

## PRI ASSOCIATION BOARD ELECTION RULES

Approved by the PRI Board in September 2016.

### INTRODUCTION

All directors of the PRI Association Board (the Board) are elected by categories of signatories. The election of Board directors is an important PRI signatory right and responsibility. The Articles of Association of PRI Association (the **Articles**) require that the Directors must devise and publish on the Company's website certain rules and policies, including the rules regulating the procedures for: the nomination and election of Directors (including an Extraordinary Election); and the confirmation of the appointment of the Chair by Signatories (the **Election Rules**).

The Directors may, from time to time, make such other rules as they may deem necessary or convenient for the proper conduct and management of the Company, including the election process, provided that no rule will be inconsistent with anything contained in the Articles, but in the event of any inconsistency, the Articles will prevail.

### RELEVANT ARTICLES

#### Article 9: Membership of the Board

##### Composition

- 9.1 The Board is constituted of:
- 9.1.1 seven Directors from Asset Owner organisations who have been elected by Asset Owner Signatories in accordance with Article 10;
  - 9.1.2 two Directors from Investment manager organisations who have been elected by non-Asset Owner Signatories in accordance with Article 10;
  - 9.1.3 one Director from a Service Provider organisation who has been elected by non-Asset Owner Signatories; and
  - 9.1.4 one Director, who has been nominated by the Directors to serve as the Chair and has had such nomination confirmed by the Signatories in accordance with Article 10.

#### Article 10: Election of Directors, appointment of Chair and term of office

##### Election of Directors

- 10.1 The Directors will, in each calendar year, organise an election of Directors to fill vacancies on the Board that will arise on the termination of office of one or more Directors at the end of that calendar year (an Annual Election).
- 10.2 To be eligible to stand for election as a Director by a category of Signatories (a **Relevant Category**), a person must:
- 10.2.1 be a Relevant Officer or Former Relevant Officer of a Signatory of the Relevant Category; and
  - 10.2.2 be:
    - 10.2.2.1 nominated by a Signatory of the Relevant Category and seconded by another Signatory of the Relevant Category; or
    - 10.2.2.2 in the case of a Mid-Term Election, nominated: (a) by a Signatory of the Relevant Category and seconded by another Signatory of the Relevant Category, OR (b) by the Board; and

- 10.2.3 satisfy any additional eligibility requirements prescribed by the Board in accordance with Article 10.10 in respect of the vacancy for which he or she is standing; and
  - 10.2.4 be a natural person (not a company or other organisation) who confirms in writing his or her willingness to be a Director and a Statutory Member.
- 10.3 In any election under this Article 10:
- 10.3.1 a Signatory may only nominate any one person for election and second any one person for election (and having nominated a person may not also second that person in the same election); and
  - 10.3.2 each nomination or seconding of a person by a Signatory must be in writing.

**Term of Office of Elected Directors**

- 10.4 Each Director who is elected in an Annual Election is elected for a term of three (3) calendar years, commencing on 1 January of the year next following the announcement of his or her election.
- 10.5 Each Director who is elected in a Mid-Term Election is elected for a term commencing on the date of his or her election and ending on 31 December of the second calendar year immediately following the end of the calendar year in which the Director is elected.
- 10.6 No person elected as a Director may serve more than three (3) consecutive terms as an elected Director. In the case of a person deemed elected as set out in Article 9.5, the number of consecutive terms served by that person as a PRI Advisory Council Representative immediately prior to the date of the adoption of these Articles (as set out in the last column in the table in Article 9.5) will be deemed to be consecutive terms that such person has served as a Director for the purpose of these Articles.
- 10.7 A Director who has served for three (3) consecutive terms as an elected Director will be eligible to stand for election as a Director (subject to satisfying the other eligibility requirements of these Articles) provided that the office for which he or she seeks election commences no sooner than twelve (12) months after the end of those three (3) consecutive terms.

**Mid-Term Elections**

- 10.8 If, during a calendar year, there is a vacancy or there are vacancies on the Board for any of the positions referred to in Articles 9.1.1 to 9.1.3 (inclusive), the Directors may organise an election by Signatories of the Relevant Category or Relevant Categories to fill such vacancy or vacancies (a **Mid-Term Election**).

