

## **1. ISLA Council for Sustainable Finance (ICSF)**

- 1.1 ISLA Council for Sustainable Finance (ICSF) is hereby established on 15<sup>th</sup> January 2020 following sixteen months of intensive and rigorous preparations led by committed beneficial owners.
- 1.2 The founding high-level working group chaired by Dr Stech, comprised six prominent beneficial owner institutions (Aberdeen Standard Investments; Aviva Investors; BlackRock; KBC Asset Management NV; NN Investment Partners; and PGGM) and four partner organisations (ESRC funded Sustainable Finance – Law – Stakeholders (SFLS) Network of Exeter Law School; the World Pensions Council (WPC); Financial Decisions, LLC; and Pan Asia Securities Lending Association (PASLA)).

## **2. Objectives of this Governance Structure**

- 2.1 This governance structure allows a flexible, discrete but close collaboration between ICSF and ISLA. It sets out the Council's composition and describes its decision-making process. It also clarifies the Council's relationship with external stakeholders.

## **3. ICSF Composition**

- 3.1 ICSF comprises the Council Executive (CE), Members and Partners.
- 3.2 The Council will establish a network of Associates from February 2021.
- 3.3 ICSF is led by the Chair.

## **4. The Council Executive (CE)**

- 4.1 The Council Executive members approve the long-term vision, mission and strategy submitted by the Chair of the ICSF and have joint responsibility to ensure that the Council meets its objectives within specified timeframes. The intention of this relationship is that the Chair and the CE collaborate in order to determine the focus and direction of the Council. The Chair will work to keep ICSF aligned with its founding principles and objectives, while the CE will form a liaison between the members and the Chair.
- 4.2 Members appoint the CE through a consensus, by taking account of the track record, qualifications and experience of prospective executives. Should the members not reach a clear consensus, a vote is held, and the decision is made by a simple majority.
- 4.3 CE members must make appropriate contributions and remain actively involved in quarterly meetings. Their roles will be allocated flexibly by the Chair.
- 4.4 The CE is a closed group. New members can be invited to join the CE based upon what contribution and value they can bring to the evolving implementation of the Council's agenda. The chair makes the invitation on behalf of the CE.

- 4.5 The CE makes decisions by consensus or by a simple majority (except for those decisions requiring the qualified/special majority as specified below).
- 4.6 A member of the CE has one vote.
- 4.7 Exceptionally, provisions may be made for one organisation to be represented by up to two members on the CE. These two members will share one vote.

## **5. Members**

- 5.1 Membership of the ICSF enables organisations to keep abreast of the latest developments and trends relating to the sustainable finance and securities lending markets. Through the ICSF members-only communications, exclusive events, seminars, and links with wider financial systems, members enjoy access to a rich knowledge base. Furthermore, members are invited to take part in exclusive consultations through which they can influence the CE position and wider ICSF and ESG agenda.
- 5.2 To become a member, an organisation must be a member of ISLA and apply for membership to the Chair through the dedicated form on the ICSF page on the ISLA website. The Chair will then put the application on the agenda of a quarterly, extraordinary or annual meeting of the Council Executive. The CE will then make its decision in consultation with ISLA.
- 5.3 Any member may resign from ICSF membership by submitting a resignation letter to the Chair.

## **6. Partners**

- 6.1 Partners can be defined as organisations that are indirectly or potentially engaged in the business of lending securities or have a role in shaping the securities lending market. These include financial advisors, international financial organisations, regulators, think tanks and trade associations.
- 6.2 ICSF will initially prioritise partnerships because they have a critical role in enabling the Council to achieve its vision, mission and strategic objectives.
- 6.3 Partners may, following an invitation, provide input into the decision-making of the CE.
- 6.4 Partnerships are negotiated between applicants and the CE following an application from a prospective partner to the Chair, or an invitation by the Chair on behalf of the CE.
- 6.5 Any partner may cease its relationship with the ICSF by submitting a written request to the Chair.

## **7. Associates**

- 7.1 Associates can be defined as organisations or individuals who have a significant role in shaping the global sustainable finance market and support sustainable securities lending.
- 7.2 ICSF will build a base of associates progressively from February 2021.
- 7.3 Associates will have a role in helping ICSF achieve its objectives and thus take part in the Council's consultations and benefit from dedicated newsletters and bespoke invitations to events.
- 7.4 To become an associate, an organisation or an individual applies to the Chair via a dedicated website form.

## **8. The Chair**

- 8.1 The Council Executive appoints a Chair by a consensus for the ordinary period of five years in tandem with the long-term vision and mission of ICSF. The Chair holds an overall leadership role for ICSF.
- 8.2 The role of the Chair is to: 1) put forward proposals on the ICSF vision, mission, strategic objectives and implementation programmes to the Council; 2) coordinate the work of the CE, convene and chair quarterly, extraordinary and annual meetings, and coordinate implementation activities; 3) represent the ICSF externally, lead on strategic negotiations by consulting with the CE and ISLA; 4) liaise between prospective members, partners and the CE and ISLA; 5) lead on the Annual Report on the State of Sustainable Securities Lending ('Annual Report') in collaboration with the members, partners, associates and ISLA, and on ICSF Briefs and Position Papers; and 6) maintain and update the ICSF website on behalf of the CE, members and partners in collaboration with ISLA; 7) make decisions of non-strategic nature; and 8) resolve matters of strategic importance if the Council vote proves inconclusive.
- 8.3 Should the Chair be unable to perform their duties temporarily due to serious illness and emergencies, they will nominate a member(s) of the EC who will assume the Chair's role for that period, as appropriate.

## **9. Quarterly, Extraordinary and Annual Meetings**

- 9.1 A schedule for quarterly meetings will normally be announced at the start of each financial year.
- 9.2 The Chair may convene an extraordinary meeting to deal with matters requiring urgent considerations.
- 9.3 The Annual General Meeting will take place alongside the ISLA Annual Securities Finance and Collateral Management Conference and will serve as a platform to launch the Annual Report.

## **10. Relationship with ISLA**

- 10.1 ISLA's Chief Executive Officer (CEO) is an ex-officio member of the ICSF CE. The ICSF Chair will attend ISLA Board Meetings as and when ICSF activities or interests form part of the agenda.
- 10.2 The ICSF Chair has a dedicated email account ([icsfchair@isla.co.uk](mailto:icsfchair@isla.co.uk)).
- 10.3 ICSF has its own logo and can engage in consultations and external correspondence through an official letterhead signed by the ICSF Chair (e.g. grant applications), in consultation with ISLA. For significant external correspondence, the letter will carry the signatures of both the ICSF Chair and the CEO of ISLA (e.g. joint submissions to policy and regulatory consultations, ICSF-ISLA position papers).

## **11. Financial Arrangements**

- 11.1 ISLA will provide necessary resources for ICSF to achieve its vision, mission and strategic objectives.
- 11.2 The ICSF Chair and ISLA CEO will collaborate on ICSF spending.

## **12. Amending the Governance Structure**

- 12.1 The CE may make non-material amendments to this governance structure through a consensus.
- 12.2 Any principal amendments can be made upon recommendation of 70% of members and must be announced publicly via an ICSF Brief.