

# Terms of Reference – PRI Sustainable Commodities Practitioners' Group

## A. INTRODUCTION

Deforestation is a very material risk for investors, beyond climate it also drives reputational risks related to aware consumers and environmental organisations. Traceability technology and tools can identify investors and thousands of companies along the supply chain connected to deforestation and expose them to liability and rapid loss of market share. New legislation for climate related financial disclosure regarding deforestation is expected and regulatory and legal risks are also of concern.

However, deforestation is largely overlooked by investors: lack of awareness, inadequate measurement tools and the sector's complexity, are some of the reasons. Amongst the PRI Investor Working Groups within the Sustainable Commodities Programme, 85% of investors do not have yet a distinct deforestation policy and only 5% have a defined process to assess deforestation as risk.

Individual investors still find it difficult to establish a direct correlation of their holdings with deforestation on the ground. Either because they believe that deforestation is associated only with commodity traders and producers and not with other parts of the value chains which include food processors, retailers and banks or because deforestation risk is spread thinly through diversified portfolios.

As a result, investors do not perceive that they have a role in tackling deforestation, nor see it as a material risk. Nonetheless, as a collective, they are key component in solving the problem.

To date, the PRI has focused on facilitating individual investors to engage collaboratively with target companies. It has now become clear that there is an opportunity to broaden this format, and to convene investors through a practitioners' group which will promote understanding of deforestation as a financial and systemic risk and clear actionable steps.

The aim of this practitioner group is to support signatories to address deforestation as a systemic risk, share their practices and begin to align their asks, metrics, and practices in collaboration with technical experts.

## B. OBJECTIVES

The aims of this practitioners' group are to bring together investors to:

1. Address deforestation as a systemic risk and begin to align their asks, metrics, and practices in collaboration with technical experts and advisors
2. Establish the foundations for the tools and processes that are needed to act upon deforestation,
3. Align policies and practices, agreeing on effective engagement strategies supported by clear metrics, and reporting on targets.
4. Encourage the construction of a common narrative as well as future guidance on best practices in relation to addressing deforestation within investor portfolios.

Specific objectives for each session are included in Section E of this document.

## C. MEMBERS

These terms of reference apply to the PRI's Sustainable Commodities practitioners' group, which is a group of asset owners and asset managers organisations. Members join the group in their capacity as representatives of their organisations and must comply with the following criteria:

- Proactive interest and ability to contribute expertise, experience and time.
- Participants must be PRI signatories.

The group will be functional until the program of activities in section E has been completed.

## D. RESPONSIBILITIES

### **PRI Executive**

The PRI plays an active role in leading and coordinating the group and commits to:

- Defining project objectives, strategy and timelines, based on input from the practitioner group
- Providing strategic and organisational guidance and administrative support
- Provide expertise from either internal or external sources, convening, and facilitating regular meetings of the practitioners group
- Coordinating meetings, providing agendas, producing meeting minutes, briefings and publications, etc.
- Ensuring the group moves forward and adheres to agreed timelines
- Ensuring initiatives continue to support the PRI principles and overall strategy

Following appropriate input from members of the practitioner's group, the Executive at all times retains ownership and final sign-off of any outputs that are published under the name of the PRI, including events, research or outcomes documents. The Executive is responsible for the timelines, resources and budget that have been allocated to the project.

## Practitioners group members

This group is focussed on addressing deforestation as a financial and systemic risk to portfolios *in practice*. For that reason, members should be prepared to **test and report back** on learning from the practices adopted as a result of discussions within the practitioners' group (This could be a partial test, for example certain sectors or holdings).

Members should also be available to:

- Advise on the focus, objectives and scope of the practitioner's group
- Adequately prepare for and attend group conference calls
- Provide regular guidance and feedback to the PRI on progress and issues relevant to the practitioners group
- Attend all ten workshops
- Invite relevant colleagues from other departments or teams to participate as relevant to workshop contents.
- Share an investor case study during the programme (specific template and guidance to be shared at outset of the programme)

All practitioners group members are welcome to undertake additional work, for example, drafting documents if their schedules enable them to do so.

By joining the practitioners' group, members confirm that they are able to devote sufficient time to the role and duties. Proactive participation from all members is crucial for an effective signatory group and the Executive has the authority to remove signatory participants that do not abide by the agreed commitment levels and invite other signatories to participate.

