PRI Principles for Responsible Investment

GOVERNING THE PRI INITIATIVE

DECEMBER 2013

UNEP Finance Initiative
Changing finance, financing change

United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

CONTENTS

4 AN OVERVIEW OF PRI GOVERNANCE

6 PRI Advisory Council

8 PRI Association Board

8 PRI Secretariat

9 Commitees

- Board Committees

  - Audit and Risk Committee
  - Membership Committee
  - Remuneration Committee

- Council Committees

  - Governance Committee
  - Nomination Committee
  - Election Oversight Committee

- Council and Board Remuneration

10 How Signatories Can Participate in PRI Governance

- The Council
- The Secretariat
- Signatory Resolutions

10 Communication

- Regular Communication

11 FREQUENTLY ASKED QUESTIONS

15 COMPANY INFORMATION

AN OVERVIEW OF PRI GOVERNANCE

The Principles were drafted by a 20-person investor group drawn from institutions in 12 countries, supported by a multi-stakeholder group of 70 representatives from the global investment industry, intergovernmental organisations, civil society and academia.

The Principles were launched in April 2006 at the New York Stock Exchange and today the PRI Initiative is implemented through PRI Association (PRIA), a UK based not-for-profit company limited by guarantee.

The group that drafted the Principles recognised the need to ensure that asset owners predominated in the governance and oversight of the Initiative, and established a Secretariat to support signatories in their implementation of the Principles. The Initiative's mission today is to support signatories in their implementation of the Principles and contribute to the development of a sustainable global financial system.

The Initiative has established a management and governance framework with documented processes and guidelines to make decisions that create long-term value for signatories and the Initiative. These are embodied in PRIA's Articles of Association and PRIA's Administrative rules.

Today, this framework comprises a 16-person PRI Advisory Council, made up of two permanent members from the United Nations, 13 elected representatives from all categories of signatory and regions of the world and an appointed Chair, and a seven-person PRIA Board (Board), supported by several Committees. Signatories directly elect the 13 elected members of the Advisory Council, and the asset owner members of the Advisory Council and the Chair appoint and dismiss members of the Board. The Board is responsible for the legal and fiduciary management of PRI Association and oversight of the Secretariat.

Governance arrangements have been revised over time to reflect the growth of the Initiative, its diverse signatory base, and a desire to provide non-asset owners with greater representation in the affairs of the Initiative. The current structure maintains the predominance of asset owners while enabling the UN, whose representatives are unable to join fiduciary boards, to continue to participate in the oversight of the Initiative.

Clearly defined roles and responsibilities for members of the Advisory Council, Board and Secretariat, covering areas such as strategy and governance, operations and management, risk, finances and communications, have been agreed and documented. These ensure the Secretariat remains accountable to the Board, and the Board in respect of the Initiative to the Advisory Council, in a timely and transparent manner.

The Advisory Council, the Board and the Secretariat are confident that this framework, coupled with timely disclosure and communication, will ensure the Initiative remains representative, accountable and responsive to the needs of its signatories.

The following pages provide an overview of the governance structure and processes of the Initiative and sets out the key roles, responsibilities and composition of the Advisory Council, the Board, and the Secretariat. It also provides answers to the most frequently asked questions by signatories.

PRI ADVISORY COUNCIL

A representative 16-person Advisory Council determines the strategic direction of the PRI and provides oversight of the Initiative. Asset owner members of the Advisory Council and the Chair appoint the Board.

Number of Advisory Council members: 16, made up of nine asset owners, four non-asset owners, two UN representatives and a Chair.

Frequency: Meets in person two to three times annually.

Committees: Ethics, Governance, Nominations, Election Oversight.

Term: The elected members serve terms of three years with a maximum of three consecutive terms. Additional terms may be served following a one year break from the Advisory Council.

Elected by signatories via rolling annual elections. Signatories vote for candidates in their category. UN representatives are permanent members. The Chair is appointed by the 13 elected members of the Advisory Council.

