

PRI-LED COLLABORATIVE SOVEREIGN ENGAGEMENT ON CLIMATE CHANGE: AUSTRALIAN PILOT

TERMS OF REFERENCE: ADVISORY COMMITTEE (REVISED)

INTRODUCTION

The Collaborative Sovereign Engagement on Climate Change (“**Initiative**”) is a pilot PRI-coordinated investor initiative to support governments to act on climate change. The Initiative was established in July 2022 and has been coordinated by the PRI. The Initiative has a pilot focus on the Australian system.

These Terms of Reference (“**Terms**”) defines the purpose and structure of this Initiative and summarises the expectations and guidelines for investors advising on engagement with the Australian system as part of the Advisory Committee (or “**Participants**”). All Participants are required to agree to and abide by these Terms.

These Terms were amended in May 2023 with the establishment of an Initiative Investor Working Group. These Terms are reviewed by the PRI Executive on an annual basis. Where changes are made by the PRI Executive, the Advisory Committee will be consulted, and Participants will be asked to reconfirm their acceptance to the Terms.

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ABOUT THE INITIATIVE

OBJECTIVES

The Initiative seeks to assist Australian governments take all possible steps to mitigate greenhouse gas emissions and build resilience toward climate change damage in line with the Paris Agreement and stabilising average global warming to 1.5°C.

Participating investors will seek this goal to reduce exposure to risks associated with a failure to rapidly transition to a net-zero global economy, including:

- Risks to their investments in Australian sovereign debt (e.g., downgrade).
- Where it impacts on the competitiveness of the Australian economy (e.g., impacts on the enabling environment for investee companies in Australia).
- Where it contributes to systemic or systematic risks that diversified or universal investors face through their exposure to the global economy.

More detail on the outcomes sought from specific entities will be defined in engagement strategy decisions by the Investor Working Group and PRI Executive based on the Initiative's Policy Priorities paper.¹ Overall, Participants are seeking the Australian system's response to climate risk:

- Closes the gap between current action and a Paris-aligned emissions reduction trajectory.
- Establishes a detailed, credible and economy-wide net zero transition plan with supporting policy mechanisms, budget expenditure and investment structures.
- Builds greater climate adaptation and resilience across the economy and community to avoid worsening disruption and damage from physical risks.
- Improves disclosure of sovereign's exposure to climate risks and opportunities consistent with international standards.

The PRI Executive will continue to work with the Advisory Committee and the Investor Working Group to determine the initiative's approach regarding:

- Which entities and/ or government bodies to engage.
- What messaging is used with those bodies.
- Which levers will be used to drive the desired changes (e.g., how to balance private dialogue with public interventions).

Activities may include initiative-specific and strategically timed dialogue with relevant issuer and non-issuer entities alongside opportunities to provide specific input on policymaking such as responding to consultations. To ensure engagement effectiveness, investors will be

¹ <https://collaborate.unpri.org/attachments/130206?iframe=1>

encouraged to discuss escalation tactics as strategy is further refined and engagement progresses.

Due to the nature and breadth of engagement with governments and related entities, engagement activities may occur more regularly than comparative collaborative engagement with companies. Participants may need to ensure adequate resourcing is available to support their involvement, including potential travel to Australia or availability of in-country staff to support occasional (approximately once a year) face-to-face engagements alongside regular virtual meetings and other activities.

The Initiative will primarily seek change in the policy settings of engaged entities in line with the objectives above. This is beyond seeking only to build investor understanding or improved public disclosure. Investors will in turn be willing to assist Australian entities by providing information about:

- How sovereign alignment on climate change is assessed in portfolios decisions.
- General investor and market expectations on climate risk and sovereign response.
- Any other information about investor practice and activities that will further assist Australian entities in responding to climate change.

The initiative will not seek to question the legitimacy of, or in any way undermine the role of elected officials, public servants, or any other public officials to make decisions in line with their duties to the Australian public. The goal is to provide input for consideration by policymakers in fulfilling these duties, and to work with them on possible avenues for reaching the initiative objective.