## PRI Board Oversight

The PRI Board oversees the constructive relationship between the Executive and Signatories as well as acting as a final point of escalation on matters related to the Executive's work to drive signatory implementation of the principles, including ESG incorporation, active ownership, collaboration and reporting. The Board has oversight of the terms of reference for all advisory committees and working groups.

If a signatory has a significant concern with the operations of a signatory group, the signatory can escalate the issue(s) to the head of the PRI Executive. If the matter cannot be resolved by the head of the PRI Executive the issue(s) will be escalated to the PRI Board.

## E. ACTION PLAN AND TIMELINE

The practitioners' group activities will last for a duration of 12 months (June 2021 – June 2022) and will consist of ten ~2.5 hour workshops, designed to increase investors' understanding of their role in addressing deforestation risk, and to build the foundations for aligned approaches going forward. Topics

covered in the workshops will cover deforestation policies/ strategies, metrics, engagement strategies and reporting,

Preliminary content for each workshop is provided in Section E and remains flexible as it is refined by PRI team inputs, technical experts, and practitioners' group needs.

WORKSHOP	OBJECTIVES
<p><b>SESSION 1 – JOINT VISION</b></p> <p>Date: Thursday 15<sup>th</sup> of July</p>	<ul style="list-style-type: none"> <li>- Present the programme and its objectives and introduce the participants.</li> <li>- Agree on the priorities and the vision for the group</li> </ul>
<p><b>SESSION 2 – DEFORESTATION AS A MATERIAL FINANCIAL RISK FOR INVESTORS</b></p> <p>Date: Tuesday 7<sup>th</sup> of September 2021</p>	<ul style="list-style-type: none"> <li>- Explore with participants why deforestation is a financial risk for investors in these three commodities value chains.</li> <li>- Discuss case studies amongst investors</li> </ul>
<p><b>SESSION 3 – MODEL DEFORESTATION INVESTMENT POLICY</b></p> <p>Date: Tuesday 5<sup>th</sup> of October 2021</p>	<ul style="list-style-type: none"> <li>- Discuss potential format and breadth of the instrument to manage deforestation as a risk.</li> <li>- Map challenges and areas of interest for the group</li> <li>- Understand group member practices and experiences in relation to deforestation policies (e.g. how common they are, their different forms, how they are helpful and unhelpful in tackling deforestation).</li> <li>-</li> </ul>
<p><b>SESSION 4 - DATA AND TOOLS TO MONITOR TRANSITION RISKS</b></p> <p>Date: Tuesday 2<sup>nd</sup> of November 2021</p>	<ul style="list-style-type: none"> <li>- Share a framework to assess climate transition risks associated with tropical forest commodities</li> <li>- Explore the materiality of the risks given the policy focus agreed amongst investors</li> <li>- Discuss investors case studies and experiences</li> <li>- Map challenges to assess deforestation as a risk from a practical perspective</li> </ul>
<p><b>SESSION 5 - SUPPLY CHAIN REPORTING</b></p> <p>Date: Tuesday 7<sup>th</sup> of December 2021</p>	<ul style="list-style-type: none"> <li>- Share and discuss suite of indicators available for companies to report on the material issues in relation to deforestation</li> <li>- Map investor expectations and gaps in terms of company reporting</li> </ul>
<p><b>SESSION 6 - TRACKING PROGRESS AMONGST THE INVESTOR COMMUNITY</b></p> <p>Date: Tuesday 1<sup>st</sup> of February 2022</p>	<ul style="list-style-type: none"> <li>- Discuss relevant metrics and indicators for investor reporting.</li> <li>- Understand which frameworks and tools are needed to support development of metrics, and for reporting and disclosure</li> </ul>