PRI ASSOCIATION BOARD

The legal, fiduciary Board of PRI Association oversees the activities of the Secretariat.

Number of Board members: At least seven with the requisite skills, with a policy to have a majority of asset owner representatives, and the Chair.

Frequency: Meets in person three to four times annually and by teleconference a further four times.

Committees: Audit and Risk, Membership, Remuneration.

Term: Three years, subject to an annual performance review by the asset owner members of the Advisory Council.

Appointed by a majority vote of the asset owner members of the Advisory Council and the Chair, based on advice from a Nominations committee, following an assessment of skills and availability.

PRI SECRETARIAT

Responsible for the day-to-day operations of the Initiative and the execution of its strategy.

Management Structure: Executive Committee currently made up of an Executive Director, Managing Director, Director of Policy and Research (from October 2013) and Director of Operations and Finance.

The Executive Director and Managing Director report to the Board.

AN OVERVIEW OF PRI GOVERNANCE

PRI ADVISORY COUNCIL

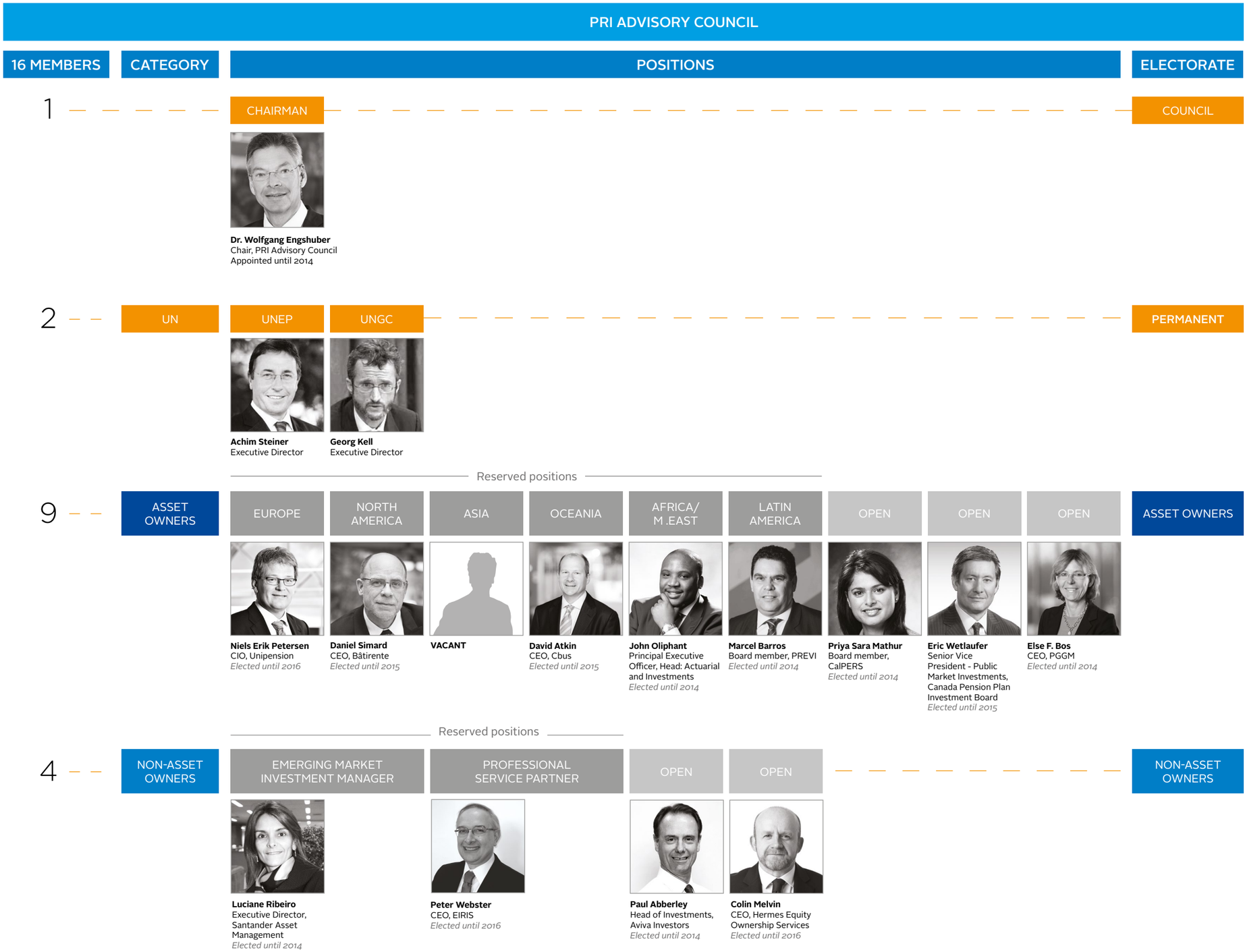
The Initiative is governed through a 16-person Advisory Council made up of nine elected asset owner signatory representatives, four elected non-asset owner signatory representatives (investment managers and professional service partners), two UN representatives, and an appointed Chair.

