

# **TERMS OF REFERENCE: ADVISORY COMMITTEE AND ENGAGEMENT WORKING GROUP FOR THE PILOT PRI-LED AUSTRALIA SOVEREIGN ENGAGEMENT ON CLIMATE CHANGE**

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## INTRODUCTION

The pilot PRI-led Australia Sovereign Engagement on Climate Change seeks to maximise investors' collective contribution to ensuring that the Australian government takes all possible steps to mitigate climate change in line with the Paris Agreement, to limit temperatures to well below 2 degrees and pursue efforts towards a temperature rise of 1.5°C. This sovereign engagement with the Australian government will act as a pilot for a wider programme in the future.

The initiative is facilitated by the PRI Executive and supported by an advisory body, the **Advisory Committee**: this group is typically comprised of PRI signatories with strong experience in sovereign engagement and climate policy in Australia. This group provides strategic advice about the initiative to the PRI. Given this is a pilot initiative, there will be no formal Technical Advisory Group of external stakeholders, however, relevant experts may be invited to join the Advisory Committee in an Observer capacity.

The signatory advisory committee is a voluntary body, comprising of mostly PRI signatories<sup>1</sup>. The committee provides guidance to the PRI on the development and coordination of the initiative to support the PRI's decision making. The advisory committee also provides opportunities for members to convene and share knowledge on topics related to the initiative. It is also an opportunity for the PRI Executive to share its expertise, convene and co-create with signatories to deliver on the PRI strategy. Within the context of this pilot, the Advisory Committee (except for Observer members) also carries out engagement activities with government entities agreed by the group. A wider Investor Working Group may be recruited at a later date.

The committee acts as a voluntary advisory body and does not, in and of itself, have power or authority in dealing with the matters on which it advises. The PRI Board is the ultimate decision-making body on matters related to the Executive's work to drive signatory implementation of the Principles, including the facilitation of collaborative stewardship initiatives.

To join the advisory committee, members are required to agree to the following terms of reference as well as to contribute to define the broader terms of reference applicable to this initiative overall.

## OBJECTIVES

The committee works to:

- Support the design and development of the initiative.
- Provide input, advice and insights to the PRI Executive on the strategy and activities of the initiative.
- Directly engage with government entities deemed relevant by the group

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<sup>1</sup> The signatory advisory committee will traditionally comprise only of PRI signatories, but the PRI retains the possibility to invite investor networks to join the committee

## MEMBERS

Members of the advisory committee are appointed by the PRI following an open invitation to the signatory body. Given this initiative is a pilot, an abbreviated recruitment process will be followed, reaching out to members of those investor groups most likely to be interested in the initiative. Membership of the advisory committee will be renewed following an open recruitment process, pending confirmation of the pilot's development into a wider programme. The sections below refer to the advisory committee for the pilot initiative.

### TARGET COMPOSITION AND TENURE

- The committee is comprised of approximately 5 members.
- The committee will typically be made up of PRI signatories.
- The committee should aim to represent the broader membership base of the initiative and will therefore be comprised of asset owners, investment managers and engagement service providers.
- The committee should aim to be geographically diverse.
- Membership of the committee will be reviewed after conclusion of the pilot phase, via a new open recruitment process.

### OBSERVER MEMBERS

- During the pilot phase, Observer members may be appointed from non-signatory organisations, where they have deep technical expertise of the issues relating to engagement (e.g. Australian climate policy) – similar to what would normally be expected of Technical Advisory Group members.

### APPOINTING MEMBERS

- The PRI Executive will publicise new membership opportunities, if and when they arise, including the criteria for appointment of new members and timelines.
- Where the committee is lacking specific signatory group or member diversity, the PRI Executive may invite applications that will bring that aspect of diversity to the group via an 'exclusivity period'. If no suitable eligible candidates apply during this 'exclusivity period', eligibility requirements will be removed, and the application process will be made open to all PRI signatories.

Committee members are typically required to meet the following minimum criteria:

- Represent a PRI signatory as an asset owner, investment manager, or engagement service provider (with a specific mandate to engage with entities on behalf of an institutional investor(s)).
- Commit to participate in the initiative.

Committee members are appointed by the PRI Executive based on the following criteria:

- Stewardship experience focused on engagement in sovereign debt.
- Experience or knowledge on climate policy in the Australian context.

- Ability and commitment to contribute expertise and time.
- Diversity of the signatories in the group, defined by type, size and location of signatories.
- Diversity of the committee members in terms of gender, race and other characteristics.

