

UN-Convened Net Zero Asset Owner Alliance Governance

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Acronyms

AO	Asset Owner
ESG	environmental, social, governance
GHG	greenhouse gas
IPCC	Intergovernmental Panel on Climate Change
PRI	PRI Association
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
WWF	World Wide Fund For Nature

Background

The United Nations-convened Net-Zero Asset Owner Alliance (the **Alliance**) is an UN-convened, Asset Owner-led Alliance which commits to the following (**Commitment**):

The members of the Alliance commit to transitioning their investment portfolios to net-zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5C degrees above pre-industrial temperatures, taking into account the best available scientific knowledge including the findings of the IPCC, and regularly reporting on progress, including establishing intermediate targets every five years in line with Paris Agreement Article 4.9.

In order to meet fiduciary duties of the AO members to manage risks and achieve target investment returns, this Commitment must be embedded in a holistic ESG approach, incorporating but not limited to, climate change, and must emphasize GHG emissions reduction outcomes in the real economy.

Members will seek to reach this Commitment especially through advocating for, and engaging on, corporate and industry action, as well as public policies, for a low-carbon transition of economic sectors in line with science and under consideration of associated social impacts.

This Commitment is made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met.

- The Commitment underlying the Alliance is captured in the Commitment Form/Document which can be found on the webpage of the Alliance, here: <https://www.unepfi.org/wordpress/wp-content/uploads/2020/03/04-UN-AOA-Commitment-doc-D10.pdf>. It is by signature and submission of this Commitment Document that an AO joins the Alliance. Only AOs who are members of PRI are eligible to join the Alliance but membership is otherwise open to all AOs who are domiciled in jurisdictions recognised by the United Nations.

The Alliance was established by UNEP FI and PRI with a group of 12 founding members and officially launched to the public on Sept 23rd, 2019. The Alliance is made up of signatories to the Principles for Responsible Investment and aims to scale up rapidly. Thus, a sound, effective and efficient governance structure is required and is outlined in this document (**Document**).

The Alliance is a joint initiative of, and convened by, the UNEP FI and PRI. Together UNEP FI and PRI provide the secretariat functions of the Alliance. The operations and activities of the Alliance will be carried out fully in recognition of, consistency and alignment with PRI's and UNEP FI's rules, regulations and mandates, ensuring that PRI and UNEP FI are able to meet their legal and regulatory requirements.

WWF and Global Optimism are Strategic Advisors to the Alliance. Additional such advisors are anticipated.

The Alliance is UN-convened and AO led. Therefore, all AO members, alongside the UN-affiliated conveners, have wide-ranging responsibilities to contribute to the Alliance, its governance, its strategy and the execution of its intended actions as set out in this Document.

Regular meetings of all AOs in the Alliance, UNEP FI, PRI, Global Optimism and WWF will take place each year and will provide input to the scope of actions for the upcoming year.

All AOs in the Alliance are encouraged to take leadership roles as leads of Work Tracks and will lead the engagement with their own portfolio companies.

