

VERSION FOR ADOPTION – JULY 2011

PRI ASSOCIATION

ADMINISTRATIVE RULES RELATING TO THE PRI ADVISORY COUNCIL AND SIGNATORIES

These Administrative Rules are drafted in accordance with Article 41 of the Articles of Association of PRI Association

1 Preamble

The Principles for Responsible Investment Initiative (the **Initiative**) is an investor initiative established in partnership with the UN Environment Programme Finance Initiative (UNEP FI) and the UN Global Compact originally launched in April 2006 by the UN Secretary-General in New York.

The Initiative, which is not-for-profit, now operates principally through PRI Association, a company limited by guarantee established under the laws of England & Wales. Its funding and underlying membership are derived from the signatories to the Principles for Responsible Investment (the **Principles**), representing institutional Asset Owners, Investment Managers and Professional Service Partners (the **Signatories**). Upon signing the Principles, Signatories commit to implementing the Principles over time and furthering the goals contained therein.

2 Governance of the Initiative

The PRI Advisory Council (**PRIAC**) is responsible for oversight of the Initiative. PRIAC comprises investor members elected by Signatories and from whose ranks are drawn the legal Members of PRI Association, UN members, the Chair and the appointed members, all as described in Rule 4 below. Subject to prior consultation in respect of those matters which PRIAC may specify from time to time, PRIAC empowers the directors and secretariat (the **Secretariat**) of PRI Association to implement the Initiative, other than where power is reserved to PRIAC or to Signatories.

3 Signatories

Signatory eligibility and classification

- 3.1 Signatories must be lawfully established and appropriately licensed investment institutions with funds under management or service providers, either public or private, which are willing to commit to the Principles.
- 3.2 Signatories must sign up across their mainstream investment-related businesses – not just particular product lines or services, such as dedicated responsible investment offerings.

- 3.3 In order to sign up, approval must come from either the CEO or board of directors level.
- 3.4 There are three categories of Signatory:
- 3.4.1 Asset Owners (as defined in Rule 3.5 below);
 - 3.4.2 Investment Managers (as defined in Rule 3.5 below);
 - 3.4.3 Professional Service Partners (as defined in Rule 3.5 below).
- 3.5 The general rule is that Signatories self-classify on signing, based on the following guidelines:
- 3.5.1 If an organisation manages or controls investment funds, either on its own account or on behalf of others, it would be either an Asset Owner or an Investment Manager;
 - 3.5.2 If more than half of these assets are owned by the organisation (including in the role of trustee), then that organisation would be classified as an “**Asset Owner**”;
 - 3.5.3 If more than half of the organisation's assets under management are managed on behalf of others, the organisation would be classified as an “**Investment Manager**”;
 - 3.5.4 If the organisation does not manage funds, but rather provides services to Asset Owners or to Investment Managers that assist in the fulfilment of commitments under the Principles, then that organisation would be classified as a “**Professional Service Partner**”.

For the purposes of these Administrative Rules “**non-Asset Owners**” shall mean Investment Managers and Professional Service Partners.

- 3.6 Each Signatory’s self-classification pursuant to Rule 3.5 above shall be subject to confirmation by the Membership Committee. If there is uncertainty as to the appropriate categorisation, the Membership Committee shall have the discretion and authority to determine which category is appropriate. For the purposes of this Rule 3.6, “**Membership Committee**” means the committee of PRI Association appointed by the board of directors of PRI Association from time to time to address membership matters.
- 3.7 PRIAC shall have the discretion and authority to determine the suitability of any organisation to become a Signatory and the mechanism by which a Signatory confirms or removes the authority of any representative.
- 3.8 Any dispute as to categorisation of, or suitability for, Signatory status shall be determined by PRIAC.
- 3.9 By signing the Principles Signatories will have committed to the following:

