

PRINCIPLES FOR RESPONSIBLE INVESTMENT

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



IN THEIR OWN WORDS

“The long-term, holistic approach to risk and return embodied in the Principles ensures we get to know the companies in which we invest and understand the ESG issues that are financially material to their business and strategy. We hope the continued expansion of the PRI network will promote further positive change in our industry.”

John Oliphant
Head of Investments and Actuarial
**Government Employees Pension
Fund of South Africa**

“We endorse the Principles because we believe that companies that adopt the best ESG practices are more capable of delivering long-term value. This is aligned to our main objective which is to ensure benefits and to contribute to the quality of life of our beneficiaries.”

Rene Sanda
CIO
PREVI, Brazil

“We are proud to endorse the Principles, which recognise that social and environmental issues can be material to the financial outlook of a company and therefore to the value of our shares in that company.”

Denise L. Nappier
State Treasurer
State of Connecticut, USA

“The PRI provides an excellent framework for structuring our responsible investment activities and offers an irreplaceable network. We consider it to be the global standard for responsible investment and we encourage our external managers to join.”

Niels Erik Petersen
CIO
Unipension, Denmark

“AXA is a long-term global investor with a duty to act in the best interests of its stakeholders, which means understanding the risks and opportunities related to ESG issues in our portfolios. We believe that these factors have the potential to impact investment portfolios over time, therefore affecting risk and returns. But only collective action can produce meaningful change. This is why we are proud to sign the UN-supported Principles for Responsible Investment.”

Henri de Castries
CEO & Chairman
AXA, France

“These Principles serve as valuable platforms for formalising and focusing our responsible investment efforts, raising internal awareness, and providing a common language and set of expectations for our investment partners, our portfolio company management teams, and other stakeholders. We see the value of interacting with, and learning from, others who share this commitment.”

George R. Roberts
Co-Chairman and Co-Founder
Kohlberg Kravis Roberts, USA

“As a firm, we believe that ESG integration goes hand-in-hand with our objective to achieve solid financial returns while at the same time managing risk and taking into account companies' ESG performance. Investing in companies working actively to reduce ESG risks or engaging companies we invest in to do more with respect to ESG, may help to reduce the risk of negative surprises and increase the long-term quality of managed portfolios.”

Tammie Arnold
Managing Director
PIMCO, USA

MESSAGE FROM THE UN SECRETARY-GENERAL

Sustainability is a global imperative. It is my top priority as Secretary-General and the United Nations believes investors are essential partners in achieving it.

Until recently, the implications of sustainability issues for investors and financial markets were poorly understood and largely overlooked. The United Nations-supported Principles for Responsible Investment Initiative (PRI) has helped to correct this oversight by illuminating the financial relevance of environmental, social and governance (ESG) issues and providing a framework for the global investment community to contribute to the development of a more stable and sustainable financial system.

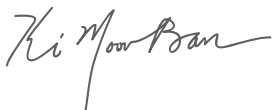
Launched in 2006, the Principles are a set of best practices for responsible investment. Rising numbers of institutional investors – from all regions of the world – are embracing them. Signatories to the Principles are incorporating ESG factors into their investment decision-making and ownership practices in order to enhance financial returns, reduce risk and meet the expectations of their beneficiaries and clients. At the same time, they are directly influencing companies, policymakers and other market participants to improve their performance in these areas. This is delivering tangible benefits to the environment and society as a whole.

The Principles complement the UN Global Compact, which asks companies to embed in their strategies and operations a set of universal principles in the areas of human rights, labour standards, the environment and anti-corruption. They are also a natural extension of the work of the UN Environment Programme Finance Initiative, which has helped sensitise capital markets to the importance of environmental and social issues. Together these initiatives are helping us achieve the future we want.