Members join the group in their capacity as representatives of their organisations. If a committee member leaves their role, the member may apply to continue on the committee as a representative of a new signatory organisation, where that organisation meets the membership criteria above. Similarly, the original signatory organisation may apply to continue on the committee with a new representative.

Decisions about the composition of the committee, including appointment, chair selection (if applicable) and ongoing membership, lie solely with the PRI Executive. The Executive reserves the right to remove members who fail to comply with the terms of reference.

## RESPONSIBILITIES

### RESPONSIBILITIES OF THE PRI EXECUTIVE

The PRI Executive commits to:

- Developing an action plan with suggested timeframes and milestones to be evaluated on a regular basis.
- Convening, administering and, if relevant, chairing advisory committee meetings.
- Keeping advisory committee members updated on initiative activities in between meetings whenever necessary.
- Developing materials for discussion by the advisory committee.
- Coordinating communication on the activities of the initiative to signatories and PRI Board.
- Reporting on the activities of the committee on the PRI website and/or the Collaboration Platform, including the terms of reference and members.

The PRI Executive at all times retains ownership and final signoff of any outputs that are published under the name of the PRI, including events, research and any other publication. The Executive is responsible for the timelines, resources and budget that have been allocated to all programmes and projects.

### RESPONSIBILITIES OF ADVISORY COMMITTEE MEMBERS

By accepting a role on an advisory committee, members confirm that they can devote sufficient time to the role and duties, as defined below. Proactive participation from all members is crucial for an effective advisory committee and the Executive has the authority to remove participants that do not abide by the agreed commitment levels.

Committee members agree to:

- Act in an advisory role to the Executive on the development, strategy and activities of the initiative, ensuring that advice is aligned to the objectives of the initiative and represents the interest of the initiative's broad membership base rather than solely the interests of their own

organisation. Should at any point a committee member be concerned about a potential conflict between their role on the committee and that of their organisation, they should declare this to the PRI Executive so that steps may be taken to resolve the conflict, to exclude the member from the relevant areas of discussion, or to terminate the member's role on the committee.

- Ensure their contributions to the committee reflect the scale and urgency of action needed to achieve the PRI's mission and the objectives of the initiative.
- Provide guidance/feedback to the Executive when requested, such as on priority entities for inclusion in the engagement; improvements to the facilitation of the initiative; and outputs such as investor guidance on the topic and progress reports.

Participate in advisory committee meetings; or in a substitute one-to-one conversation with the PRI where time zone or diary issues prevent attendance in the group call.

## **PRI BOARD OVERSIGHT**

The PRI Board is responsible for overseeing the 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 active ownership and collaboration. The Board has oversight of the terms of reference for all advisory committees and working groups.

If a member has a significant concern with the operations of the advisory committee, the member can escalate the issue(s) to the CEO 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.

## **RULES AND CODE OF CONDUCT**

Failure to meet the below rules may result in the member being removed from the committee.

### **CONDUCT**

- Advisory committee members must refrain from using signatory forums for explicit commercial purposes and should focus on furthering the goals and objectives as defined above.
- Committee members should treat their colleagues and PRI staff with courtesy and respect.

### **CONFIDENTIALITY AND DATA SHARING**

- The theme of the committee, and membership of the committee will be available on the public website and/or the Collaboration Platform. By accepting these terms of reference, committee members agree to the publication of their name, job title and organisation name on the PRI website, and may themselves publicise their involvement on their organisation's website and/or social media.
- By joining, committee members grant the PRI Executive the right to share their work email address with other members of the group for the purposes of facilitating discussion between committee members on committee business.
- The PRI Executive may record advisory committee calls for internal note taking purposes. Recordings are not circulated externally to the PRI Executive. Where recordings of group

discussions are taken, attendees will be notified. Call recordings will be deleted within one year.

- Advisory committee meeting notes will be taken and shared with the group. These notes should be treated as confidential.
- Discussions of the advisory group and material provided to the advisory group by the PRI Executive should be assumed to be confidential unless advised otherwise in writing by the Executive. Members commit to maintaining such confidentiality.
- By joining the committee, members agree to the [PRI's privacy policy](#).

## COMMUNICATION

- The Executive is empowered to speak on behalf of the initiative advisory committee, 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](#).

## CONTACT

Those interested in understanding more about the committee should contact [isabella.coin@unpri.org](mailto:isabella.coin@unpri.org).