Six asset owner seats are reserved for representatives from asset owner signatories located in the major regions of the world: Europe, North America, Asia, Oceania, Africa/Middle East and Latin America.

Two non-asset owner seats are reserved for an investment manager and/or a professional service partner based in an emerging market. If the individual elected as the professional service partner representative is based in an emerging market, there is only one reserved non-asset owner seat and three open seats.

This ensures that representatives from signatories in all categories and regions are involved in determining the strategic direction of PRI Association and providing oversight of the Initiative. Larger number of seats are reserved for asset owners to ensure they continue to play a dominant role in setting the direction of the Initiative and it continues to serve their needs and interests. However reserved seats for investment managers and professional service partners mean they are represented.

Advisory Council members must at all times abide by the PRI Code of Ethics. Detailed biographies of each Advisory Council member are available on the PRI website.



AN OVERVIEW OF PRI GOVERNANCE

PRI ASSOCIATION BOARD

The Board guides the Executive Committee of the Secretariat and is the fiduciary body responsible for the overall effectiveness, performance and conduct of the Initiative. It comprises at least seven directors, including the Chair.

The Board has a broad range of relevant financial and other skills and experience. The Nominations committee, with reference to a skills matrix, is responsible for ensuring that the Board collectively has the range of skills, experience and expertise necessary to govern the Initiative, and for reviewing the performance of Board members on a regular basis. Details of the skills, experience and expertise of each Board member are set out on the PRI website.

BOARD MEMBERS

Glen Saunders
Chair, PRI Association Board
Appointed to March 2016

Else Bos
CEO, PGGM
Appointed to September 2015

David Atkin
CEO, Cbus
Appointed to September 2016

David Russell
Co Head of Responsible Investment, Universities Superannuation Scheme
Appointed to September 2014

Priya Sara Mathur
Board member, CalPERS
Appointed to September 2015

Dr. Wolfgang Engshuber
Appointed to September 2014

Christopher Ailman
Appointed to September 2016

PRI SECRETARIAT

The Secretariat is managed by an Executive Committee.

Detailed biographies of Secretariat staff are available for review on the PRI website.

All members of staff are required to behave in accordance with the general principles outlined in the PRI employee handbook.

COMMITTEES

To increase its effectiveness, the Advisory Council and Board have established a number of committees. The roles and responsibilities of each committee are set out in their respective Terms of Reference, which are regularly reviewed.

ADVISORY COUNCIL COMMITTEES

GOVERNANCE

Members: Marcel Barros, Priya Sara Mathur (Chair), Niels Erik Petersen, Daniel Simard and Eric Wetlaufer

Reviews best practice Board governance trends for their applicability to the PRI Association; reviews and updates the Company's governance principles, policies and practices; potentially consults with PRI signatories regarding the governance of the Company; ensures transparency to the PRI's signatories regarding the governance of the Company; and reviews and advises on any governance matter submitted for its consideration by the Advisory Council.