**Diversity**

- 10.9 The Directors will seek to promote diversity of the Board through engagement with Signatories, the UN Global Compact and the UNEP Finance Initiative (or their respective successor agencies within the United Nations) and the Company's executives, by adoption of the Diversity Policy and appropriate Election Rules and by such other means as they deem appropriate.
- 10.10 In the case of any Annual Election or Mid-Term Election, the Board may, in respect of one or more of the vacancies to be filled, prescribe eligibility requirements for candidates wishing to stand for election as Directors additional to the other eligibility requirements of Article 10.2 with a view to setting high leadership standards and enhancing the collective skills and/or experience and/or diversity of the Board. Such additional eligibility requirements will be prescribed in accordance with the guidelines provided in the Election Rules.
- 10.11 If, in the case of any Annual Election or Mid-Term Election, the Board prescribes additional eligibility requirements in accordance with Article 10.10, the Board will notify the Signatories of such requirements and the reason(s) for them before the relevant period for nomination opens.

### **Election Rules**

- 10.12 Only Asset Owner Signatories may vote in an election to fill a vacancy arising on the termination of the office of a Director who was elected by Asset Owner Signatories
- 10.13 Only Investment Manager Signatories may vote in an election to fill a vacancy arising on the termination of the office of a Director who was elected by Investment Manager Signatories.
- 10.14 Only Professional Service Partner Signatories may vote in an election to fill a vacancy arising on the termination of the office of a Director who was elected by Professional Service Partner Signatories.
- 10.15 In each election:
- 10.15.1 each Signatory will have as many votes as there are vacancies on the Board to be filled by election by its category of Signatories; and
- 10.15.2 no Signatory may vote more than once for the same candidate.
- 10.16 In any election by a category of Signatories to fill a vacancy or vacancies on the Board (not being subject to additional eligibility requirements specified by the Board in accordance with Article 10.10), the candidates, equal in number to the number of vacancies to be filled, who receive the highest number of votes from Signatories of the relevant category voting in an Electronic Poll will be deemed to be elected. When determining those candidates who have received the highest number of votes from Signatories of the relevant category for the purpose of this Article, any candidate who is elected under Article 10.17 at that election by the relevant category of Signatories will not be included as part of such determination.
- 10.17 If, in any election:
- 10.17.1 a single vacancy is the subject of particular additional eligibility requirements specified by the Board in accordance with Article 10.10, the eligible candidate who: (a) satisfies those additional eligibility requirements, and (b) receives the highest number of votes amongst eligible candidates who also satisfy those particular additional eligibility requirements, from Signatories of the relevant category voting in an Electronic Poll, will be deemed to be elected to fill such vacancy; or
- 10.17.2 any two or more vacancies are the subject of the same particular additional eligibility requirements specified by the Board in accordance with Article 10.10, the eligible candidates who: (a) satisfy those particular additional eligibility requirements; (b) are equal in number to the number of vacancies to be filled; and (c) receive the highest number of votes amongst eligible candidates who also satisfy those additional eligibility requirements, from Signatories of the relevant category voting in an Electronic Poll, will be deemed to be elected to fill such vacancies.
- 10.18 If, in any election, there is only one eligible candidate nominated for election to fill a particular vacancy, that candidate will not be deemed automatically appointed as a Director. His or her appointment as a Director will require the approval of a simple majority of those Signatories of the relevant category voting in an Electronic Poll.
- 10.19 If, in any election, the number of eligible candidates nominated for election to fill particular vacancies is equal to or less than the number of such vacancies, those candidates will not automatically be deemed appointed as Directors. The appointment of any of those candidates as a Director to fill any of those particular vacancies will require the approval of a simple majority of those Signatories of the relevant category voting in an Electronic Poll.
- 10.20 Except as otherwise provided in these Articles, the procedures for the nomination and election of Directors will be determined by the Election Rules.

### **Appointment of Chair**

- 10.21 To be eligible to be nominated by the Directors to be the Chair a person must be a natural person (not a company or other organisation) who confirms in writing his or her willingness to be a Director and a Statutory Member.