## PARTICIPANT TERMS OF REFERENCE

In July 2022, the Advisory Committee agreed to carry out engagement activities directly, and that an Investor Working Group will not be recruited for this purpose until a later date to be confirmed.

Please note that Observer members do not carry out engagement as part of the initiative.

### RESPONSIBILITIES OF PARTICIPANTS AND THE PRI EXECUTIVE

In collaborative engagements, Signatories are responsible for the dialogues with target entities. Target entities may include government departments, other public bodies such as the Reserve Bank of Australia, elected representatives as well as other non-issuer stakeholders.<sup>2</sup>

Recognising this, in September 2015, the Board agreed on the roles of investors and the PRI Executive in PRI-coordinated engagements:

- Investors are responsible for the engagement dialogues with entities that they undertake as part of a collaborative engagement
- PRI is responsible for ensuring that the collaborative engagements coordinated and managed by the PRI are aligned with the PRI strategy and for ensuring that the resources required for each engagement are utilised as effectively as possible toward their aims and objectives

The following outlines specific responsibilities of Participants – both Lead and Collaborating Investors, and responsibilities of the PRI Executive.

### RESPONSIBILITIES OF ALL PARTICIPANTS

All Participants are required to:

- Engage with at least one focus entity during each year and where possible, for the full duration of the Initiative.
- Provide regular reports back to the PRI Executive on their level of participation and progress of the engagement.
- Attend PRI-organised Initiative meetings where reasonable
- Abide by the responsibilities, guidance and rules set out in these Terms.

### LEAD AND COLLABORATING INVESTORS

- **Lead Investor:** Lead Investors are responsible for driving the engagement agenda forward with their engagement focus entities. They are the main point of contact between the focus entities they are engaging with, the group of Collaborating Investors and the PRI Executive. In some cases, there will be two Lead Investors for an engagement focus entity, who will drive the engagement together. In this case, these investors are referred to as Co-Lead Investors.

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<sup>2</sup> Refer to the PRI's guidance on ESG Engagement for Sovereign Debt Investors for a full list of potential engagement focus entities. <https://www.unpri.org/download?ac=12018>, p13.

Lead Investors for an engagement focus entity can also be a Collaborating Investor for another engagement focus entity.

- **Collaborating Investor:** Collaborating Investors are responsible for proactively supporting Lead Investors in their engagement with focus entities through for example, participation in preparatory calls and engagement meetings.

The responsibilities of Lead and Collaborating investors are set out in more detail below.

## RESPONSIBILITIES OF LEAD INVESTORS

- Lead the identification of entity-specific engagement expectations, in line with the overall engagement objectives, with Collaborating Investors and PRI staff).
- Develop the entity engagement strategy in collaboration with Collaborating Investors and with support from the PRI.
- Develop and maintain deep knowledge of the entity's business strategy and performance on the issues of focus.
- Arrange meetings with Collaborating Investors to encourage alignment in engagement, including prep meetings before joint interactions with the engagement focus entity, involving all Collaborating Investors to establish the objectives and talking points for the meeting and discussion items which are in and out of scope.
- Arrange dialogue with the entity, taking into consideration where most appropriate to involve Collaborating Investors.
- Engage with relevant stakeholders to achieve the objectives of the Initiative.
- Where there is overlapping engagement with the engagement focus entity on a substantially similar issue by another Initiative, coordinate with Lead Investors for that entity in the other initiative to seek maximum possible consistency in entity expectations, minimise duplicative requests and avoid any confusion or exploitation of perceived gaps and differences in messaging and asks. This may include sharing with each other the core asks of entities and maintaining open and regular communication with one another. The engagement strategy for a entity can be shared<sup>3</sup> at the discretion of Lead Investors, subject to the requirement that such information be maintained as confidential upon request and does not entail the sharing of material non-public information, or personal information about any individual involved in the initiative. This coordination and communication can be facilitated by the PRI Executive
- Lead the drafting of statements or other letters to the entity and present these to the entity. Consult with the Collaborating Investors and the PRI Executive on these documents before publishing.
- Delegate research, analysis and leading engagement calls to Collaborating Investors where appropriate

## RESPONSIBILITIES OF COLLABORATING INVESTORS

- Proactively support Lead Investors with analysis and assessment of the entity to develop a clear set of engagement priorities for use with the entity

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<sup>3</sup> Material non-public information will never be shared, even within the Initiative.