ETHICS

The Ethics Committee is a sub-committee of the Governance Committee and enforces the PRI Code of Ethics, which constitutes rules made by the Directors of PRI Association pursuant to Article 41 of PRI Association's Articles of Association.

NOMINATIONS

Members: David Atkin, Else Bos, Wolfgang Engshuber, John Oliphant (Chair), Gavin Power and Daniel Simard.

Oversees a formal, rigorous and transparent procedure for the appointment of new directors to the PRI Association Board.

ELECTION OVERSIGHT

Members: David Atkin (Chair), Wolfgang Engshuber, Glen Saunders and Daniel Simard

Provides oversight of the annual election process for Advisory Council members and verifies the eligibility of candidates.

BOARD COMMITTEES

AUDIT AND RISK

Members: Christopher Ailman, David Russell (Chair) and Glen Saunders

Provides assurance to the PRI Association Board as to the veracity of the financial statements, the efficacy of risk management and the strength and appropriateness of control processes across the PRI Association.

MEMBERSHIP

Members: Paul Abberley, David Russell, Glen Saunders (Chair) and Daniel Simard

Oversee all matters relating to the status of PRI signatories, potential signatories and other organisations in relation to the categories set out in the Articles of Association, Administrative Rules and other categories.

REMUNERATION

Members: David Atkin, Else Bos (Chair) and Wolfgang Engshuber

Ensure that remuneration arrangements support the strategic aims of the PRI Association and enable the recruitment, motivation and retention of staff while complying with the requirements of regulatory and governance bodies, satisfying the expectations of its members and remaining consistent with the expectations of the wider target employee population.

AN OVERVIEW OF PRI GOVERNANCE

HOW SIGNATORIES CAN PARTICIPATE IN PRI GOVERNANCE

All signatories are encouraged to participate actively in the Initiative's governance, and there are regular opportunities for signatories in all categories to do so.

THE ADVISORY COUNCIL

Nominating to join the Advisory Council, the Initiative's peak advisory and oversight body, is the most direct way to get involved in the Initiative's governance and to help set and direct its strategy. To be eligible for election to the Advisory Council, signatory representatives must be at CEO, CIO, Board, or trustee level, and from the same category of signatory as the Advisory Council seat being vacated that year.

Asset owners can elect nine representatives to the Advisory Council, while investment managers and professional service partners can elect up to four. Calls for nominations for election to the Advisory Council are made annually in May and successful candidates are announced in September. Elected council members may serve a maximum of three consecutive three-year terms.

All signatories are encouraged to vote for a representative in their category during the annual Advisory Council election process, and doing so will help to ensure the PRI Initiative's work remains aligned and responsive to their needs.

THE SECRETARIAT

Most work streams and working groups within the Secretariat, including the Clearinghouse, Reporting and Assessment, and Implementation Support teams, have steering committees and other governance arrangements in place to guide their work. Signatories are encouraged to contribute by joining these working groups.

SIGNATORY GENERAL MEETING

Signatories have the opportunity to review the progress of the Initiative and raise matters to the Advisory Council, the Board and senior management team of the Secretariat at the annual Signatory General Meeting (SGM). This includes the ability to propose agenda items for the meeting and propose and vote on resolutions at the SGM and at other times.

The SGM is typically convened alongside PRI's annual signatory event, PRI in Person. Signatories will be notified three calendar months in advance of the date and location of the SGM and will be invited to propose items for the agenda. Proposals for agenda items must be received in writing by the Secretariat no later than two calendar months prior to the date of the SGM.

A proposal for an agenda item which is supported by five or more signatories will be included in the agenda. All other agenda items shall be determined by Advisory Council members. The agenda, including any issues to be put to a vote, will be circulated to all signatories at least one month prior to the SGM, along with a copy of the PRI Annual Report, to give signatories sufficient time to review this material prior to the meeting.

