponsor”

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Addressing the Funding Issue

- 2. Reaching self sufficiency -

- How to do it in more details (4/4)
  - Adapting **contact methodologies** to ensure every meeting with new / existing / potential SIG addresses the fund-raising issue.

    ⇨ A potential SIG can always donate money even if not ready yet to join the UN-PRI

Addressing the Funding Issue
- 3. Reminder -

3. Reminder about SIG and fund-raising (1/2)

- Signing-off the UN-PRI is an **investment** intended to provide future return to SIG
  - It is NOT a cost
  - It is NOT a favour they make on political ground
  - It is a **business decision** and **business statement**

- AO and IM are used:
  - To make investments
  - To pay for advice and services from PSP in order to be better at investing and managing money

Addressing the Funding Issue

- 3. Reminder -

3. Reminder about SIG and fund-raising (2/2)

- There seems to be a shift of the UN-PRI
  - ⇨ More and more services on offer
    - Information
    - Advice
    - Networking
- So there is no reason to be afraid to ask for money
- But necessity to draw the line:
  - ⇨ **Are the UN-PRI another PSP to SIG?**

Part III

Global Reminder:
Preparing the Groundwork

Preparing the Groundwork

This part is a compilation of, according to me, major practical elements covered in the previous parts.

I am intending to stress them out as I believe they are the key to success.

Warning!

Those actions are to be considered within the global framework offered, or else they could lose some sense despite being relevant to our challenge.

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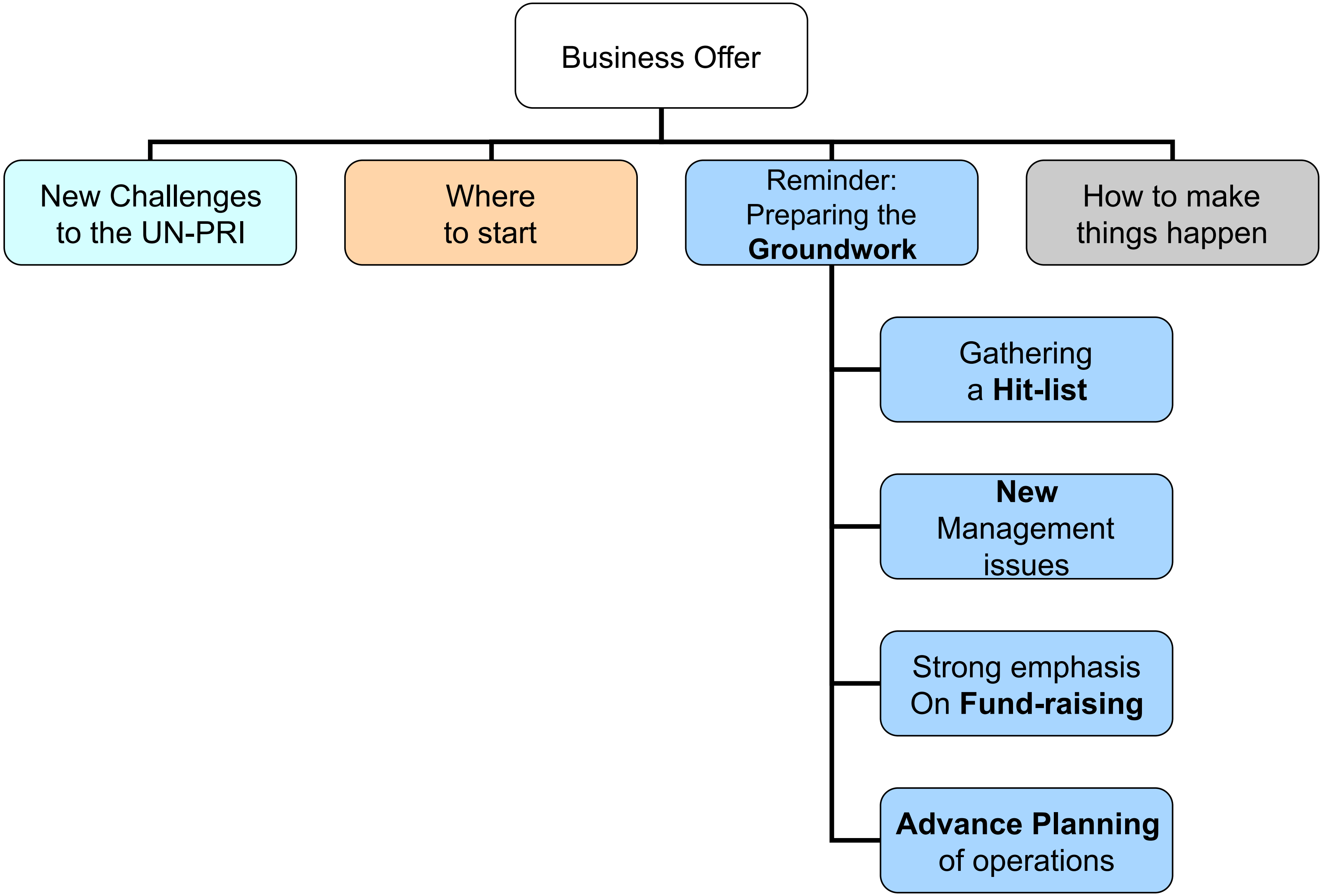