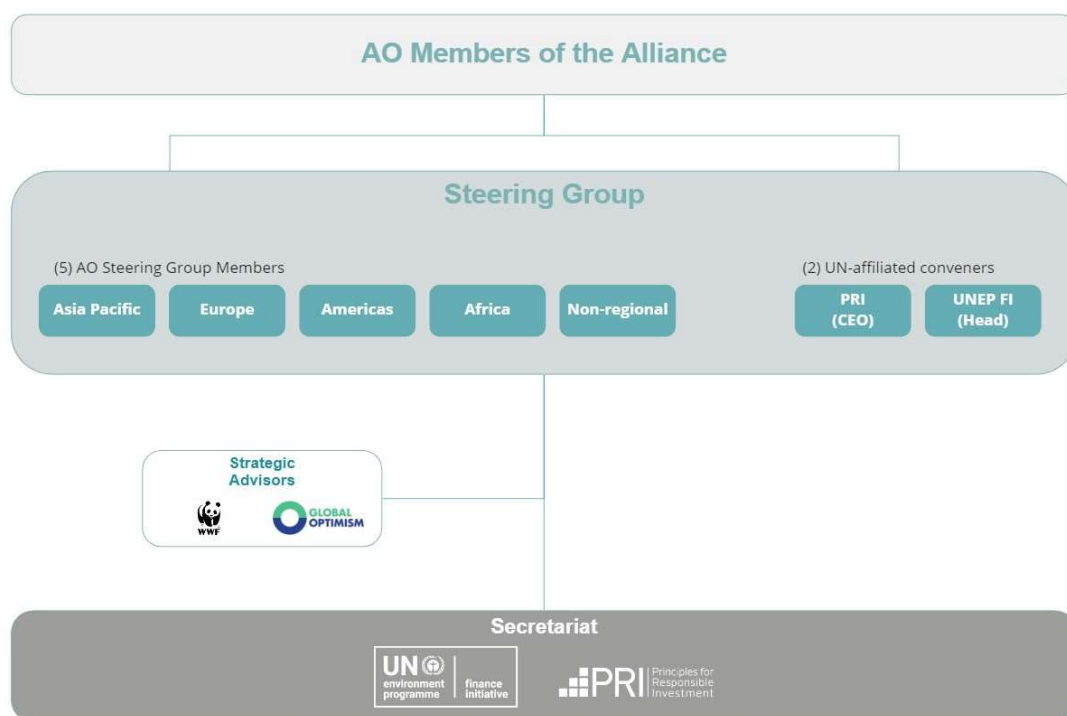
By signing and submitting the Alliance Commitment Document, the AO member of the Alliance agree to pay a fee to the Alliance, via the Alliance Secretariat, in addition to their membership fees of PRI and/or UNEP FI, on an annual basis to ensure that the necessary programs and Work Tracks can be undertaken.

The Alliance is a strategic alliance and nothing about the Alliance is intended to, or shall be deemed to, establish any legally binding partnership or legally binding joint venture between UNEP FI and PRI or between them and any other AO member, or between any of the AO members, or to constitute

any of those persons the agent of another, or authorise any of those persons to make or enter into any commitments for or on behalf of any other person.

Structure

The following diagram reflects the structure of the Alliance, led by the Alliance Steering Group, and supported by the Strategic Advisors and the Secretariat comprised of the convening organisations. Institutional logos will be updated where required. The Group will aspire to regional balance as depicted below in time and as the Alliance grows to achieve global coverage.



Review of Governance Structure

The Governance Structure will be reviewed every two (2) years in the six (6) months before each new term of the Steering Group to ensure the structure suits current needs.

Roles and Responsibilities of Steering Group

The Steering Group will be comprised of the two (2) UN-affiliated conveners (PRI and UNEP FI) and five (5) AO members (representatives at CEO or CIO level, or similar) (**AO Steering Group Members** and, together with PRI and UNEP FI, **Steering Group Members**). Strategic Advisors will assist and advise the Steering Group in all of its interactions.

— AO Steering Group Members shall be elected on a bi-annual rotation from the AO members of the Alliance with an aim to enable global representation. The Head of UNEP FI and the CEO of PRI will be permanent members of the Steering Group. Elections will be held 3 months ahead of the end of tenure of each Steering Group.

The Alliance, including its Steering Group, works within the aims of the United Nations and specifically UNEP and PRI.

Specific Responsibilities of the Steering Group

Steering Group has the responsibilities listed below. The Steering Group convenes both at the level of the 'Principals' (the formally elected individuals at the level of: CEO or member of Group Executive Committee) as well as, more frequently, at 'working level' (where each Principal is represented by a designated colleague from the same organisation). Whenever feasible and appropriate the Steering Group will carry out its responsibilities at 'working level' and elevate matters to the Steering Group at 'Principals level' only when deemed appropriate, warranted and/or useful.