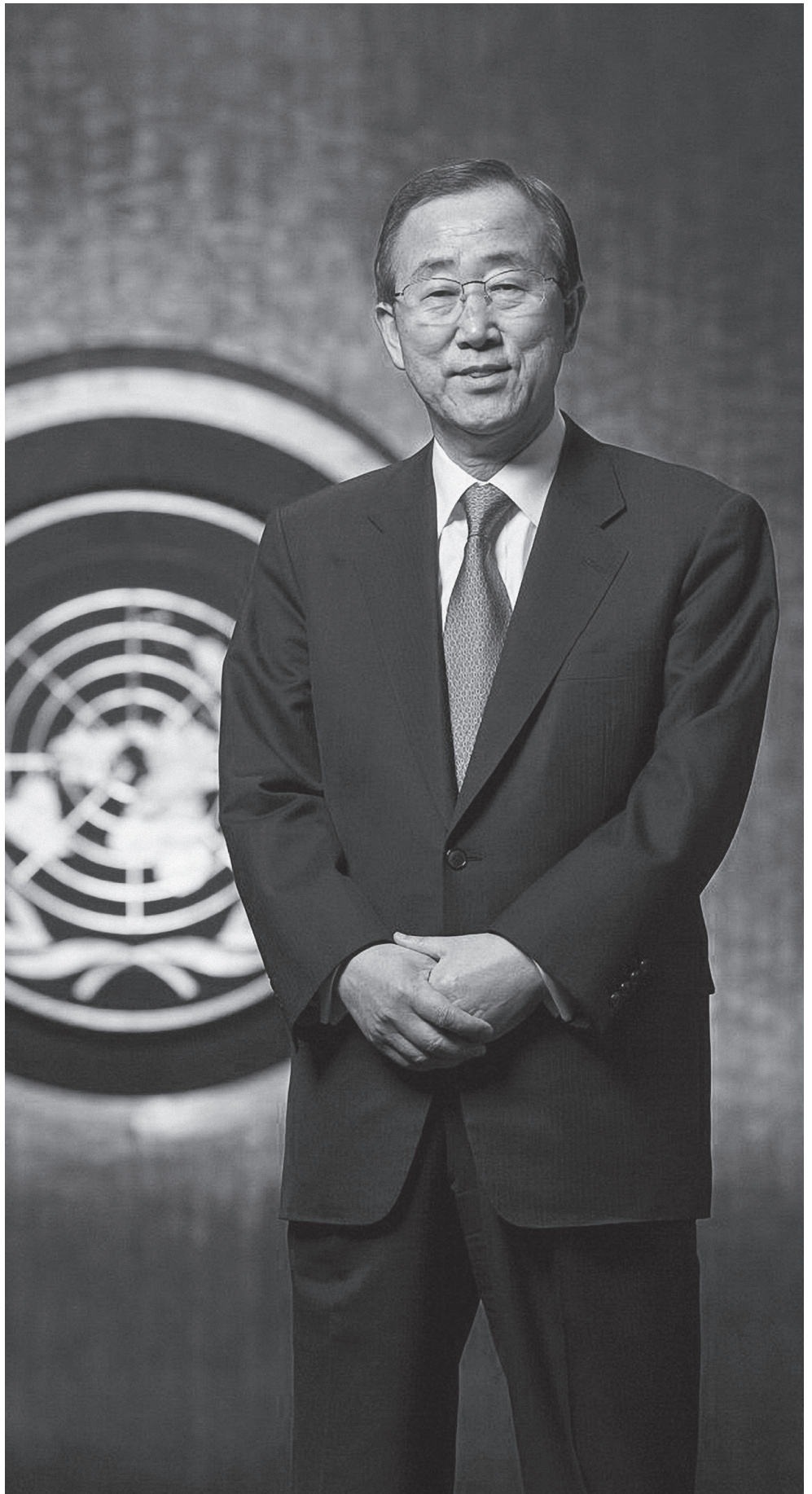
I applaud the leadership of the institutions that have committed themselves to becoming signatories to the Principles. Now they must implement them. It is their responsibility — and it is their opportunity.

I urge investors around the world to join these crucial efforts.

Ban Ki-moon



UN Secretary-General



INTRODUCING RESPONSIBLE INVESTMENT

The world is changing rapidly and we are at a critical juncture - economically, socially and environmentally. While market-based economies have emerged as the dominant system for allocating scarce economic resources, they are giving rise to a growing array of environmental externalities and social impacts.

