

TERMS OF REFERENCE – ADVISORY COMMITTEE ON DEFORESTATION

A. INTRODUCTION

Ceres and PRI have announced a new partnership to address global deforestation driven in part by production of soft commodities such as beef, soy and timber. The joint initiative will build on PRI and Ceres respective efforts to date on palm oil, primarily in Southeast Asia, and will expand investors' engagement efforts to additional commodities, including those related to deforestation in Latin America. Through a new investor working group, jointly managed by PRI and Ceres, the two organisations will support investors to engage companies to eliminate deforestation and address other ESG issues related to soft commodity production such as poor working conditions and land rights. The support for this partnership is provided by Ceres as part of a conservation and financial markets collaboration funded by the Gordon and Betty Moore Foundation, the primary objective of which is to stop deforestation in the Amazon region driven by beef and soy production.

An advisory committee, comprised of investor signatories of PRI and investor members of Ceres INCR, will work closely with PRI and Ceres staff on the development of this new initiative, leading to the launch of the joint PRI-Ceres investors working group in 2Q2017. This terms of reference applies to the advisory committee. A separate terms of reference will be issued for the broader investor working group.

B. OBJECTIVES

The advisory committee will provide advice to further define and develop the joint initiative, with the aim of ensuring it is relevant and interesting for investors in PRI and Ceres memberships, and that the eventual group is well-positioned to undertake impactful company dialogues over 2017-18. This will include providing guidance and advice on:

- Engagement strategy and focus (sectors, markets, commodities)

- Identification of potential external experts, research and resources, as well as research needs for the initiative
- Opportunities to engage with policymakers, sectoral initiatives, and / or development of investor statements / investor expectations
- The development of an evaluation framework for the initiative, as well as guidelines for the wider group on issues such as confidentiality
- Providing advice in relation to the development and progress of the project, next steps and future opportunities following the initial project term (through 2018)
- Review or advise on publications or other outputs produced as a result of the group's efforts.

C. MEMBERS

Members of the advisory committee should be committed to participate at least through the initial phase of the project, through late 2018. The advisory committee will be comprised of 7-9 asset owners, investment managers or service providers/investor networks with assets under management. Committee members are appointed by the PRI and Ceres based on the following criteria:

- Proactive interest and ability to contribute expertise and time
- Diversity of the group ensuring adequate representation of investors of different types, size, and location. The committee will ideally include at least one signatory from an emerging market and a small fund.
- Asset owner participation, aiming for a minimum of 20% representation of asset owners.

If a committee member leaves their role and the investor does not wish to nominate a replacement, the member may continue on the committee as a representative of a new investor organisation, where that organisation meets the membership criteria. Otherwise, PRI and Ceres will determine whether to appoint a replacement. The balance of the committee shall be preserved to the greatest extent possible - for example, where possible an asset owner will be replaced with an asset owner and so forth.

D. RESPONSIBILITIES

Principles relating to roles and responsibilities

- PRI and Ceres are responsible for ensuring that the initiative is aligned with the respective organisations' strategies, and that resources are utilised as effectively as possible toward their aims and objectives.
- Investors in the advisory committee provide guidance, advice and expertise in the development of the initiative, including on engagement objectives, strategy and focus. PRI and Ceres will be guided by advice from the advisory committee in developing the collaborative engagement. PRI and Ceres may not follow the advice of the committee, where:
 - It is not aligned with the interests of the respective investor memberships;
 - It is not aligned with the PRI and Ceres' strategy and resource allocation, mission or values;
 - It may have a negative impact on the effectiveness or efficiency of the project.
- Should the advisory committee have a significant divergence of opinion on an issue, PRI and Ceres will take a decision, having consulted with the committee members.

Responsibilities

PRI and Ceres commit to:

- Defining project objectives, strategy and timelines, based on input from the advisory committee
- Providing strategic and organisational guidance and administrative support
- Provide expertise from either internal or external sources
- Convening, and facilitating regular meetings of the committee: providing agendas producing meeting minutes, briefings and publications, etc
- Identifying research and data needs for investor education and engagement support
- Ensuring the group moves forward and adheres to agreed timelines
- Managing the content of the online working group space

PRI and Ceres retain ownership and final sign-off of any project outputs that are published under the name of the PRI and Ceres, including events, research or documents.