SIGNATORY RESOLUTIONS

All signatories have the ability to put forward resolutions for consideration at the annual SGM and at any other time of the year by way of an electronic poll. While these resolutions are non-binding and advisory in nature, the Board and Advisory Council will seriously consider resolutions which are passed.

In order to be passed at an SGM or by an electronic poll, a resolution of all signatories must be approved by a majority of signatories voting on the resolution (including a majority of the asset owner signatories that vote) and a resolution of a category of signatories must be approved by a majority of signatories in that category voting on it. Guidance on how to file a resolution can be found in PRI Association's Administrative Rules.

COMMUNICATION

REGULAR COMMUNICATION

In order to properly carry out its responsibility to govern effectively, the Board recognises the importance of communicating relevant information to signatories and other stakeholders in a timely manner.

Signatories receive regular updates from the Initiative through the following channels:

- Monthly signatory eNewsletter.
- The PRI Annual Report.
- The annual SGM and its supporting documentation.
- Letters from the Chair following each Advisory Council meeting.

Copies of the Initiative's Annual Report, audited financial statements and other significant announcements are also posted to the PRI website and made available to the media.

QUESTIONS AND COMMENTS

Additional questions about PRI Governance should be addressed to info@unpri.org

FREQUENTLY ASKED QUESTIONS

This is a list of Frequently Asked Questions about the governance of the PRI Initiative. These should not be considered definitive, comprehensive or a substitute for the content of PRIA's detailed Articles of Association and Administrative Rules that are available for review on the PRI website.

Question: Where is the Initiative housed?

ANSWER: In PRI Association, an English registered company limited by guarantee (a not for profit).

— — — —

Question: Is PRI Association a charity?

ANSWER: No, but it is a not-for-profit. There can be no distribution of profit to its members.

— — — —

Question: What are the governing documents of the PRI Initiative and PRI Association?

Governance Document: Articles of Association of PRI Association / Administrative Rules of PRI Association

ANSWER: The Articles of Association form the basis of the company's constitution and contain details of running the company, internal management affairs and liability. The Articles form a contract between the company and its members and set out how the company will make decisions to ensure the smooth running of the company.

The administrative rules relate to the PRI Advisory Council (PRIAC) and Signatories.

— — — —

Question: Where can the Articles and Administrative Rules be found?

ANSWER: On the public website www.unpri.org

— — — —

Question: Can the Principles be changed?

Governance Document: Administrative Rules of PRI Association

Paragraph Articles/Rules where applicable: 8

ANSWER: Following consultation with Signatories PRIAC may make changes subject to Asset Owner Members of PRIAC/Chair/UN majority, which majority must include the UN members. Subject to approval by majority of all Asset Owner Signatories by poll.

Brought into legal being by Special Resolution of members of PRI A.ssociation.

— — — —

Question: Who is a member of PRI Association?

Governance Document: Articles of Association PRI Association

Paragraph Articles/Rules where applicable: 11

ANSWER: A person who is a subscriber to the Memorandum (on incorporation) or who is admitted to membership in accordance with the Articles. A company limited by guarantee does not have a share capital or shareholders, but instead has members as is the case with PRI Association who act as guarantors (limit £1).

— — — —

Question: Who are the members of PRI Association?

Governance Document: Articles of Association of PRI Association

Paragraph Articles/Rules where applicable: 11

ANSWER: Any Asset Owner member of the PRIAC shall, by agreeing to become a member of the PRIAC, agree to become a Member of the Company; and (b) any person appointed as Chair, by agreeing to become the Chair, agree to become a Member of the Company, unless he or she confirms in writing to the Directors prior to becoming a member of the PRIAC or the Chair that he or she is not willing or is not able to take up membership of the Company.

— — — —

Question: Can Signatories propose a resolution?

Governance Document: Administrative Rules of PRI Association

Paragraph Articles/Rules where applicable: 6

ANSWER: Yes. Any Signatory with support of 10% of Signatories or if a single category of Signatory 10% of that category.