- Set strategic direction of the Alliance to meet the net zero by 2050 objective, by approving all strategic, directional interventions of the Alliance
- Understand the goals, objectives, and desired outcomes of the Alliance
- Understand and represent the interests of Alliance stakeholders, including as spokespeople for the Alliance
- Guide technical work on progress reporting towards the achievement of the Alliance's commitment
- Endorse the review and development of methodologies
- Endorse the advocacy and engagement of the Alliance on policy matters globally and domestically

- Endorse the development of the engagement approach used with portfolio companies
- Steer Alliance members with respect to best practice
- Liaise with complementary initiatives
- Define the growth strategy for the Alliance and lead on the engagement with potential new members
- Review on a periodic basis the governance structure of the Alliance

Election and Terms of Steering Group

The Steering Group will serve for a period of two (2) years starting on 01 January with an overlap of one month with previous Steering Group members.

Members of the AO Steering Group shall be elected by a simple majority of all Alliance members voting in favour. Each Alliance member shall have one vote. Voting will take place three (3) months prior to the end of the term to elect [five (5)] AO members to the Steering Group. The serving AO Steering Group Members are eligible for re-election to a maximum of two (2) additional terms. UNEP FI and PRI shall always have a right of permanent representation of the Steering Group.

A Chairperson will be elected from the AO Steering Group Members by simple majority of the AO Steering Group Members. For continuity, the first Chairperson will serve for a period of three (3) years, ensuring ease of transition as the Steering Group transitions at the two (2) year mark. Thereafter, the Chairperson election and the Steering Group composition will take place on alternating years.

A Chairperson of the Alliance Steering Group can stand for re-election twice, subject to prior re-appointment to a vacant seat on the Steering Group.

Decision-making of the Steering Group

Frequency of Meetings

Meetings of the Steering Group will take place at least semi-annually and shall be no more than six (6) months apart. Attendance can be in person, by telephone or video conference.

Voting Rights

Steering Group decisions will be subject to a vote and each Steering Group Member has one vote. A decision will be deemed to have been approved if it has received the following votes (votes can be conducted in person or in writing, including by email):

- a) For decisions affecting the Secretariat, a minimum of 2 votes from UN affiliated Steering Group members and a minimum of 3 votes from AO Steering Group Members
- b) For general decisions of the Alliance, a minimum of 1 vote from UN affiliated Steering Group members and a minimum of 3 votes from AO Steering Group Members
- c) For decisions pertaining to the operations and investments of the AO members but still requiring an Alliance stance, a minimum of 3 votes from AO Steering Group Members

Definitions and examples of each of the three decision categories provided above (a., b., and c.) are provided in Annex A to this document.

The decisions or recommendations of the Steering Group do not constitute financial or professional advice and matters that pertain to the investment strategy and operations of each AO member, such as specific portfolio-level targets, naturally remain within the exclusive, sole decision-making of the asset owner at hand.

Quorum

For all Steering Group decisions, the presence of a minimum number of 4 (four) AO Steering Group Members and the 2 (two) UN-affiliated Steering Group Members is required.

Roles and Responsibilities of the Alliance Full Membership ('All Members' and 'All Principals')

All AO members of the Alliance convene quarterly. One convening per quarter takes place at 'working level', while a second convening per quarter takes place at the level of the AO 'Principals' ('All Principals' meetings).

These convenings serve to continuously inform the full Alliance membership on the ongoing work of the Work Tracks, and to facilitate discussions and consultations among all members, on relevant topics, including proposals for future Alliance outputs and deliverables, in line with the Alliance Standard Operating Procedures. Importantly, at the end of each year these convenings serve to brief and consult the full Alliance membership on the Alliance's work plan and priorities for the consecutive year, including on the Steering Group's envisioned milestones and targets.

Occasionally these convenings will also serve for the Alliance to make decisions that cannot be made by the Alliance Steering Group, either because they pertain to fundamental Alliance matters that lie outside the Steering Group's agency or because the Steering Group decides to defer them to the full Alliance membership in light of identified sensitivities. The Alliance's Standard Operating Procedures Document further specifies when decisions are deferred from the Alliance Steering Group to the full Alliance membership.

When decisions are tabled for a decision by the Alliance full membership, this happens at the level of 'All Principals'. 'All Principals' are given a period of at least two weeks to prepare for and execute a decision.