Advisory committee members

By accepting a role on an advisory committee, members confirm that they are able to devote sufficient time to the role and duties, as defined below. Proactive participation from all members is crucial for an effective group and PRI and Ceres may remove members that do not abide by the agreed commitment levels and invite other investors to participate. Indicative responsibilities will include:

Project strategy, research and evaluation

- Advise on the characteristics of the engagement, i.e. prioritisation of efforts among sectors, markets, commodities and engagement strategy
- Review relevant research for Investors education and keep abreast of research, resources and literature and advise on appropriate links to the engagement
- Advise on engagement opportunities with policymakers, sectoral bodies, initiatives or voluntary standards, preparation of public statements or investor expectations, etc.
- Review a mapping of indicators, and advise on development of a benchmark to assess the progress of companies included in the engagement
- Advise on the parameters for the evaluation of the initiative's overall progress
- Advise on guidelines for the investor working group, for example on confidentiality

Engagement with listed companies

- Advise on engagement objectives and requests to companies, and drafting or reviewing initial letter to target companies
- Advise on the universe of companies to be targeted

- Advisory committee members are expected to participate actively throughout the duration of the project by leading a dialogue with at least one company

Ongoing consultation, outreach and engagement

- Once the project has launched, provide advice as needed in relation to the development and progress of the collaborative engagement, and next steps and future work.
- Voluntary speaking opportunities may be available.
- Outreach and engagement with peers on behalf of PRI and Ceres.

Advisory committee members are expected to participate in regular calls, the frequency of which will be based on project needs. Frequent calls are expected to take place over the period of February-May 2017, and on an occasional basis thereafter.

Note for PRI signatories on PRI Board Oversight

The PRI Board oversees 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 on active ownership and collaboration. The Board has oversight of the terms of reference for all advisory committees and working groups. If a PRI 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.

Note for Ceres INCR members on Ceres Board Oversight

The Ceres Board's Investor Committee likewise oversees Ceres' work with members of its investor network, and its investor programs and working groups. Any issues or concerns by Ceres INCR members relating to this initiative that cannot be resolved by program staff will be elevated to Ceres senior management, and if necessary to the Ceres Board Investor Committee

E. ACTION PLAN AND TIMELINE

An indicative action plan is included below.

- February 2017 – First advisory committee call
- February-March 2017 – Advisory committee undertakes calls with experts; review of indicator mapping (completed by Ceres / PRI or consultant)
- April 2017 – Advisory committee agrees company universe and focus areas for initial engagement; commissioning of baseline company benchmark based on indicator mapping and agreed focus areas / sectors
- Late April 2017 – Launch of invitation to all PRI and Ceres INCR members to join the engagement via Ceres conference
- May 2017 – Agreement on evaluation framework for the engagement
- May- August 2017 – recruitment and awareness raising among Ceres and PRI membership
- July 2017 – assess opportunities to engage with policymakers and standard setters and other stakeholders, and / or development of investor expectations on relevant commodities
- August 2017 – company engagement initiated
- August 2017-late 2018 – company dialogues ongoing; advisory committee calls as needed, perhaps on a quarterly basis.

F. REPORTING REQUIREMENTS

PRI and Ceres will report on the activities of the committee and engagement group on their websites and/or the PRI Collaboration Platform every quarter, including the terms of reference and members, and updates on activities.

G. CODE OF CONDUCT, CONFIDENTIALITY AND PUBLIC COMMUNICATIONS PROTOCOL

Conduct

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

Confidentiality

The theme of the project, and membership of the committee will be available on PRI and Ceres public website and / or the PRI Collaboration Platform. Over the course of its work the advisory committee will discuss whether or not the following information will be made public:

- Names of investors involved
- Names of target companies

PRI and Ceres may record advisory committee calls for internal purposes (i.e. 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. 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

PRI or Ceres may speak on behalf of the advisory committee, within the terms of any confidentiality agreement in place for the group.

H. CONTACT

If you are interested in understanding more about the committee, please contact:

Liam Flannigan – liam.flannigan@unpri.org

Nathalie Wallace - wallace@ceres.org