FREQUENTLY ASKED QUESTIONS

A Signatory Resolution proposed as a Signatory Resolution of all Signatories must be approved by a majority of Signatories voting on it, which majority must itself include a majority of the Asset Owner Signatories voting on the Signatory Resolution in question.

A Signatory Resolution proposed as a Signatory Resolution of a single category of Signatories must be approved by a majority of Signatories of that category voting on it.

Signatory resolutions are advisory only.

Question: What is the PRIAC?

Governance Document: Administrative Rules of PRI Association

Paragraph Articles/Rules where applicable: 2

ANSWER: The PRI Advisory Council (PRIAC) comprises investor members elected by Signatories, UN members, and the Chair.

Question: What is the role of PRIAC?

Governance Document: Articles of Association of PRI Association / Administrative Rules of PRI Association

Paragraph Articles/Rules where applicable: 23 / 2

ANSWER: The purpose of the PRIAC shall be to determine the strategic direction of the Company and advise and support the Directors.

PRIAC is responsible for oversight of the Initiative.

Question: How is the PRIAC made up?

Governance Document: Articles of Association PRI Association

Paragraph Articles/Rules where applicable: 23

ANSWER: PRIAC shall consist of (a) nine members elected by Asset Owner Signatories (Asset Owner elected members), (b) four members elected by Investment Manager and Professional Service Partner Signatories (non-Asset Owner elected members), (c) the Executive Directors from time to time of each of UNEP and the UN Global Compact (the UN members), who shall each have permanent seats, and (d) a Chair appointed by the elected members.

Question: Who can change the make-up of PRIAC?

Governance Document: Articles of Association of PRI Association

Paragraph Articles/Rules where applicable: 42 / 9

ANSWER: Requires the consent of a simple majority of Signatories who are Asset Owners by way of a poll and a special resolution of the members of PRIA approving the requisite amendments to the Articles of Association and either a special resolution of the members of PRIA approving the requisite amendments to the Administrative Rules or a resolution of PRIAC passed by a majority of the Asset Owner elected members, the Chair and the UN members.

Question: Who elects the Chair of PRIAC?

Governance Document: Articles of Association PRI Association

Paragraph Articles/Rules where applicable: 23

ANSWER: The Chair is appointed by the elected members of the PRIAC. The Chair may be an existing member of the PRIAC or recruited externally.

Question: How is the Chair of PRIAC removed?

Governance Document: Administrative Rules of PRI Association

Paragraph Articles/Rules where applicable: 4

ANSWER: PRIAC has the discretion to change the Chair of PRIAC at any time. In addition, as with any PRIAC member, if the Chair was in breach of the Code of Ethics, s/he could be removed by a vote of a 2/3 majority of PRIAC members.

Question: Who can stand for election to PRIAC?

Governance Document: Administrative Rules of PRI Association

Paragraph Articles/Rules where applicable: 4

ANSWER: To be eligible for election to PRIAC as an elected member a Signatory representative must be at CEO/CIO/Board/trustee level

Question: How long can a member of PRIAC serve?

Governance Document: Administrative Rules of PRI Association

Paragraph Articles/Rules where applicable: 4

ANSWER: Each elected member shall serve for a period of three years

Question: How many 3 year terms may a member of PRIAC serve?

Governance Document: Administrative Rules of PRI Association

Paragraph Articles/Rules where applicable: 4

ANSWER: After serving three terms, elected members may not be nominated to serve a fourth term without a break of at least one year between terms

Question: What is PRIAB?

ANSWER: PRI Association Board (PRIAB) constitutes the fiduciary, management Board of PRI Association and is made up of directors appointed by a majority vote of the Asset Owner members and the Chair of PRIAC.