- 10.22 A person nominated by the Directors to be the Chair must, before taking office, have his or her appointment as Chair, and term of office (including commencement date), confirmed by the approval of:
- 10.22.1 a simple majority of Signatories, including
  - 10.22.2 a simple majority of Asset Owner Signatories, voting in an Electronic Poll.
- 10.23 Except as otherwise provided in these Articles, the method of the confirmation of the Chair will be determined by the Signatory Rules.

#### **Term of Office of Chair**

- 10.24 The Chair may be appointed for a term of up to three (3) years, following the expiry of which period he or she will cease to serve as the Chair unless re-appointed in accordance with the provisions of these Articles.
- 10.25 A person who has served as the Chair for three (3) consecutive terms will be eligible for appointment as Chair (subject to satisfying the other eligibility requirements of these Articles) provided that the appointment commences no sooner than twelve (12) months after the end of those three (3) consecutive terms.

#### **Article 11: Termination of Office**

- 11.1 The office of Director (including the Chair) is immediately vacated on the expiry of the Director's term of office or if:
- 11.1.8 the Director did not satisfy the criteria set out in Article 10.2 at the time of his or her election and the Directors resolve by simple majority of those voting on the resolution that the office be vacated;

#### **Article 18: Signatory Rights**

- 18.10 Signatories may, in accordance with the following provisions, require the Company to arrange an election for all ten (10) elected seats on the Board (an **Extraordinary Election**):
- 18.10.1 If Signatories representing at least three (3) per cent of all the Signatories serve written notice on the Company requiring the Company to hold an Extraordinary Election, then the Directors must as soon as reasonably practicable arrange an Electronic Poll. The sole resolution on the poll will be "*The Signatories require an Extraordinary Election to be arranged as soon as reasonably practicable*".
  - 18.10.2 If Signatories representing a simple majority of all Signatories voting in the Electronic Poll held in accordance with Article 18.10.1, including a simple majority of Asset Owner Signatories voting in the Electronic Poll, vote in favour of the resolution, then the Directors must arrange an Extraordinary Election as soon as reasonably practicable in accordance with the rules for such elections set out in the Election Rules.
  - 18.10.3 In the event of an Extraordinary Election, the Directors, including the Chair, will remain in post until the formal announcement to the Company by the Chair of the results of the Extraordinary Election, whereupon each Director (including the Chair) will automatically vacate his or her office unless he or she has been duly elected as Director in the Extraordinary Election. The election of a Director who was a serving Director immediately prior to such election will be disregarded for the purpose of calculating his or her maximum period of office under Article 10. The Directors elected in an Extraordinary Election must nominate a person to be Chair for confirmation by the Signatories in accordance with Article 10.

#### **Article 19: Rules and Policies**

- 19.1 The Directors must devise and publish on the Company's website:

- 19.1.2 rules regulating the procedures for: the nomination and election of Directors (including an Extraordinary Election); and the confirmation of the appointment of the Chair by Signatories (the **Election Rules**);

#### **Article 20: Statutory Members**

- 20.3 Statutory Membership is open only to the Directors. In standing for election as a Director, a person will be deemed to have applied for Statutory Membership, and, on his or her election as a Director, such person must be entered by the Directors in the register of Statutory Membership. A person's Statutory Membership will terminate automatically when he or she ceases to be a Director.

## **ELECTION RULES**

### **Relevant Officer**

1. A Relevant Officer means a person who is employed or otherwise serving as:
- (i) the Chief Executive Officer of a Signatory; or
  - (ii) the Chief Investment Officer of a Signatory; or
  - (iii) in the case of a Signatory that does not have the offices of Chief Executive Officer or Chief Investment Officer: the most senior investment professional of that Signatory; or
  - (iv) a director serving on the main governing board (and not merely any subsidiary boards, subordinate boards or committees) of a Signatory; or
  - (v) a trustee of a Signatory; or
  - (vi) an executive employee of a Signatory in a role where his or her immediate line manager is one of the persons described in sub-paragraphs (i), (ii) or (iii) of this definition of Relevant Officer.