Preparing the Groundwork

1. Gathering a hit-list of entities to contact:

   - Providing in-depth information about their people and status
   - Established and up-dated by:
     - Global international databases
     - Past CRM input
     - The local country networks
     - Referrals from other UN entities and private networks
     - Development work from staff members
   - Broken down:
     - by country
     - by type of SIG (AO, IM, PSP)
   - Prioritised according to strategic objectives

Preparing the Groundwork

2. New management issues

- Developing accurate tools and benchmarks to better monitor our activities and manage our risk:
  - Where we are going
  - How fast we are going
  - How well we are doing
- Cultural change within the UN-PRI to reflect its new status
  - It is now more business-oriented
  - There is a financial bottom-line
- Spearheading efficiency throughout the organisation
  - Cutting costs (see point 4: advance planning geographically)
  - Exploring synergies
  - Investing in development opportunities

Preparing the Groundwork

3. Strong emphasis on fund-raising

   - Ensuring staff in contact with SIG (global outreach manager) give it a go, not only the PRI Foundation
     - ⇨ Taking all opportunities available
   - Establishing adequate incentive measures for staff
   - Structuring SIG meetings to systematically raise the issue of giving and investing more in the UN-PRI
     - Backing-up with a number of "special projects" to sell SIG
     - Establishing a "sponsorship status"

Preparing the Groundwork

4. Advance planning of operations geographically

- The world is the limit: global coverage of activities
  - ⇨ Be prepared to travel extensively
- For efficiency reasons:
  - Set-up of rolling calendar on a yearly basis
  - Integration of special events
- Thorough preparation of country visits
  - Clear and focused agenda of meetings
  - Integration of local cultural specificities
- Strong reliance on:
  - hit-list and
  - local country networks