- Support Lead Investors with the development of the engagement strategy
- Provide input into statements, letters and other communications with the entity when requested
- Attend entity engagement meetings in support of Lead Investors
- Attend organised prep calls prior to joint interactions with the engagement focus entity
- In instances where Collaborating Investors have bilateral individual conversations with entities, which may cover a range of issues, share information relevant to the Initiative with the PRI and engagement focus group and try to coordinate where possible

## RESPONSIBILITIES OF THE PRI EXECUTIVE

- Define the Initiative objectives, strategy and timelines with support from the Initiative advisory groups
- Provide strategic and organisational guidance; and administrative support
- Recruit and onboard Participants onto the Initiative
- Coordinate Initiative meetings and provide agendas
- Provide expertise on stewardship and climate policy from either internal or external sources
- Work with Participants to develop and deliver their engagement strategy
- Facilitate coordination between Lead Investors for the same engagement focus entity within different
- Facilitate engagement between group members and relevant stakeholders
- Assist the group in monitoring the progress of their engagements
- Measure and publicly report on the progress of the initiative
- Ensure the Initiative continues to support the PRI principles and overall strategy
- Ensure the group moves forward and adheres to agreed timelines

The PRI Executive at all times retains ownership and final sign-off of any outputs that are published under the name of the PRI and the Initiative, including events, research and any other publication. The Executive is responsible for the timelines, resources and budget that have been allocated to all programmes and projects

## ENGAGEMENT GUIDANCE

### ENGAGEMENT STRATEGY

Participants are responsible for driving each engagement as independent fiduciaries. This involves developing and implementing entity-specific engagement priorities and strategies as informed by the goals of the Initiative. Before an engagement group undertakes engagement with an entity, they are required to develop and agree on a written, informal engagement strategy for the entity. This engagement strategy should be developed by the Lead Investor of the group, with input from Collaborating Investors and the PRI Executive.

Whilst recognising that this strategy may evolve over time, the group should agree on the following:

- Entity engagement objectives which align to the overall objectives of the Initiative.

- The approach to engagement, including the corporate representatives to contact, and the forms of dialogue to use.
- Key engagement milestones and planned next steps if those milestones are not met. Investors should agree on when escalation should be carried out and the forms of escalation the group are prepared to undertake.

## ESCALATION

Where possible, Participants should seek to build positive dialogue with focus entities and aim to support their efforts on climate policy. However, a central component of good practice engagement is that inaction or a lack of progress by focus entities following engagement may result in investors taking further action.<sup>4</sup> The PRI works to support the engagement group in these instances by assisting in the identification of possible escalation strategies, for example making public statements or seeking dialogue with alternative representatives or stakeholders connected to focus entities.

Note that all members of the Initiative are independent fiduciaries and act in accordance with their own policies or guidelines and independent internal investment analysis. The use of potential escalation tactics is at the discretion of individual Participants on an opt-in basis. Divestment or any changes to the level of holding in an issuer is strictly outside scope of the discussions or activities of the Initiative. Any decision by Participants with respect to investing, divesting or in any way changing the level of holding of a security will always be at their sole discretion and made in their individual capacities, that is, completely outside of the formal activities of the initiative.

## RULES AND CODE OF CONDUCT

### CONDUCT

- Participants must refrain from using investor forums for explicit commercial purposes and should focus solely on furthering the goals and objectives as defined above.
- Participants should treat each other and PRI staff with courtesy and respect.

### CONFLICTS OF INTEREST

- It is the responsibility of PRI Signatories to ensure that there are no conflicts of interest when joining an engagement with any given focus entity. Should any conflicts of interest arise – either real or perceived – the Participant should promptly disclose these to the PRI Executive.

### LEGAL CONSIDERATIONS AND ACTING IN CONCERT

- Each Participant has the responsibility to obtain its own legal advice pertaining to their participation in the Initiative. In conducting their engagements, investors participating in the Initiative must ensure they are aware of and always in compliance with regulatory requirements related to collaborative investor engagement activities in the jurisdiction where engagement is taking place.

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<sup>4</sup> This aligns with the PRI's [Active Ownership 2.0 approach, which focuses on pursuing real world outcomes.](#)

## NON-PUBLIC INFORMATION

- Information should only be shared for the purposes of facilitating the collaborative goals of the Initiative and should be shared on a confidential basis.
- Participants of the Initiative must not seek, discuss or exchange material non-public information with other investors, entities, the PRI Executive or the PRI advisory groups.
- If during the course of engagement, a PRI Signatory inadvertently discovers information believed to be material non-public information, then the usual requirements under the relevant securities laws apply.