- 3.9.1 Participation in the annual PRI Reporting and Assessment process, including any transparency and reporting requirements;
- 3.9.2 Payment of any fee prescribed.
- 3.10 Signatory status shall cease for the following reasons:
 - 3.10.1 On the Signatory ceasing to be lawfully established or licensed;
 - 3.10.2 On the Signatory failing to pay the fee prescribed;
 - 3.10.3 On the Signatory ceasing business or on its insolvency;
 - 3.10.4 Upon the Secretariat receiving a written request from the Signatory that it wishes to no longer be a Signatory;
 - 3.10.5 Upon the Signatory being acquired by or merging with another institution (in such case, the new institution would need to confirm its intention to be a Signatory);
 - 3.10.6 On the Signatory's refusal to participate in the annual PRI Reporting and Assessment process, including its reporting and transparency requirements, without a written explanation submitted to and approved by PRIAC; and
 - 3.10.7 Upon the Signatory being notified that PRIAC has determined, by way of a majority vote of PRIAC members, that its Signatory status shall cease because PRIAC believes the behaviour of the Signatory puts the integrity of the Initiative at risk.
- 3.11 On cessation of Signatory status, the organisation's name will be removed from the PRI website, and the organisation will no longer have the right to claim Signatory status of the PRI or use the PRI logo or name in any way.

4 PRIAC: eligibility, structure and responsibilities

- 4.1 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 all PRIAC members (as described in 4.11 below). If the Chair is selected from the elected members, 4.5.3 shall be taken to apply in respect of his replacement as an elected member. For the purposes of these Administrative Rules, “**elected members**” shall mean the Asset Owner elected members and the non-Asset Owner elected members.
- 4.2 To be eligible for election to PRIAC as an elected member a Signatory representative must be at CEO/CIO/board/trustee level.

- 4.3 The Signatory putting a candidate forward as an elected member of PRIAC must have contributed (or must commit to contributing) the invoiced financial contribution in the current financial year, and must have participated in the PRI Reporting and Assessment process.
- 4.4 An elected member of PRIAC has that membership as a result of being nominated by a Signatory but has a responsibility to fulfil his or her duties as an individual, and in the best interests of the Initiative as a whole.
- 4.5 Terms of elected members are as follows:
- 4.5.1 Each elected member shall serve for a period of three years (or such shorter period as PRIAC may decide in order to harmonise the rotation of any elected member elected within three years after the date of adoption of these Administrative Rules);
- 4.5.2 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;
- 4.5.3 If an elected member resigns before the end of his or her term, his or her organisation may propose an alternative representative of the seniority defined in Rule 4.2 to serve out the remainder of the term. Such replacement must be approved by PRIAC.
- 4.6 All PRIAC members are expected to attend a minimum of two in-person PRIAC meetings (one of which shall take place at the same time as the Signatory General Meeting (as defined in 5 below), with delegates (where permitted) able to participate when the member is unavailable. If any PRIAC member other than a UN member is unable to attend the required meetings for two successive years, that PRIAC member's seat will be vacated. Directors of PRI Association may, with the prior consent of the Chair, attend and speak at PRIAC meetings but shall not be permitted to vote on any resolutions and shall leave a meeting immediately upon the instruction of the Chair.
- 4.7 PRIAC members may appoint delegates.
- 4.8 Where any PRIAC position becomes vacant before expiry of the term, and no appointment is made under 4.5.3, PRIAC will appoint an interim replacement who will serve until the next election, where the position will be added to the other positions for election, with the new member serving out the remainder of the original term.
- 4.9 Unless otherwise stated, the UN members and the Chair and the appointed members have the same rights as elected members with respect to voting at PRIAC meetings.
- 4.10 Voting procedure for the election of elected members:
- 4.10.1 The election will be conducted by an independent electoral officer appointed by PRIAC (the **Electoral Officer**). A United Nations employee

not engaged in the work of the PRI Secretariat is deemed to be independent for the purposes of this provision.