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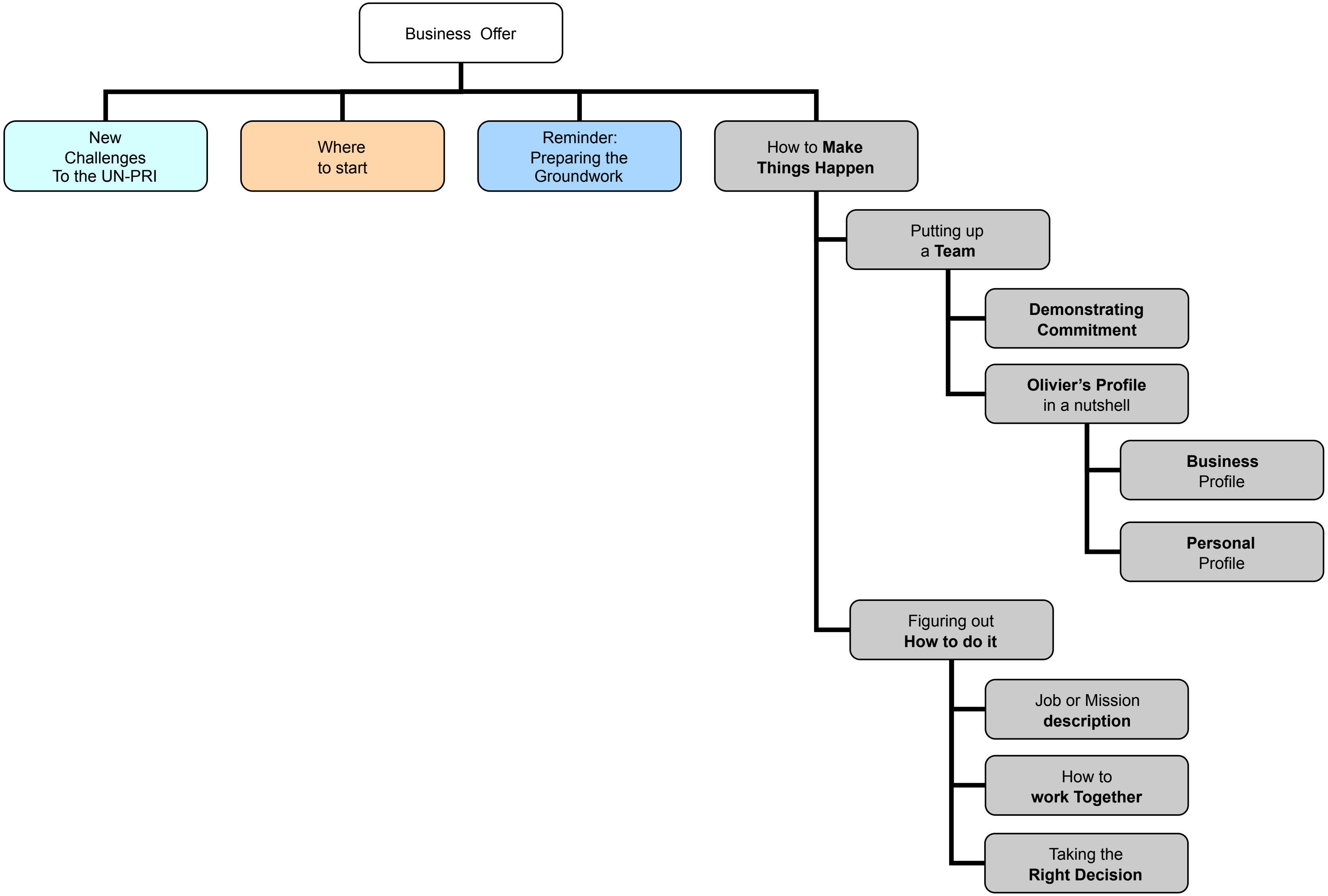
Part IV

Making Things Happen

1. Putting up a team together
   - Demonstrating real commitment
   - Personal profile in a nutshell
2. Figuring out how to do it
   - Job or mission description
   - How to work together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Olivier's Profile in a nutshell
Business Profile
Personal Profile
Figuring out **How to do it**
Job or Mission **description**
How to **work Together**
Taking the **Right Decision**

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Making Things Happen

- Putting up a team together -

1. Demonstrating Commitment (1/2)

   - Being on the look-out for motivated individuals
     - NOT easily taking “no” for an answer
       - ⇨ Very good for developing our SIG base
     - Able to gather relevant up-to-date information
       - Patch / make-up the missing or incomplete data
       - Put them in perspective
     - Ready to contact people from diverse cultures
     - Offering credibility
     - Understanding the fund-management inner workings
     - But sharing the same values as the UN-PRI

Making Things Happen

- Putting up a team together -

1. Demonstrating Commitment (2/2)

- Taking the lead and pressing for things to unfold
  - Taking measured risk
    - ⇨ Selecting a target company, managing time
  - Preparing a business plan
  - Acting and proving their worth rather than relying on past achievements
  - Maximising potential positive outcome
- And therefore demonstrating:
  - A strong commitment to the UN-PRI expansion
  - An achievement-driven personality
  - Real capabilities to make things happen