Decision-making by 'All Principals'

Decisions by 'All Principals' will be subject to a vote and each member has one vote. A motion is carried by at least 75% of the quorum (votes can be conducted in person or in writing, including by email).

Quorum

The quorum for such decisions is 75% of Alliance members (75% of Alliance Principals).

Role and Responsibilities of the Strategic Advisors

The Strategic Advisors will advise the Alliance on strategic, policy and technical matters of relevance to the Alliance. Founding Strategic Advisors are WWF and Mission 2020 (which has evolved to become Global Optimism)

Specific Responsibilities of the Strategic Advisors

Strategic Advisors have the following responsibilities:

- Understand the goals, objectives, and desired outcomes of the Alliance
- Contribute to setting the strategic direction and reinforcing leadership of the Alliance by attending regular meetings (and contributing to the tasks decided there)
- Advise on relevant scientific and methodological advances relevant to the achievement of the Alliance's commitment
- Review and provide feedback on respective reporting of the Alliance and its members as well as on the quantitative targets of the members

- Support the Alliance in establishing linkages and ensuring regular communications with related initiatives
- Advise on relevant political, policy engagement, or strategic matters relevant to the progress of Alliance members towards the achievement of the Alliance's Commitment.

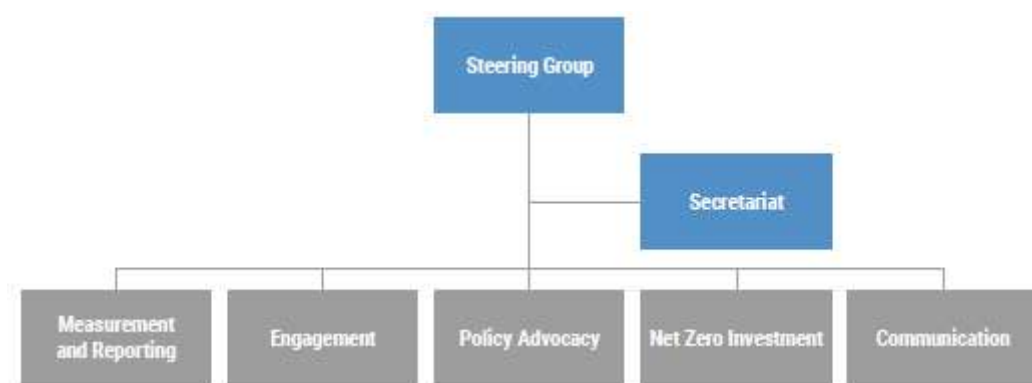
Election and Terms of Strategic Advisors

Strategic Advisors will be identified on a needs-basis by the Steering Group and Secretariat with respect to a scientific or strategic gap in the overall structure of the Alliance.

The Secretariat and/or AO members of the Alliance can nominate new Strategic Advisors to be voted on by the Steering Group. The Steering Group may then elect any number of Strategic Advisors through a simple majority vote. The existing Strategic Advisors will be reviewed every 2 (two) years at entry of the new Steering Group.

Role and Responsibilities of Work Tracks & Track Leads

The efforts and implementation of the Alliance will be undertaken and operationalised by working groups of Alliance members grouped into Tracks.



1. **MRV Track** – Will work to establish a framework for Alliance target-setting and reporting
2. **Engagement Track** – Will advance engagements with sectors, companies and asset managers
3. **Policy Track** – Will advance engagement and policy asks with policymakers
4. **Financing Transition** – Will develop practices through which asset owners can support the growth of supply side opportunities and investments

5. **Communication** – Will ensure transparent and public communication of the content from the above tracks

Specific Responsibilities of the Track Leads

Track Leads are supported by Secretariat Track Managers. Track Leads have the following responsibilities:

- Understand the goals, objectives, and desired outcomes of the Track
- Lead a constructive and collective dialogue on Track content
- Lead on the implementation of the Track work and the achievement of Track milestones and objectives
- Be an expert in the track topics
- Be able to practice and drive growth in the practices defined by the track
- Engage with collaborative initiatives which have similar objectives in collaboration with Secretariat Track Management on behalf of the Alliance
- Advise on relevant scientific and methodological advances relevant to the achievement of the Alliance's commitment