<p><b>SESSION 7 - ENGAGEMENT WITH INVESTEEES</b></p> <p>Date: Tuesday, 1<sup>st</sup> of March 2022</p>	<ul style="list-style-type: none"> <li>- Share experiences of corporate dialogues (e.g. what has worked, what hasn't).</li> <li>- Establish joint practices in this area.</li> <li>- Signpost investors to PRI-led collaborative engagements on deforestation and related issues as appropriate.</li> </ul>
<p><b>SESSION 8 - ENGAGING POLICYMAKERS</b></p> <p>Date: 5<sup>th</sup> of April 2022</p>	<ul style="list-style-type: none"> <li>- Discuss relevant regulations with regards to financial disclosure for deforestation</li> <li>- Share experiences of policy dialogues (e.g. what has worked, what has not)</li> <li>- Signpost investors to policy engagements on deforestation and related issues as appropriate.</li> </ul>
<p><b>SESSION 9 - ENGAGING NGOS AND MULTI-STAKEHOLDER INITIATIVES</b></p> <p>Date: 3<sup>rd</sup> May 2022</p>	<ul style="list-style-type: none"> <li>- Discuss experiences of collaboration with NGOs and participation in multi-stakeholder initiatives.</li> <li>- Share knowledge on making the most out of NGO and multi-stakeholder forums (i.e. amplifying impact).</li> <li>- Signpost investors to PRI-led and other initiatives on deforestation and related issues as appropriate.</li> <li>-</li> </ul>
<p><b>SESSION 10 - NEXT STEPS – MEET IN PERSON (IF POSSIBLE)</b></p> <p>Date: 7<sup>th</sup> June 2022</p>	<ul style="list-style-type: none"> <li>- Collate all inputs from previous sessions</li> <li>- Celebrate and thank investors for their hard work.</li> <li>- Discuss potential joint ways of working going forward. any concerns going forward.</li> <li>- Establish principles around communicating re. future outputs</li> </ul>

## F. REPORTING REQUIREMENTS

The PRI will report on the activities of the investor working group on the PRI website and/or the Collaboration Platform , including the terms of reference and members.

Workshop outcome documents will support the development of potential future outputs, such as model investment policies, investor expectations, guidance, tools; and reporting and assessment questions (including on target setting and tracking progress).

## G. CODE OF CONDUCT, CONFIDENTIALITY AND PUBLIC COMMUNICATIONS PROTOCOL

### Conduct

Signatories must refrain from using signatory forums for explicit commercial purposes and should focus on furthering the goals and objectives as defined above. Practitioners group members should treat their colleagues and PRI staff with courtesy and respect. Failure to meet these requirements may also lead the signatory being removed from the group.

## Confidentiality

Unless there are exceptional circumstances, the broad theme of the group's work, its existence, and high-level indications of its progress will be disclosed by the PRI.

The practitioners group agrees to the following:

- The [discussions of the PRI Sustainable Commodities practitioners' group will remain confidential](#). The group will follow the Chatham House Rule, whereby information disclosed during a meeting may be reported by those present, but the source of that information may not be explicitly or implicitly identified.
- Members can share the progress of the group on an aggregated basis publicly.

Participating members are required to abide by the agreement on disclosure of project details.

The PRI Executive may record practitioner group calls for internal purposes (i.e. note taking). Recordings are not circulated externally. Where recordings of group discussions are taken, PRI staff will state at the start of the call that the call is being recorded for note-taking purposes. Call recordings will be deleted within 1 year. Where external experts present to groups on a particular topic, with their prior permission a webinar or audio recording may be taken and shared with investors as a resource.

## Communication

Any participating investor will be free to provide information to clients and third parties on activities that they have undertaken within the collaboration. However, any information disseminated must be in the investor's own words and can only be shared on the basis that the above guidelines on confidentiality are followed. It is also the responsibility of participants to ensure that the confidentiality of the work is understood and agreed by their clients and/or members. Should parties in the group wish for their involvement to remain private, the other parties will agree to respect their wishes by not disclosing their names.

The above confidentiality and disclosure arrangements do not limit participants from disclosing information which:

- they are able to reasonably establish as previously known to them; or
- is in the public domain at the time of disclosure.

Initiatives undertaken by the Executive can be referred to as initiatives 'coordinated by the PRI' and comprised of PRI signatories but references should not suggest or imply that the project has the support of the PRI membership.

The Executive is empowered to speak on behalf of a PRI investor working group, within the terms of any confidentiality agreement in place for the group. For more information on the voice of the PRI see the [PRI Communications Policy](#).

At the conclusion of the initiative, PRI will communicate overall outcomes, and may develop case

studies, tools, or lessons learned for signatories seeking to engage on the topic in the future.

## **H. CONTACT**

If you are interested in understanding more about this practitioner's group, please contact Ana Lima [ana.lima@unpri.org](mailto:ana.lima@unpri.org) and Isabella Coin [isabella.coin@unpri.org](mailto:isabella.coin@unpri.org).