Making Things Happen

- Putting up a team together -

2. Olivier's profile in a nutshell

    - Business Profile
    - Personal Profile

ID

Olivier Ribert

Managing Director
Poune Asset Management

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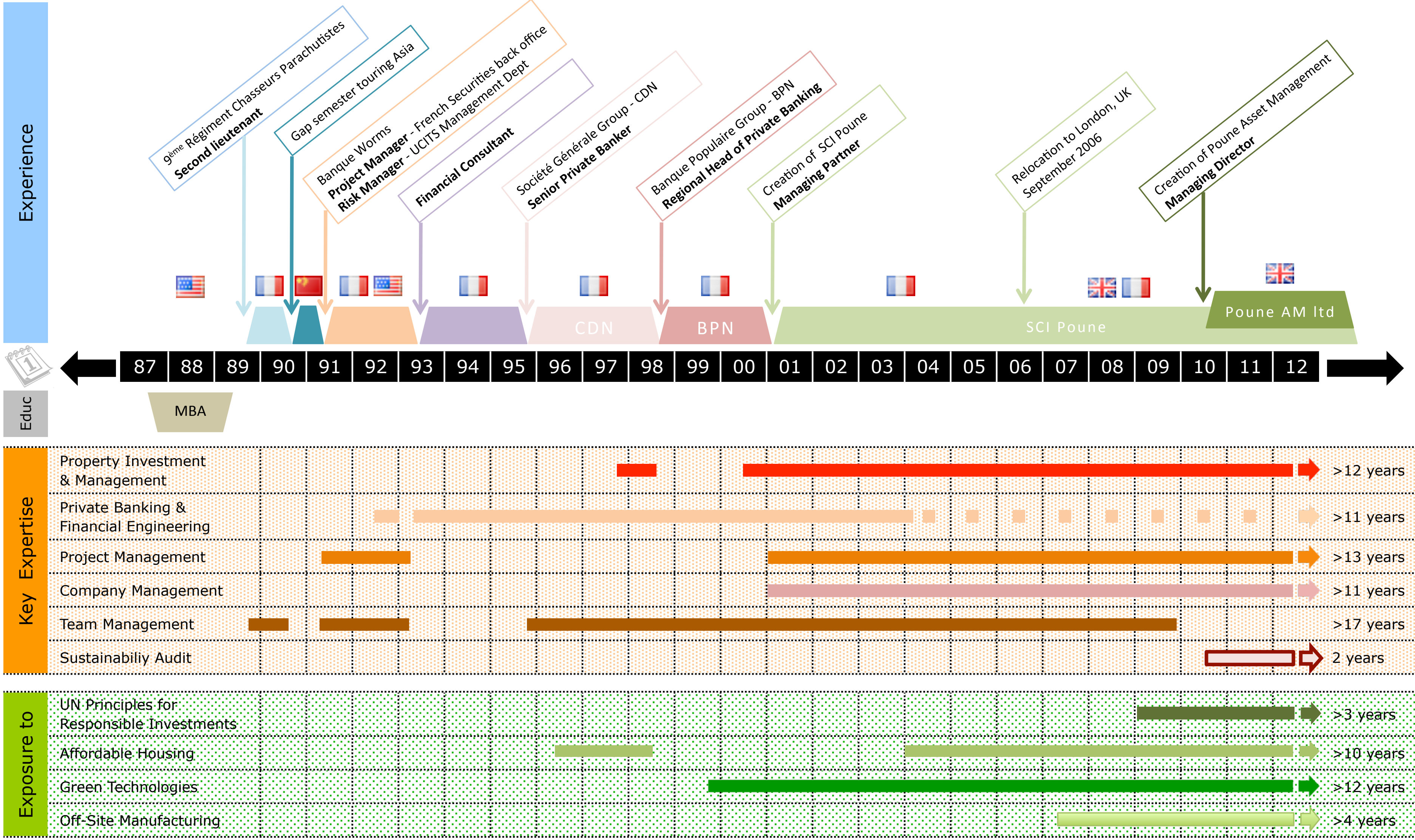
BUSINESS PROFILE

"Everybody knew it was impossible. Came an idiot who wasn't aware and who did it".