Most of the world's ecosystems are in decline. Social unrest, ecological devastation, and natural and man-made disasters near and far are directly affecting business — its supply chains, capital flows, employees and profits. The impact of poor governance practices on individual companies and the market as a whole has lifted issues such as board structure, shareholder rights, business ethics, risk management, incentives and executive compensation to the top of the investor agenda.

This raises fundamental questions about the role of the investor in ensuring capital is being allocated in a sustainable manner on behalf of clients and beneficiaries.

WHAT IS RESPONSIBLE INVESTMENT?

- Responsible investment is a process which actively considers environmental, social and governance (ESG) issues within investment decision-making and ownership practices. These considerations inform asset allocation, stock selection, portfolio construction, engagement and voting activities.
- It is driven by a growing recognition that effective research, analysis and management of ESG issues is a fundamental part of assessing the value and performance of an investment over the short, medium and long-term.
- It requires investors to assess the full spectrum of risks and opportunities that may influence the performance of their portfolios in order to allocate capital in a manner that is aligned with the long-term interests of their clients and beneficiaries.

WHY IS IT GROWING?

The strong growth of the PRI Initiative indicates that investors are increasingly aware of ESG factors and seek to incorporate them -- both before they invest and as the ongoing, active owners of shares, bonds and other securities and assets.

The growth of responsible investment is being driven by:

- Recognition of the **financial materiality** of ESG issues for individual companies and the market as a whole.
- Acceptance that integrating these issues forms part of an investor's **fiduciary duty** to its clients and beneficiaries.
- Concerns about the **impact of short-termism** on company performance, investment returns and market behaviour.
- A desire to see companies owned and managed in a way that **more holistically addresses long-term drivers of risk and return**.
- Increasing **public policy measures** requiring investors to exercise their rights and responsibilities as owners, including expectations around voting and engagement.
- Pressure from **competitors seeking to differentiate themselves** via their approach to responsible investment.

INTRODUCING THE PRI INITIATIVE

The United Nations-supported Principles for Responsible Investment (PRI) Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability issues for investors and support signatories to incorporate these into their investment decision-making and ownership practices. By implementing the Principles, signatories contribute to the development of a more sustainable financial system.

The Initiative has quickly become the leading global network for investors to learn about responsible investment and collaborate with their peers, companies and policymakers to generate sustainable, long-term investment returns for their clients and beneficiaries.

In early 2005, the then UN Secretary-General, Kofi Annan, invited a group of the world's largest institutional investors to join a process to develop the Principles. A 20-person Investor Group drawn from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, intergovernmental organisations and civil society. The Principles were launched in April 2006 at the New York Stock Exchange.