- 4.10.2 Only Asset Owner Signatories are eligible to vote for the Asset Owner elected members, and only Investment Managers and Professional Service Partners are eligible to vote for the non-Asset Owner elected members.
- 4.10.3 The voting will be conducted in the four months prior to the SGM.
- 4.10.4 Candidates may self-nominate, but must be seconded by another Signatory who is in the same class of Signatory as the self-nominating candidate, thus a self-nominating candidate representing an Asset Owner Signatory must be seconded by another Asset Owner Signatory and a self-nominating candidate representing a non-Asset Owner Signatory must be seconded by another non-Asset Owner Signatory. The Signatory which the self-nominating candidate represents cannot second that self-nominating candidate.
- 4.10.5 Candidates must have approval from their organisations in order to nominate.
- 4.10.6 Candidates will be identified by name, institution and region on the ballot. Candidates will also have the opportunity to include a bio and/or a statement in the materials provided to Signatories in advance of the vote in such form as PRIAC may define.
- 4.10.7 Each Asset Owner Signatory shall have as many votes as there are Asset Owner vacancies in any particular year (less any reserved positions that are won unopposed).
- 4.10.8 Each non-Asset Owner Signatory shall have as many votes as there are non-Asset Owner vacancies in any particular year (less any reserved positions that are won unopposed).
- 4.10.9 Signatories may not cast more than one vote per candidate.
- 4.10.10 There are two types of elected positions: open positions and reserved positions. There are six Asset Owner reserved positions representing the six regions set out in Rule 4.10.11 below. There are two non-Asset Owner reserved positions:
 - 4.10.10.1 one representing emerging markets and developing country Signatories (who may be either an Investment Manager representative or a Professional Service Partner representative); and
 - 4.10.10.2 one representing Professional Service Partner Signatories,save that if an individual who is elected as a non-Asset Owner elected member is both (a) an emerging markets and developing countries

representative and (b) a Professional Service Partner representative, then there shall be only one non-Asset Owner reserved position, which such individual shall take, and three non-Asset Owner open positions.

- 4.10.11 The following reserved positions for Asset Owner elected member seats will be filled first (as they arise upon Asset Owner elected members retiring):
- (a) Europe
 - (b) North America
 - (c) Asia
 - (d) Oceania
 - (e) Africa/Middle East
 - (f) Latin America
- 4.10.12 The following reserved positions for non-Asset Owner elected member seats will be filled first (as they arise upon non-Asset Owner elected members retiring):
- (a) Emerging markets and developing countries representative;
 - (b) Professional Service Partner representative.
- 4.10.13 The candidate who receives the largest number of votes for a particular reserved position will automatically take that position provided that such candidate is eligible for the vacant reserved position. The remaining elected member positions will be taken by the other candidates receiving the most votes.
- 4.10.14 If there is only one nomination for a particular reserved position, then that candidate will take the position unopposed, provided that such candidate is eligible for the particular reserved position. If there is only one nomination for an open position, then that candidate will take the position unopposed, provided that such candidate is eligible for the particular open position.
- 4.10.15 If two or more candidates for a reserved position have the same number of votes, the winner of that position shall be decided by a random selection procedure such as a coin toss or other method determined by the Electoral Officer. The loser of the random selection procedure will still be eligible for an open position based on his or her total votes.
- 4.10.16 If two or more candidates seeking an open position have the same number of votes, the winner shall be determined by random selection as above.

- 4.10.17 All vacant Asset Owners positions are voted on by all Asset Owner Signatories, and all vacant non-Asset Owner positions are voted on by all non-Asset Owners Signatories.
- 4.10.18 PRIAC may define additional electoral procedures, consistent with these Rules and which may be amended by PRIAC at any time.
- 4.10.19 If the total number of nominations for PRIAC is fewer than or equal to the number of PRIAC positions that are up for election, then an election shall not be conducted, and those who are nominated are deemed to have been elected, provided that such candidates are eligible for the particular PRIAC position they are nominated for.
- 4.10.20 If the final number of elected members is less than 13, then PRIAC may co-opt additional members for any unfilled positions until the next election (**appointed members**), with a priority given to regional representation.
- 4.11 The elected members of PRIAC shall elect or appoint a chair (“**Chair**”) pursuant to Article 23.3.4. If an existing member of PRIAC who was elected by the Signatories or co-opted by the PRIAC pursuant to Article 23.3.1 is appointed as the Chair, that PRIAC member shall cease to be counted as an elected or co-opted member (as the case may be) and accordingly a vacancy on PRIAC will arise under Article 23.3.1. The procedure for Chair election or appointment shall be determined by PRIAC. A Chair will normally serve for a period or periods of three years but PRIAC has the discretion to change Chair at any time. Any voting will be coordinated by the Secretariat, and PRIAC members will have the opportunity to vote electronically if necessary.
- 4.12 Not less than 50% of PRIAC’s members (at least 50% of whom must be elected members or their delegates) shall be the quorum for a meeting of PRIAC. Not less than 50% of PRIAC’s members (at least 50% of whom must be elected members or their delegates) shall be the quorum for interim conference calls. Not less than 50% of Asset Owner elected members of PRIAC and the Chair shall be the quorum for a vote on the appointment of directors of PRI Association.
- 4.13 No member of PRIAC may appoint any other member of PRIAC to act on his or her behalf.
- 4.14 No Signatory organisation shall hold more than one place on PRIAC.
- 4.15 PRIAC decisions should be made by consensus where possible.
- 4.16 Where a consensus cannot be reached, questions shall be decided by a simple majority vote, with each member of PRIAC present in person or by delegate or by electronic means, having one vote.
- 4.17 It shall be the responsibility of PRIAC to:

- 4.17.1 Develop and propose, with appropriate consultation with Signatories and other stakeholders, amendments to the Principles, with a review once every five years;
 - 4.17.2 Develop and drive the overall strategy of the Initiative, having particular regard to the desirability of clear and consistent priorities;
 - 4.17.3 Provide strategic direction to the directors and the Secretariat of PRI Association on the implementation of the work programme, including in relation to the development of additional work programmes, projects partnerships and work streams;
 - 4.17.4 Encourage and monitor overall progress of Signatories' implementation of the Principles;
 - 4.17.5 Provide strategic and policy leadership to the Signatory body on emerging issues around implementation of the Principles and responsible investment in general;
 - 4.17.6 To participate in each year in consultations by PRI Association about (a) the fees to be paid by Signatories, (b) PRI Association's budget and (c) sources of funds for the Initiative;
 - 4.17.7 To provide, for noting at the SGM (as defined in 5 below), a report of the progress of the Initiative since the previous SGM, containing such information in such form as PRIAC may decide, but always including financial information sufficient to show a transparent picture of the finances of the Initiative.
- 4.18 Meetings of PRIAC may take place on the telephone, or by video conference or other electronic means, and shall be convened at such time and place and in such manner as agreed by PRIAC.
- 4.19 Each member of PRIAC shall receive not less than 14 days notice of any meeting but the notice may be abridged in the case of an emergency (as determined by the Chair). This provision can also be waived where PRIAC members have three days notice and there is 100% consent to holding such a meeting.

5 Signatory General Meeting (SGM)

- 5.1 Annually, there shall be a Signatory General Meeting which is a consultative forum for Signatories to provide input into the Initiative and to assist the UN partner agencies and PRIAC in their leadership of the Initiative. Any resolutions are advisory only.
- 5.2 The SGM of the Initiative shall be held in each calendar year at such specific time and place as determined by PRIAC.
- 5.3 The SGM is open to all Signatories.

- 5.4 Three calendar months notice regarding the specific date and location of the SGM shall be given to each Signatory.
- 5.5 The agenda, including any issues to be put to a vote shall be circulated at least one month in advance.
- 5.6 Signatories unable to attend the meeting in person may vote electronically in advance of the meeting on specific questions contained in the agenda.
- 5.7 Any Signatory unable to attend the SGM, but who wishes to be represented, may appoint a proxy who shall be entitled to vote on that Signatory's behalf. No Signatory may hold more than one proxy in addition to his or her own vote. Except in an emergency, thirty-six hours clear notification of such appointment identifying such proxy must be given to the Secretariat before the meeting;
- 5.8 It shall be the specific responsibility of the SGM to:
 - 5.8.1 Approve the minutes of the previous SGM;
 - 5.8.2 Note the results of elections for PRIAC;
 - 5.8.3 Note the report described in 4.17.7, together with the budget for the year;
 - 5.8.4 Note any reports from the Chair and/or the Secretariat and/or project groups, working groups, task forces, or regional partners;
 - 5.8.5 Note any new projects, work streams, working groups, task forces or partnerships.
- 5.9 Each Signatory represented by proxy, shall be entitled to one vote on each question put to a vote at an SGM.

6 Electronic Polls

Electronic Polls of Signatories may be held at such time and on such terms as PRIAC may determine.

7 Changes to the Administrative Rules

These Administrative Rules may only be amended (i) by a resolution of PRIAC passed by a majority of the Asset Owner elected members, the Chair and the UN members of PRIAC, taken together as one group, or (ii) by a special resolution pursuant to Article 41.2 of the Articles of Association of PRI Association.