Marcel Pagnol



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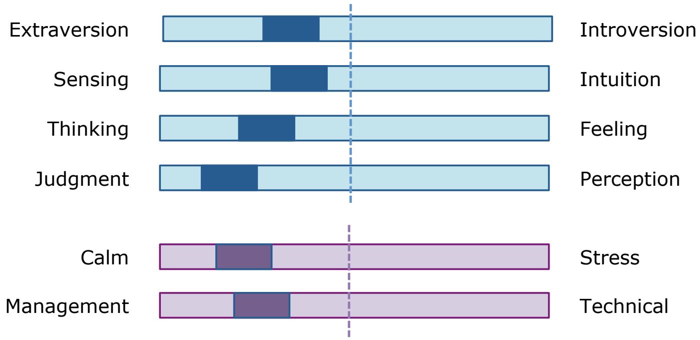
PERSONAL PROFILE

"He who has a Why to live can bear almost any How."

F. Nietzsche

Personality

GLOBAL



LEADERSHIP STYLE

HOBBIES

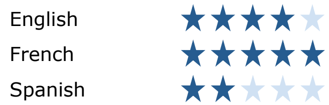
Family time

Outdoor recreation

Travel

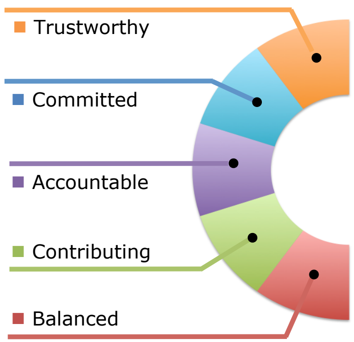
Sailing

LANGUAGES



PROFILE

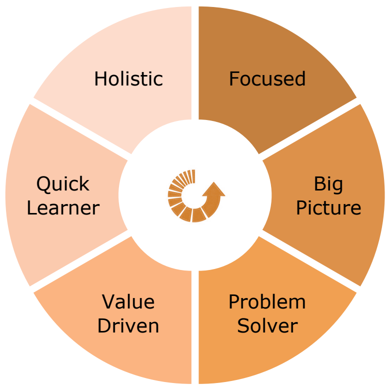
MINDSET



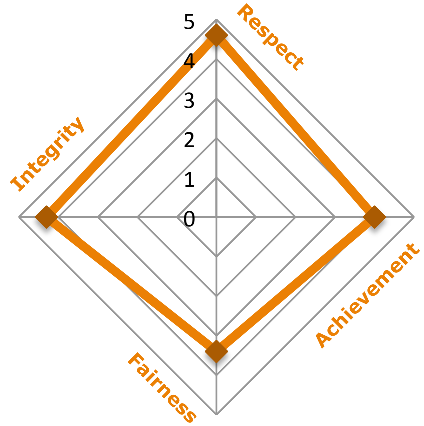
TRANSFERABLE SKILLS

EXPERT	Strategic Thinking Innovative Thinking Forward Thinking
ADVANCED	HNI Dealing Experience Team Management Project Management
GOOD	Marketing & Design Training/Mentoring People

KEY QUALITIES



KEY VALUES



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Part IV

How to
Make Things Happen

Part IV-2. Figuring out How to do it

- Job or mission description
- How to work together

Making Things Happen

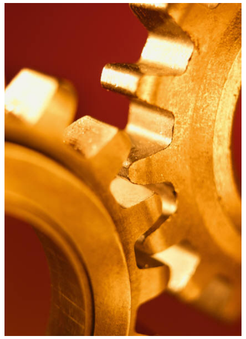
- Figuring out How to do it -

1. Job or mission description

   - To be precisely determined
   - Where does it fit into the UN-PRI new structure
   - Assessing objectives and measuring results

Making Things Happen

- Figuring out How to do it -



2. How to work together (1/2)

- Hiring me as an in-house staff
- Hiring me as an external consultant

Making Things Happen

- Figuring out How to do it -

2. How to work together (2/2)
   Taking the right decision