Election and Terms of Track Leads

The AO organisation hosting Track Leads will rotate, at maximum, annually and, at minimum bi-annually, if possible They will be elected in November of the corresponding year, so as to overlap with existing Track lead for the final month of the year. Peer and self-nominations will be shared to Secretariat Track Manager in October, nominees will be made aware of their nomination in the first half of November, and, if necessary, elections will be held in the second half of November by simple majority among Track members. Two Co-Leads are encouraged, ideally one from the Steering Group (at working level) to maintain effective and efficient integration and Alliance-internal communications.

Role and Responsibilities of the UN Secretariat

The role of the Secretariat will be provided by UNEP FI in collaboration with PRI. The Secretariat will be staffed full time by at least one member of each institution. The principal representatives of the institutions will serve as the Co-Chairs of the Secretariat.

Specific Responsibilities of the Secretariat

Specific responsibilities of the Secretariat are to:

- Ensure that the Alliance meets objectives in-time and in-budget, and that it does so following the general direction provided by the Alliance Steering Group. To that effect, the Secretariat is empowered to make operational decisions as a matter of due course, while strategic decisions remain the responsibility of the Steering Group;
- Supports Steering Group and the Strategic Advisors;
- Convene and provide requested input on strategic direction of the Alliance;
- Coordinate regular meetings;
- Provide advice and guidance on political, technical and structural matters facing the Alliance;
- Prepare and conduct regular virtual calls of the working group(s) that address political, technical and structural matters;
- Manage a secretarial budget;
- Support Alliance communication
- Manage strategic outreach to potential allies and key partners, establishing linkages and regular communications with related initiatives (e.g. Investor Agenda, Climate Action 100+, etc.);
- Provide a common platform to enable impact reporting and coordinate the peer-assessment of progress, including support via website presence;
- Seek expert input and enable the technical review of decarbonisation progress as reported by the AOs;
- Use its authority and structures to assist the project in achieving its outcomes;

Terms of Secretariat

The Secretariat will be provided by UNEP FI and PRI for the life of the Alliance.

Decision-making processes for Alliance products and outputs

The governance of, and decision-making processes on, specifically the development and publication of Alliance products and outputs is established jointly through this present Alliance Governance document, in tandem with the document specifying the Alliance's Standard Operating Procedures.

Accountability Mechanism

The Alliance supports members in meeting Alliance requirements. Delisting of a member is a last resort that gets triggered if a member has not met minimum requirements within a specified

timeframe, typically if the member has not engaged with fellow members and the Secretariat and/or there are clear indications that engagement has failed and progress had not been made.

The Alliance Commitment document and Target Setting Protocol (TSP) outline the target-setting and reporting requirements that are core to Alliance membership.

There are six minimum requirements that Alliance members must meet. If a member is unable to meet one or several of these minimum requirements the member shall provide and disclose reasonable explanation as to why that is.

1. Setting intermediate individual targets, in line with the Alliance's Target-Setting Protocol (TSP), within 12 months of joining. As per the TSP intermediate targets shall include targets on a minimum of three (3) of the four (4) target categories set out in the Protocol.
2. Publishing intermediate individual targets.
3. Annually disclosing publicly on progress towards intermediate individual targets, including on investment portfolios' emissions profile and emissions reductions.
4. Reporting intermediate individual targets and annually on progress towards intermediate individual targets, via the internal Alliance reporting template/tool for aggregation and publication in the Alliance progress report.
5. Paying membership fees within thirty days of invoicing. The Alliance's membership fee structure is established by the Steering Group and is at all times publicly accessible on the Alliance's website.
6. Where the Alliance has or establishes a Position, considering to¹ adopt and publish, where applicable, a corresponding individual investment policy or approach², informed by the Alliance's Position, as applicable within twelve months of joining the Alliance, or within twelve months of publication of the Alliance Position. Key elements of an individual investment policy or approach shall be in line with the Alliance's published Position. Members can point to the

¹ In cases where my organisation chooses not to adopt or publish, where applicable, a corresponding individual investment policy or approach, my organisation will provide an explanation as to why that is.