### **Former Relevant Officer**

2. A Former Relevant Officer means a person who is a former Relevant Officer of a Signatory.

### **Candidates**

3. Potential candidates are to read and understand the PRI Association Articles, the PRI Code of Ethics and the Directors Terms of Reference before being nominated by their signatory organisation.
4. Candidates are not eligible if they are aware that their affiliation or role will change in the foreseeable future and they would not be eligible with that forthcoming affiliation or role.
5. Election candidates are required to:
- 5.1.1 provide a candidate statement, biography and signatory organisation information in accordance with the parameters established by the Board;
  - 5.1.2 and provide other relevant information set by the Board, with the purpose of giving voting signatories enough information to show how candidates compare with regards to specific skills, experience, diversity gaps or any additional eligibility requirements that the Board has identified from time to time;
  - 5.1.3 sign a statement to the effect that:
    - 5.1.3.1 the candidate is eligible to be a UK Company Director;
    - 5.1.3.2 the information provided in the candidate statement is true and correct and the candidate is eligible to stand for the PRI Board;
    - 5.1.3.3 the candidate can commit the appropriate time and resources to the Director role; and

5.1.3.4 their election to the Board will not bring the Board or the PRI Association into disrepute.

6. Candidates must have the approval of their organisation to nominate, to be confirmed in writing with the signature of the CEO or Board Chair or person of equivalent seniority within the signatory organisation.
7. The signatory putting a candidate forward must have contributed the invoiced financial contribution in the current financial year, and must have participated in the PRI Reporting and Assessment process. The requirement around the Reporting and Assessment process does not apply to signatories that are not required to do the Reporting and Assessment process because it is a 'grace' year.

### **Appeal process**

8. Candidates will be notified as soon as possible if they are deemed ineligible or if clarification is required about any aspect of their candidature. Ineligible candidates have an opportunity to respond to any determinations, and the Board may accept or reject additional arguments put forward. There is a three step appeal process and the Board has the final authority:
  1. *Initial application refused, with specific reasoning included in the feedback.* Applicant given the option to provide more information for consideration by a by a relevant committee of the Board.
  2. *Application refused, with the specific reasoning included in the feedback.* Applicant given the option to represent themselves, with further information, on a specially convened conference call with a relevant committee of the Board.
  3. *Application refused and the applicant disagrees with the decision.* The decision is escalated to the Board for the final ruling.
9. At all points in the appeal process the decisions will be recorded and after the process the Board will consider the need for a review of the election rules and / or process. Signatories' of candidates ruled ineligible have one week to put forward another candidate from their organisation who meets the eligibility criteria.

### **Costs**

10. The PRI will offer to make a contribution towards the travel expenses of Directors that attend in person meetings. The contribution per in person meeting will be agreed by the Board at the start of every financial year and declared in the annual report.
11. Aside from the offered contribution towards travel expenses, the signatory organisation that nominates the candidate is responsible for all of the individual's costs, if elected, associated with PRI Association Board meetings and PRI events.

### **Skills, experience and diversity**

12. The Board (and Board committees) should have the appropriate balance of skills, diversity, experience, independence and knowledge of the organisation to enable it to discharge their respective duties and responsibilities effectively.
13. The Chair is responsible for the leadership of the Board and for ensuring its effectiveness on all aspects of its role. In this role the Chair is responsible for measures to promote a Board with the appropriate skills, experience and diversity to carry out its duties effectively.
14. The Board needs to be appropriately representative of the diversity of PRI signatories in order to generate effective debate and discussion around the key issues that the Board considers, and to deliver the broadly-founded leadership that the initiative deserves. This necessary

diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives; it may include:

- a. geographical diversity of signatory representation to bring regional knowledge and perspectives to the Board;
- b. diversity of geographical origin, ethnicity, language and culture, and also gender diversity.

This broadly-understood diversity should deliver a breadth of views and vision leading to appropriate challenge and discussion of the issues brought before the Board, and should limit the danger of so-called groupthink.