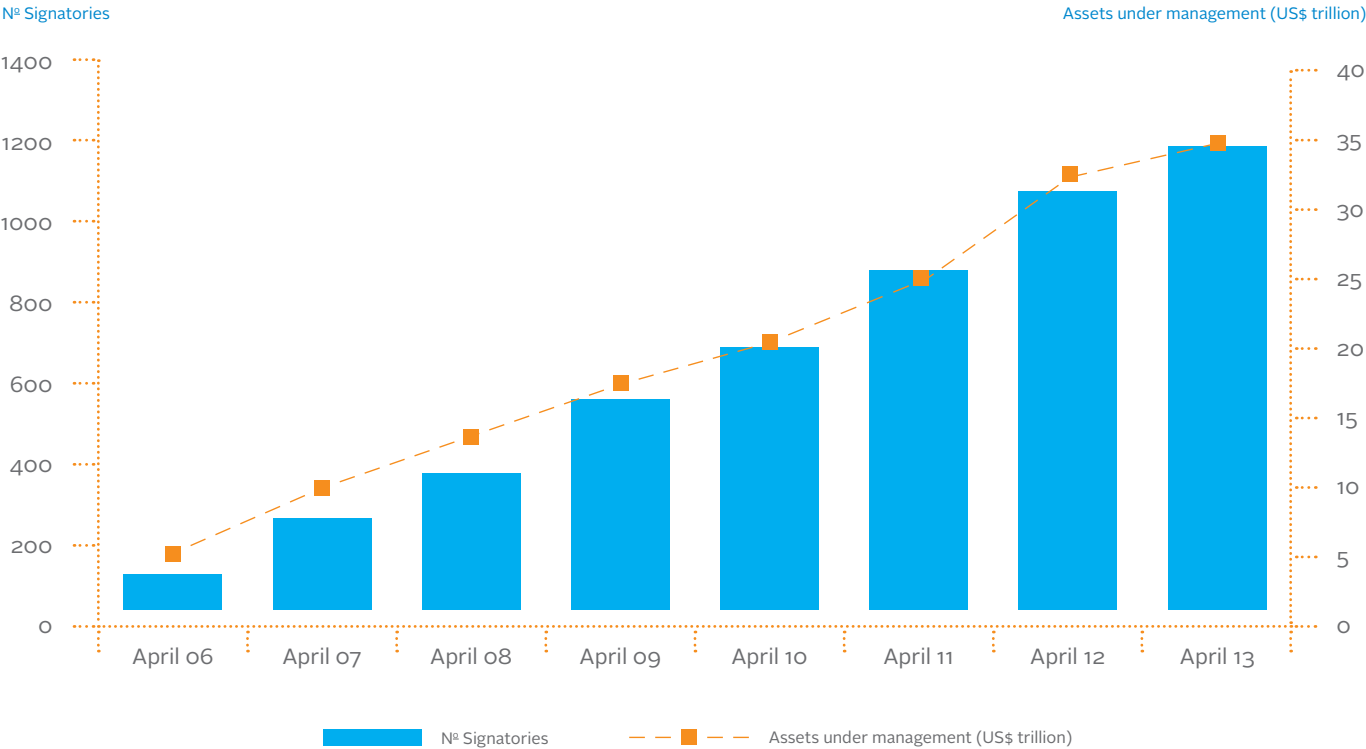


The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organisation's investment strategy, approach and resources. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

The PRI does not advocate or require specific approaches to positive or negative screening based on ESG criteria – though some signatories may find these appropriate. The PRI's approach to responsible ownership focuses on engagement with companies to encourage improved disclosure and management of ESG issues that are important for long-term value creation.

GROWTH OF PRI

The PRI Initiative has grown exponentially since its inception in 2006. Today, it counts nearly 1,200 institutions from more than 50 countries as signatories, including many of the world's largest pension funds, insurance companies, and investment managers. They manage combined assets of more than US \$34 trillion.



THE SIX PRINCIPLES FOR RESPONSIBLE INVESTMENT

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

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

Possible actions:

- Address ESG issues in investment policy statements.
- Support development of ESG-related tools, metrics, and analyses.
- Assess the capabilities of internal investment managers to incorporate ESG issues.
- Assess the capabilities of external investment managers to incorporate ESG issues.
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis.
- Encourage academic and other research on this theme.
- Advocate ESG training for investment professionals.

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

Possible actions:

- Develop and disclose an active ownership policy consistent with the Principles.
- Exercise voting rights or monitor compliance with voting policy (if outsourced).
- Develop an engagement capability (either directly or through outsourcing).
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).
- File shareholder resolutions consistent with long-term ESG considerations.
- Engage with companies on ESG issues.
- Participate in collaborative engagement initiatives.
- Ask investment managers to undertake and report on ESG-related engagement.

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

Possible actions:

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative).
- Ask for ESG issues to be integrated within annual financial reports.
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact).
- Support shareholder initiatives and resolutions promoting ESG disclosure.

4 We will promote acceptance and implementation of the Principles within the investment industry.

Possible actions:

- Include Principles-related requirements in requests for proposals (RFPs).
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate).
- Communicate ESG expectations to investment service providers.
- Revisit relationships with service providers that fail to meet ESG expectations.
- Support the development of tools for benchmarking ESG integration.
- Support regulatory or policy developments that enable implementation of the Principles.

