

Terms of Reference – PRI EU Taxonomy Practitioners Group

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A. INTRODUCTION

The EU Taxonomy Practitioners group is a joint project of the PRI's Policy and Investment Practices teams.

The EU has set an Action Plan for Financing Sustainable Growth and 3 pieces of legislation were presented in May 2018 to incentivise private sector investment into sustainable development. One of those is the EU taxonomy, a tool to help investors understand whether an economic activity is environmentally sustainable. A first set of technical screening criteria was developed by a Technical Expert Group (TEG) and a technical report was released in June 2019. Following this event, the PRI have decided to launch a practitioner's group.

The aim of this practitioner's group will be bringing together investors who are exploring how the EU taxonomy will apply in practice. It will share tools and experiences to help understand, and overcome, barriers to implementation of the taxonomy.

B. OBJECTIVES

The PRI interviewed investors to understand how this group would be of most use. The group identified several themes.

1. **Implementation.** Investors requested advice on navigating the 414 page technical report and understanding the steps needed to put the Taxonomy into practice, as well as addressing practical challenges around data availability.
2. **Alignment with other reporting requirements:** The Taxonomy is one of a series of requirements created by the EU, Member States and other bodies. Investors have

expressed an interest in understanding how these obligations can be considered as a package.

3. **Tools to help asset owners and consultants** to accurately and consistently interpret Taxonomy disclosures.

Further details are set out in E: Action plan and timeline.

C. MEMBERS

These terms of reference apply to the PRI's EU Taxonomy practitioners' group, which is a group of asset owners and asset managers.

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
- Is a PRI signatory

The group will be functional until the program of activities 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 practitioners' 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 implementation of the EU Taxonomy. For that reason, Members should be prepared to test the Taxonomy in practice. (This could be a partial test, for example certain sectors or holdings).

Members should be available to:

- Advise on the focus, objectives and scope of the practitioner's group
- Attend group conference calls

- Provide regular guidance and feedback to the PRI on progress and issues relevant to the practitioners group.

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 PRI proposes two phases to the work. The first phase will run over 9 months. The action plan for the second phase will be determined once the first phase has concluded.

Phase 1: Implementation

Investors requested advice on navigating the 414 page technical report and understanding the steps needed to put the Taxonomy into practice. The PRI proposes the following:

- a. PRI to extract the key usability guidance from the June TEG report and share with the group.
- b. Workshop (with dial ins) to set out the key stages for testing the Taxonomy, which tools are available, latest thinking on key implementation issues, Q&A.
- c. Members to pilot Taxonomy disclosures on an existing fund (Members may also conduct this analysis on part of a fund, for example selected sectors, top holdings).
- d. PRI to be available to respond to implementation queries throughout the duration of the Practitioners group, and to interface with the TEG group where necessary.
- e. Regular calls and catch ups to share progress and feedback.
- f. PRI to collect and consolidate feedback on implementation issues.

The group will not focus on the substance of specific technical screening criteria.

Phase 2: Exploring the implications

Signatories identified three additional areas to discuss. These would be best addressed once the group has developed some practical experience of using the Taxonomy, so the PRI is proposing they are in a second phase.

1. Data: The absence of corporate disclosure is one of the most significant challenges facing investors. The group will identify challenges in phase 1. In phase 2, the group could explore some of these issues further, for example:
 - a. Developing ideas for how these issues could be addressed. What would be needed to facilitate full and consistent Taxonomy disclosures?
 - b. Interfacing with service providers to encourage minimum levels of standardisation.
2. Alignment with other reporting requirements: The Taxonomy is one of a series of requirements created by the EU, Member States and other bodies. Investors have expressed an interest in understanding how these obligations can be considered as a package. The PRI proposes the following:
 - a. PRI to map interaction with existing disclosure obligations (i.e. EU, French Energy Transition Law etc) and identify differences and overlaps;
 - b. Members to consider how existing disclosures could accommodate Taxonomy disclosure.
3. Tools to help asset owners and consultants interpret a Taxonomy disclosure. The members interviewed were concerned that without appropriate guidance, a Taxonomy disclosure might be misinterpreted.

Timeline: Phase 1

<ul style="list-style-type: none">• November	<ul style="list-style-type: none">• TOR finalised and shared with investors that already have expressed interest in joining;• Possibility for investors to express interest in joining;
<ul style="list-style-type: none">• December	<ul style="list-style-type: none">• Membership finalised
<ul style="list-style-type: none">• January - March	<ul style="list-style-type: none">• Workshop on starting a Taxonomy disclosure
<ul style="list-style-type: none">• April - June	<ul style="list-style-type: none">• Members to develop case studies based on framework provided by the PRI and submit it by end of June• Regular check-in calls

<ul style="list-style-type: none"> • July - August 	<ul style="list-style-type: none"> • <i>PRI to develop key findings document</i> • <i>Discussion on structuring and managing phase 2</i>
<p>September</p>	<ul style="list-style-type: none"> • <i>Release of the case studies</i>

F. REPORTING REQUIREMENTS

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

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 EU Taxonomy practitioners' group will remain confidential.
- 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 working 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 Jake Goodman : jake.goodman@unpri.org