² The scope of the Alliance, including its Governance and minimum requirements, is the investments, so the financial assets and holdings, of members. Not in scope are other business lines or activities of members.

Alliance's Position (published on the Alliance website) and/or join initiatives in line with the Alliance's Position.

Engagement and member delisting process

The Alliance has a variety of members at different stages of their net zero journey; therefore the Alliance seeks to provide them with sufficient time to implement the minimum requirements. The process for member engagement and delisting will include:

- Execution of engagement and member delisting by the Secretariat, drawing on the Alliance Steering Group as needed;
- Notification privately by the Secretariat of failure to meet the minimum requirements and a request to do so within six months;
- In-depth engagement and support by the Secretariat to implement necessary changes to meet the minimum requirements; and
- Review and if necessary member delisting, based on a decision by the Alliance Steering Group, after six months if the requirements are not met and as a last resort following unsuccessful engagement over a six-month period.

Alliance members can choose to voluntarily leave the Alliance at any stage in the engagement and member delisting process. Alliance members leaving the Alliance will have their name removed from the list of members on the Alliance's website.

A strict non-disclosure agreement (NDA) will be executed between the concerned member and the Alliance to ensure that the ongoing engagement and the result thereof cannot be communicated outside the Alliance. Also, to the extent a member is delisted from the Alliance, such a member is still bound by the NDA and as such cannot communicate on the internal processes and workings of the Alliance also after leaving the Alliance.

Confidentiality, competition law and conflicts of interest

Any non-public information disclosed or opinions expressed during meetings will be treated as confidential unless and until the Alliance has authorised public release. Competitively sensitive information should not be shared with other members; members should check the competition law guidance produced by Freshfields on the Alliance extranet. Members may be exposed to confidential information in the course of their work. Members' staff may see documents relating to meetings, but

unnecessary involvement of third parties in handling this material is strongly discouraged. Material non-public information should not be shared with other members. To the extent any members believe that they have been exposed to material non-public information, they are reminded of their legal obligations in relation to such information, including under relevant market abuse regulations.

In all cases where third parties are provided access to documents relating to meetings (e.g. assistants or advisors), or positions still marked as confidential, internal or embargoed, individual members are expected to accept responsibility for ensuring that those third parties are aware of and respect the confidentiality and sensitivity which is attached to the discussions and documents in question.

Material failures to meet confidentiality requirements will be escalated to the Steering Group and could result in removal of a member.

Annex A – Definitions and examples of Steering Group decision categories

a) ‘Decisions affecting the Secretariat’

Definition: decisions that pertain to the internal, operational functioning of the Alliance, and its Secretariat, but have strategic/longer term implications so fall outside the immediate decision-making power of the Secretariat.

Examples:

- Approval of Alliance annual budgets
- Approval of Alliance fundraising plans and strategies
- Approval of Secretariat annual staffing plans
- Approval of Alliance standard operating procedures
- Etc.

b) ‘General decisions of the Alliance’

Definition: decisions that pertain to the external (‘among stakeholders’) relationships and partnerships of the Alliance; decisions made to ensure the outward reputation and credibility of the Alliance.

Examples:

- Approval of Alliance partnerships
- Approval of additions to the Strategic Advisors
- Approval of Alliance reports and formal documents for external publication or consultation (including Alliance Positions that require Steering Group sign-off)
- Etc.

c) ‘Decisions pertaining to the operations and investments of the AO members but still requiring an Alliance stance’

Definition: decisions that will have an immediate bearing on the portfolios and activities of AOs in the Alliance but which, for purposes of the Alliance AO members ‘acting in concert’, require guidance or a common approach that are Alliance-wide.

Examples:

- Approval of approaches, ‘logics’ and metrics for portfolio target-setting

- Approval of approaches, 'logics' and metrics for quantitative reporting on progress towards targets
- Approval of engagement-related and/or financing-related guidance for Alliance members
- Etc