STRUCTURE

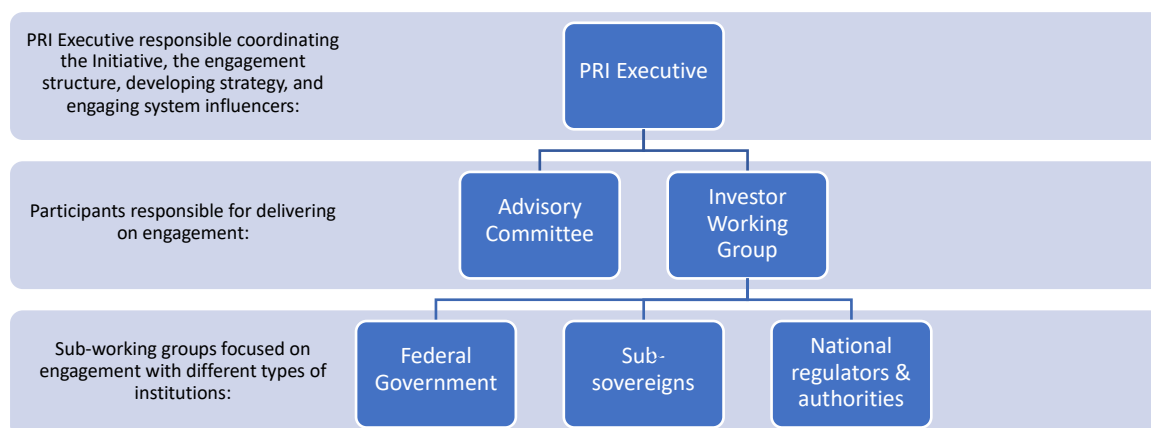


Image 1: Overview of the structure of the Initiative (note, the number of sub-working groups may vary over time and this image is not an accurate representation of this number).

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 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 signatories². 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 and assess its progress and influence. 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.

All direct engagement activities with sovereign and other relevant entities will be conducted by the Investor Working Group via its three sub-groups. A separate Terms of Reference guides the work of the Investor Working Group.

Overall, the Advisory 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.
- Provide technical advice on issues relevant to the Initiative including sovereign climate risk assessment, investor practice and sovereign bonds.
- Support Investor Working Group engagement with government entities.
- Act as champions for the Initiative and collaborative sovereign engagement.

The Advisory 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. Advisory Committee members are also expected to join and be active participants of the Investor Working Group and engagement activities, as specified below.

² The signatory advisory committee will traditionally comprise only of PRI signatories, but the PRI retains the possibility to invite investor networks or other relevant technical experts to join the committee.

TIMELINE

Initial Advisory Committee members were appointed by application process in mid-2022 and are expected to serve in this position until the end of the pilot phase. The Initiative will run for a minimum of two years (until July 2024) from its start date of July 2022. It is expected that the Initiative will ultimately run a total of three-to-five years. Participants are encouraged to participate for the duration of the Initiative.

PRI Signatories will be invited to join the Advisory Committee in the event of a vacancy or on an ad hoc basis where the PRI Executive believes additional members may further representative the breadth of its signatory base or provide technical expertise.

When the Initiative reaches the end of two years, the PRI Executive – with input from Advisory Committee – will review the success of the Initiative and decide on whether to continue to coordinate the engagement beyond this point. The future of the Advisory Committee and its membership will be considered in this process, and renewal of positions will occur via another open recruitment round.

In reviewing the pilot, the PRI Executive will consider the following factors:

- The impact and success achieved by the Initiative to date, and potential further impact to be made.
- The level of participation that existing and potential Participants can commit to
- Resourcing levels of the PRI and other planned or ongoing PRI-coordinated Initiatives.
- Continued alignment to the PRI Principles and its overall strategy.

If the PRI Executive decides against continuing to coordinate the Initiative, PRI Signatories will still be able to independently collaborate through confidential online workspaces on the [PRI Collaboration Platform](#).

JOINING THE ADVISORY COMMITTEE

MEMBERS

Members of the Advisory Committee are appointed by the PRI via either an open invitation to the signatory body or by invitation in the case of technical expert Observers. Given the pilot nature of the Initiative, an abbreviated recruitment process for vacancies will be followed, including 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 phase

TARGET COMPOSITION AND TENURE

The Committee will typically be:

- Comprised of approximately 7 members, not including Observers.
- Made up of PRI signatories.
- Aim to represent the broader membership base of the initiative and therefore be open to asset owners, investment managers and engagement service providers.
- Aim to be geographically diverse.

The PRI Executive will reserve the right to expand the Advisory Committee periodically if it assists in meeting the above aims.

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 Advisory Committee is lacking specific signatory 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.
- Commit to join the Investor Working Group and meet the requirements of membership of that body including being an active participant in engagement with relevant Australian entities.

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 as a member of the Advisory 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 as a member of the Advisory Committee with a new representative.

Decisions about the composition of the Advisory 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 OF PARTICIPANTS AND PRI EXECUTIVE

RESPONSIBILITIES OF ADVISORY COMMITTEE MEMBERS

By accepting a role on the Advisory Committee, Participants confirm that they can devote sufficient time and resources to the role and duties, as defined below. Proactive participation

from all Participants 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.

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 always 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.

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

CONDUCT

- Participants must refrain from using signatory forums for explicit commercial purposes and should focus on furthering the goals and objectives as defined above.
- Participants should treat their colleagues 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.

CONFIDENTIALITY AND DATA SHARING

- By joining, Participants 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 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 Committee 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](#)

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.
- 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.

COMMUNICATIONS

- The theme of the Advisory Committee and its membership will be available on the public website and/or the PRI Collaboration Platform. By accepting these Terms of Reference, Participants 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.
- The PRI 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](#)

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.

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.

CONTACT

Those interested in understanding more about the Initiative should contact Tom Arup, PRI Senior Stewardship Specialist (Sovereign Climate Engagement) via tom.arup@unpri.org.

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.