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

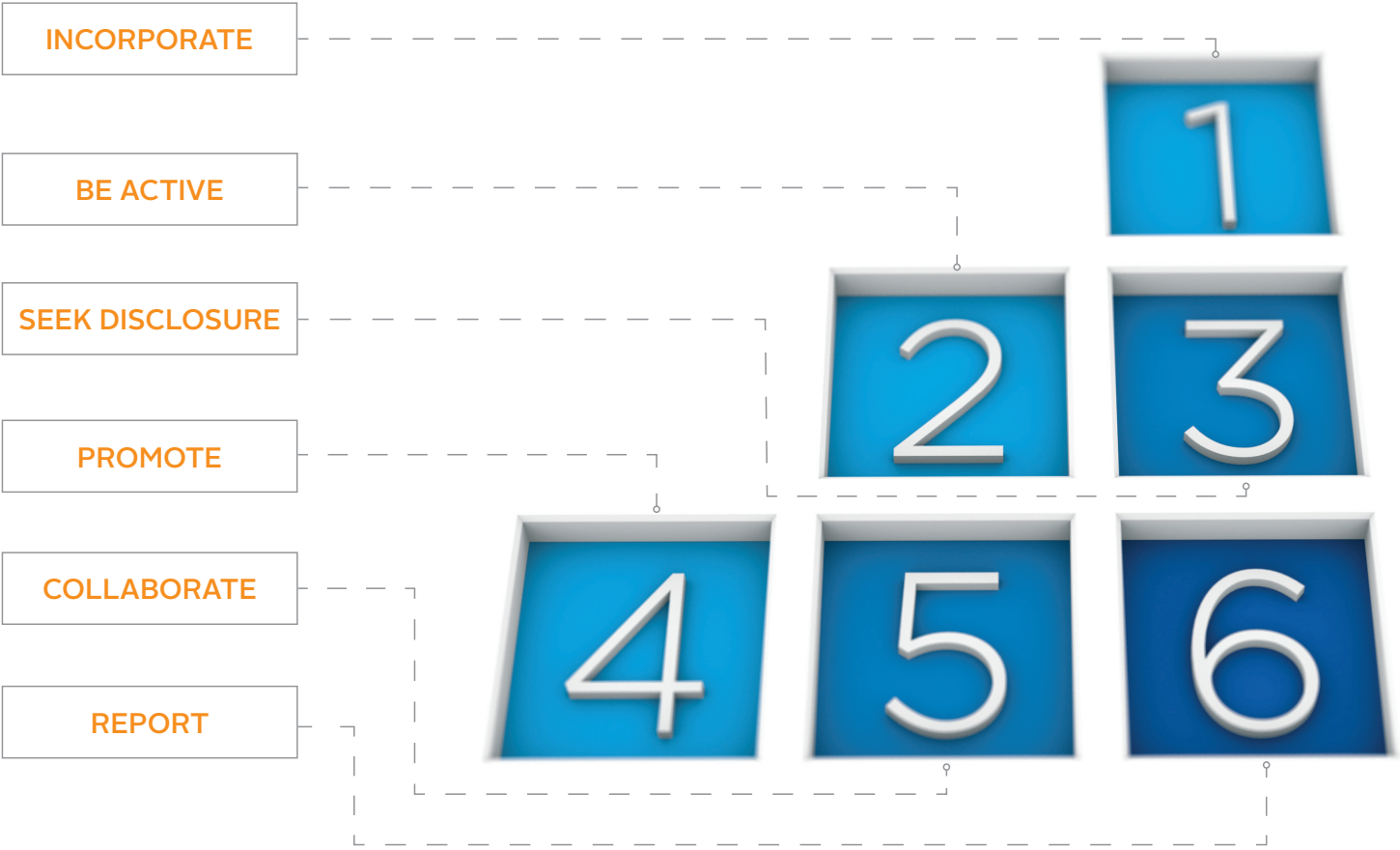
Possible actions:

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning.
- Collectively address relevant emerging issues.
- Develop or support appropriate collaborative initiatives.

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

Possible actions:

- Disclose how ESG issues are integrated within investment practices.
- Disclose active ownership activities (voting, engagement, and/or policy dialogue).
- Disclose what is required from service providers in relation to the Principles.
- Communicate with beneficiaries about ESG issues and the Principles.
- Report on progress and/or achievements relating to the Principles.
- Seek to determine the impact of the Principles.
- Make use of reporting to raise awareness among a broader group of stakeholders.



The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

WE ENCOURAGE OTHER INVESTORS TO ADOPT THE PRINCIPLES.

WHY JOIN THE PRI?