Following discussions at the PRI's last SGM in Rio de Janeiro in June 2012, the Governance Committee of the PRI Advisory Council reviewed the current rules regarding 'legal membership' of PRIA, the main legal entity which manages the work of the PRI. PRIA has been constituted as a company limited by guarantee under the laws of England and Wales. 'Legal membership' has particular rights and obligations and is akin to being a shareholder of the company. The Advisory Council has reviewed and accepted the Governance Committee's recommendations and a full discussion will take place at the SGM in Cape Town in October 2013.

Question: Who elects PRIAB?

Governance Document: Articles of Association PRI Association

Paragraph Articles/Rules where applicable: 25

ANSWER: Directors are appointed individually by a majority vote of the Asset Owner members of the PRIAC and the Chair taken together as one group. Any person can stand.

Question: Who appoints the Chair of PRIAB?

Governance Document: Articles of Association of PRI Association

Paragraph Articles/Rules where applicable: 30

ANSWER: Under Article 30.12, the directors may elect a Chairman from among their number and shall determine the period for which s/he is to hold office, it does not have to be the same person as the Chair of the PRIAC.

Question: How is the Chair of PRIAB removed?

ANSWER: The directors of the PRIA Board may remove the Chair by way of a majority vote.

Question: How long do directors serve?

Governance Document: Articles of Association PRI Association

Paragraph Articles/Rules where applicable: 28

ANSWER: A Director shall serve from the date of appointment until the end of the first meeting of the Directors in the year following the third anniversary of his appointment. Following the retirement of a Director at the end of his term of office he shall be eligible to be re-appointed by a majority of the Asset Owner members of the PRIAC and the Chair taken together as one group. Reappointment shall be deemed unless:

(a) the PRIAC notifies the Director that it will not be reappointing the Director;
(b) the Asset Owner members of the PRIAC and the Chair or the Members
(by way of an Ordinary Resolution) appoint a Director pursuant to Article
25.1 to replace the Director retiring;
(c) the Asset Owner members of the PRIAC and the Chair or the Members
(by way of an Ordinary Resolution)
appoint, pursuant to Article 25.1, more Directors than vacancies available

Question: How are directors removed?

Governance Document: Articles of Association of PRI Association

Paragraph Articles/Rules where applicable: 26

ANSWER: The Company may by Ordinary Resolution of which special notice has been given to the Members in accordance with the Act remove any Director before the expiration of his period of office

FREQUENTLY ASKED QUESTIONS

notwithstanding anything in these Articles or in any agreement between the Company and such Director.

Question: What is the notice to remove directors?

Governance Document: Articles of Association PRI Association

Paragraph Articles/Rules where applicable: 26

ANSWER: Special notice: Under Article 26.1, the company may remove a director by ordinary resolution of which "special notice" has been given to the members in accordance with the Companies Act 2006. Under the Act, if special notice is required of a resolution, the resolution is not effective unless notice of the intention to move it has been given to the company at least 28 days before the meeting at which it is moved. The Act specifies that where practicable, the company must give its members notice of such resolution in the same manner and at the same time as it gives notice of the meeting at which the resolution will be moved.

COMPANY INFORMATION

PRI Association:
Company Limited by Guarantee

Company No.:
07207947

Registered Office:
5th floor
25 Camperdown Street
London E1 8DZ
United Kingdom

PROFESSIONAL SERVICE PROVIDERS

Auditors:
Buzzacot LLP
130 Wood Street
London EC2V 6DL
United Kingdom

Lawyers:
Bristows
100 Victoria Embankment
London EC4Y 0DH
United Kingdom

Secretary:
Bristows Secretarial
100 Victoria Embankment
London EC4Y 0DH
United Kingdom

The PRI is an investor initiative in partnership with **UNEP Finance Initiative** and the **UN Global Compact**.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org

UNEP Finance Initiative
Changing finance, financing change

UN Global Compact

Launched in 2000, the United Nations Global Compact is a both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to catalyse actions in support of broader UN goals. With 7,000 corporate signatories in 135 countries, it is the world's largest voluntary corporate sustainability initiative.

More information: www.unglobalcompact.org

United Nations Global Compact