15. The Directors will seek to promote diversity of the Board through engagement with Signatories, the UN Global Compact and the UNEP Finance Initiative (or their respective successor agencies within the United Nations) and the Company's executives, by adoption of the Diversity Policy and the Election Rules and by other means as they think appropriate, such as additional eligibility requirements for election candidates.
16. It is the responsibility of the Board to communicate the skills, experience and diversity required on the Board, both for the decision making of potential election candidates and the voting signatories.
17. The election ballot will state, if required, how the candidates for the additional eligibility requirement position(s) are eligible for that specific position.
18. Other measures to promote the relevant skills, experience and diversity may include:
  - a. Utilising the annual Board assessment results to identify key skills or experience gaps to request for in potential candidates and / or ask signatories to reflect upon the identified key skills or experience gaps when considering the election candidates.
  - b. Identifying diversity gaps on the Board and highlighting to signatories at the formal publication of the election process;
  - c. Asking signatories to consider diversity when voting for candidates;
  - d. Maintaining a 'registry of interest' of potential candidates that have declared an interest to the PRI in serving on the PRI Board;
  - e. Proactive outreach to the signatory base, through local and regional networks, to familiarise potential candidates with the Board role and requirements.

### **Election timetables**

19. The Annual Election process will be conducted according to the following timetable within reason:

Week 1:	Formal publication of the election notice and invitation for signatories to nominate candidates;
Week 10:	Final day for nominations;
Week 13:	Finalisation of nominations, confirmation of organisation support; statements, seniority and preparation of election;
Week 15:	Announcement of the election candidates at the Signatory General Meeting;
Week 18:	Launch of the election;
Week 24:	Election closes;
Week 25:	Board announcement of the election results;
Week 26:	Start of the Board induction process before the Director term commences at the start of the next calendar year.

20. The Mid-Term Election process will be conducted according to the following timetable within reason:

- Week 1: Formal publication of the election notice and invitation for signatories to nominate candidates;
- Week 4: Final day for nominations;
- Week 5: Finalisation of nominations, confirmation of organisation support, statements, seniority and preparation of election;
- Week 6: Announcement of the election candidates and launch of the election;
- Week 9: Election closes;
- Week 10: Board announcement of the election results;
- Week 11: Start of the new Director(s).

21. The Extraordinary Election process will be conducted according to the following timetable within reason:

- Week 1: Signatory vote requiring an Extraordinary Election;
- Week 2: Formal publication of the election notice and invitation for signatories to nominate candidates;
- Week 5: Final day for nominations;
- Week 6: Finalisation of nominations, confirmation of organisation support, statements, seniority and preparation of election;
- Week 7: Announcement of the election candidates and launch of the election;
- Week 10: Election closes;
- Week 11: Board announcement of the election results;
- Week 12: Start of the new Board.

### **Election campaigning**

- 22. Campaigning should be carried out in a respectful manner and in a way which does not bring the PRI Initiative into disrepute. It should avoid commercial considerations of the organisations that nominated candidates. Candidates must comply with any reasonable directions which may be issued by the Executive on behalf of the Board.
- 23. For data security reasons, candidates are not able to have access to the PRI's database of contacts but are free to contact other signatories to ask for their support.
- 24. If the Board determines a candidate has acted inappropriately, it may remove the candidate from the process.
- 25. The Board will oversee the communication of the election process, including signatory awareness and the provision of candidate information to the electorate.

### **Voting procedures**

- 26. All elections will be conducted through an independent online electoral poll and all votes are anonymous.
- 27. Candidates will be identified by name and institution on the ballot. Candidates will also have the opportunity to include a biography and a statement in the materials provided to Signatories in advance of the vote in a form defined by the Board. The content of supporting biography and statement is the responsibility of candidates. The Board may request revisions if any content is deemed inappropriate.
- 28. Signatory voting will be undertaken in accordance with the election rules set out in the Articles.



**Board responsibility**

29. The Board is responsible for the oversight of the election rules and processes. The Directors may constitute committees to facilitate the workings of the Board; and may, if they choose, delegate any of their powers to those committees. The Directors must devise and publish on the Company's website Committee Terms of Reference for each committee constituted by the Board.
30. The Board has to sign off that the election policies have been followed and the election results are true, before the formal Board announcement of the election results and the new Directors are formally appointed.

**Review**

31. At least once every two years the Board will review and revise as necessary the PRI Association Board Election rules.