Becoming a signatory to the PRI Initiative allows you to publicly demonstrate your commitment to responsible investment and places your organisation at the heart of a global community seeking to build a more sustainable financial system. It provides a high-level framework for integrating ESG issues into investment decision-making and ownership practices within the bounds of investors' fiduciary duties and offers a comprehensive range of tools and resources to support signatories.

■ Access a growing range of **PRI Implementation Support** resources to explore the case for integrating ESG issues and learn how to implement the Principles in a systematic way across asset classes.

IMPLEMENTATION SUPPORT

Supports signatories to implement the Principles by facilitating debate and publishing guidance documents, case studies, discussion papers, tools and webinars. Work streams are structured by asset class or area of signatory interest:

- Listed Equity
- Fixed Income
- Private Equity
- Property
- Infrastructure
- Commodities & Related Investments
- Hedge Funds
- Environmental and Social Themed Investing
- Small & Resource -Constrained Signatories

Examples of recent publications include:

- *Guide to Writing a Responsible Investment Policy*
- *Responsible investment in Private Equity: a guide for Limited Partners*
- *Responsible investment in Hedge Funds: a Discussion Paper*
- *Responsible investment in Infrastructure: a compendium of case studies*
- *Responsible investment in Farmland: a compendium of case studies*
- *Implementation of the PRI by small and resource constrained investors*

■ Collaborate with your peers in the **PRI Clearinghouse**, an online platform of investors seeking dialogue with companies, policymakers, and other stakeholders to advocate for improved disclosure and management of ESG issues.

CLEARINGHOUSE

The PRI Clearinghouse is the world's leading global platform for collaborative initiatives. It provides investors investors with a private forum to pool resources, share information, and better engage with companies, policymakers and other actors in the investment value chain on ESG issues across different sectors and regions.

The Clearinghouse team coordinates collaborations on proxy voting and engagement activities on a selection of issues and themes prioritised by signatories, and also publishes research and guidance to support and inform shareholder engagements.

Examples of engagement topics include:

- Anti-corruption
- Director nomination processes
- Carbon emission reduction
- Responsible business in conflict-affected and high risk areas
- ESG and executive remuneration
- Fracking
- Human capital management
- Integrated reporting
- Supply chain labour standards
- Sustainable palm oil
- Sustainable stock exchanges
- Water risks

■ Monitor and communicate your progress towards implementing responsible investment and track progress relative to your peers via the **PRI Reporting Framework**.

REPORTING AND ASSESSMENT

Since 2007, the PRI has been helping signatories report on their progress towards implementing the Principles through the annual reporting and assessment process. The PRI Reporting Framework is the global standard for reporting and assessing responsible investment activities and capabilities.

With investors, policymakers and other stakeholders demanding increased transparency, the new framework will allow signatories to demonstrate to their clients, beneficiaries and other stakeholders how they take ESG issues into account in their investment processes and ownership practices. It will capture and disclose the most relevant information relating to their activities and progress in a consistent and systematic way using a common language.

Reporting and assessment helps signatories gain a better understanding of where their organisation sits in relation to its peers and competitors at a local and global level, and across asset classes. By providing confidential, independent feedback on progress and identifying future areas for improvement, it creates opportunities for ongoing learning and development. It will also support asset owners in their dialogues with, and review and selection of, investment managers.

In addition to ongoing opportunities to network, collaborate and learn from their peers via working groups, signatories can participate in more than 100 online and in-person events and webinars hosted by the Initiative around the world each year, including the annual signatory-only event, *PRI in Person*. Like the PRI Initiative as a whole, its agenda is designed to offer something for every signatory, regardless of their size, location, asset class focus, style of responsible investment or progress towards implementation.

- Join local groups of signatories in **PRI Networks** to gain implementation support at the local and regional level, and coordinate with peers to engage with local companies.

NETWORKS

Networks provide implementation support for signatories at a local or regional level, translating resources into local languages, coordinating engagements with local companies and addressing issues raised by national regulation. Networks are supported by dedicated network managers and local-language pages on the PRI signatory extranet.

Networks are active in:

- Brazil
- Germany
- Japan
- Australia
- South Africa
- South Korea

Networks are emerging in Canada, the Nordic region and the United States.