## EXTERNAL COMMUNICATIONS AND REPRESENTATION OF ASSETS AND OTHER INVESTORS

- Participants can refer to themselves as Participants in or working as part of the Initiative. However, investors should not state that they represent the Initiative, all its Participants, the full assets under management (AUM) of the Initiative, the PRI Executive, or the full PRI Signatory base.
- Investors in engagements with focus entities should defer to representing only the assets over which they have a fiduciary duty. At no time should an investor claim to represent other investors or their AUM, who may be involved in a entity engagement without first obtaining explicit written permission from each relevant investor.
- Investors may indicate that they are designated Lead or Collaborating Investors to engage with focus entities where this applies and at their own discretion, however, participants should not publicly disclose the names of other Collaborating and Lead Investors associated with a specific entity engagement group unless they have received consent from these organisations, or this information is already in the public domain. Given the nature of this pilot initiative, the PRI Executive will not disclose the names of Lead or Collaborating investors for any focus entity, but all Participants (organisation names) will be publicly named on the PRI website.

## INVESTOR PRIVACY

- By joining, Participants grant the PRI Executive the right to share their work contact details with other members of the group for the purposes of facilitating discussion between Participants on matters related to the Initiative.
- By joining the Initiative as a Lead Investor, they grant the PRI Executive the right to connect Lead Investors for a specific entity with Lead Investors for the same entity within different Initiatives, for the purpose of seeking maximum possible alignment in engagement.
- By joining the Initiative, Participants grant the PRI Executive the right to share non-publicly available data related to the Initiative with third parties (such as academic researchers) for the purpose of enabling research which can build understanding on the effectiveness of stewardship efforts. Data will only be shared with individual researchers who have signed comprehensive non-disclosure agreements with the PRI Executive, prohibiting disclosure of confidential data or use of data for purposes beyond those agreed. Unless additional written permission of the PRI Executive as well as Lead and Collaborating investors is sought and received, any outputs of research published that rely on data from the Initiative will not identify

specific Participants or Endorsers taking part in the Initiative, and will not identify specific focus companies/entities. Instead, research outputs will be published at an aggregate level. Personal data (information related to an identified or identifiable person) will never be shared with third parties.

- The PRI may record group meetings for internal purposes, such as note taking. Recordings are not circulated, as they are presumed to be confidential and sharing them could increase the risk that discussions inadvertently appear in the public domain. When recordings of group discussions are taken, meeting attendees will be notified. Meeting recordings will be deleted within one 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.
- By joining the Initiative, Participants agree to the [PRI's privacy policy](#).

### **PUBLIC COMMUNICATION**

- The PRI Executive is empowered to speak on behalf of the Initiative but will not act or speak directly on behalf of the investors participating in the Initiative.
- Communication on the Initiative will not suggest or imply that the Initiative has the support of all PRI Signatories.
- For more information on the voice of the PRI, see the [PRI Communications Policy](#).

### **FAILURE TO MEET THE TERMS**

If a Participant fails to meet the Terms, where possible and reasonable, the PRI Executive will firstly issue the Participant with a warning. If following the warning, the Participant still fails to meet the Terms, the PRI Executive may take the decision to remove the Participant from the Initiative – or where the issue relates to a Lead Investor, this investor may be asked to move to a Collaborating Investor role instead. If a PRI Signatory has a concern with this decision, the PRI Signatory can escalate the issue to the CEO of the PRI. If the matter cannot be resolved by the CEO of the PRI, the issue can be escalated to the PRI Board.

### **DISCLAIMER**

The Initiative does not require or seek collective decision-making or action with respect to acquiring, holding, disposing and/or voting of securities. Signatories are independent fiduciaries responsible for their own investment and voting decisions. The use of engagement tools and tactics, including the scope of participation in engagements is at the discretion of individual investors. Any decision by Participants to engage in collective decision-making or action with respect to acquiring, holding, disposing and/or voting of securities shall be at their sole discretion and made in their individual capacities and not on behalf of or as part of their activities within the Initiative, the PRI Executive and PRI Signatories.

The Initiative does not act or speak on behalf of Participants. Participants do not speak on behalf of the PRI Executive. They also do not seek directly or indirectly, either on their own or another's behalf, the power to act as proxy for a security holder and do not furnish or otherwise request or act on behalf

of a person who furnishes or requests, a form of revocation, abstention, consent or authorisation. In addition, the Initiative does not provide investment or voting recommendations.

The Initiative does not provide investment, legal, accounting or tax advice. The Initiative does not necessarily endorse or validate the information contained herein.