Signatory clusters can also be found in:

- France
- Switzerland
- United Kingdom

- Leverage the **PRI Academic Network** to draw on the latest research from business schools, scholars and academics on emerging best practice in ESG analysis and integration.

ACADEMIC NETWORK

The Academic Network is a community of business schools, academics, practitioners, policymakers and students that develops and disseminates high-quality research on critical responsible investment topics, and supports capacity-building through conferences and workshops.

The research agenda is organised in five thematic areas:

- Responsible investment strategies
- Shareholder engagement and collective action
- Public policy and regulation
- Organisations and organisational change.
- Systemic change

- **Contribute** to the development of a more sustainable global financial system by helping to identify and overcome strategic barriers to responsible investment, ensuring your interests are aligned with those of your clients and beneficiaries.

RESEARCH AND PUBLIC POLICY

The global financial crisis demonstrated that macro-level ESG and systemic issues relating to the structure, regulation and governance of the financial markets have the ability to undermine progress towards responsible investment. To reflect the growing focus of many PRI signatories on these issues, the Initiative conducts practical, action-oriented research in collaboration with signatories into how interests can be better aligned along the investment chain to promote sustainable, long-term returns and how public policy can support this objective.

WHAT DO SIGNATORIES COMMIT TO?

Signatories fall into three categories: asset owners, investment managers and professional service providers. By becoming a signatory, organisations commit to:

- Implementing the Principles
- Paying an annual membership fee, based on their size and category
- Completing the PRI Reporting Framework each year to highlight how they are implementing the Principles (asset owners and investment managers).

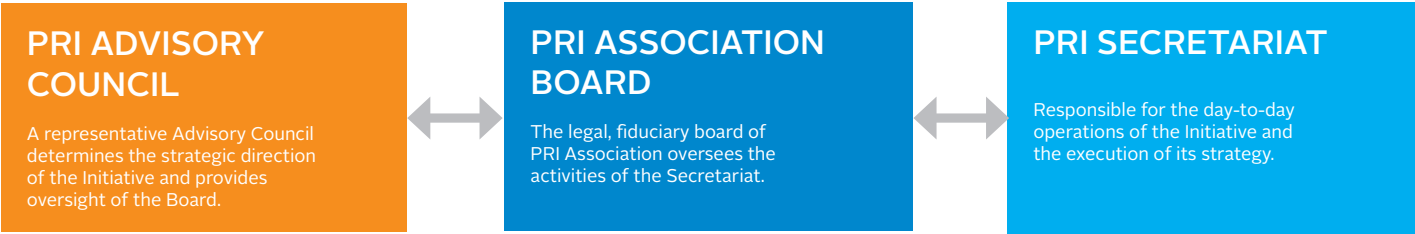
REPORTING FRAMEWORK

The Reporting Framework is the key mechanism by which investors monitor and evaluate progress towards implementation of the Principles in a transparent manner.

Asset owner and investment manager signatories must complete the reporting process each year and receive a customised responsible investment report tailored to their organisation. There is a grace period of one year for new signatories before reporting becomes mandatory to enable them to learn from their peers and determine how best to monitor and report their activities.

GOVERNANCE

The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact. The Initiative is governed through a 16-person Advisory Council. The asset owner members of the Council appoint a seven-person Board, which provides legal, fiduciary oversight of the UK-based PRI Association, which oversees the activities of the PRI Secretariat. The PRI receives no financial support from the United Nations to carry out its work.



16 COUNCIL MEMBERS

Made up of signatories from every category and region: Nine asset owners two UN representatives and a Chair.

Frequency: Meets in person at least twice annually.

Term: Three years with a maximum of three consecutive terms. Additional terms can be served following a one year break.

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 Council.

7 BOARD MEMBERS

Skills-based, with a policy to have a majority of asset owner representatives, and the Chair.

Frequency: Meets in person at least four times annually and by teleconference a further four times.

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

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

4 PERSON EXECUTIVE COMMITTEE

Made up of an Executive Director, Managing Director, Director of Research and Public Policy and Director of Finance and Operations.

The Executive Director and Managing Director both report to the Board.



PRI MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

OUR UN PARTNERS

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

UN Global Compact

Launched in 2000, the United Nations Global Compact is 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 ten 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

OUR CONTACT DETAILS

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