REQUEST FOR PROPOSALS

PRI SOVEREIGN ENGAGEMENT ON CLIMATE CHANGE: PILOT REVIEW
INTRODUCTION

The PRI is seeking consultancy proposals for a multi-pronged project related to its emerging work on collaborative sovereign engagement and climate change. The successful contractor will conduct a review of the first 18-months of PRI’s pilot engagement focused on the Australian system, and identify lessons and recommendations for any expanded program.

This process will result in the selection of one, or a consortium of multiple, service providers who will enter a contracting phase for a specific and detailed scope of work. The PRI may also offer an extended or secondary contracting phase to the successful service provider/s to design a full country selection criteria and impact assessment framework, subject to budget availability and satisfactory completion of the initial project deliverables.

ABOUT PRI AND SOVEREIGN ENGAGEMENT

The PRI is the world’s leading proponent of responsible investment. It works to:

- Understand the investment implications of environmental, social and governance (ESG) factors.
- Support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

The PRI currently has over 5,000 signatories globally – including investment managers, asset owners and service providers.

The PRI is conducting a pilot focused on Australia to test collaborative sovereign engagement on climate change by investors. This pilot convenes investors to collaboratively support governments to take all possible steps to mitigate climate change, in line with the Paris Agreement and keeping average global warming to 1.5°C. Through sovereign engagement, global investors are seeking to reduce their exposure to risks associated with a failure to rapidly transition to a net zero global economy through investments in sovereign bonds and universal ownership. In line with PRI’s Active Ownership 2.0 framework, the initiative seeks positive real-world and systemic outcomes, centred around common goals and collaborative action.

PRI guidance has demonstrated that creating opportunities for dialogue between international investors and governments is mutually beneficial. It enables sovereigns to articulate their approach to managing sustainability risks, investors to voice support for action, and both sides to gain a deeper and more common understanding of those risks. This helps inform government responses to climate challenges and investment decisions. A growing number of investors now explicitly factor in sovereign climate performance to their investment decisions.

Participants in the Australian pilot have been engaging with sovereign entities since September 2022. Due to signatory demand and the maturity of the engagement, in August 2023 the PRI expanded the engagement group from 7 to 25 investors from across Asia, Australia, Europe and North America.
Three workstreams have been established to structure the engagement focused on the Federal Government, national regulators & authorities, and sub-sovereigns, with participating investors split between them. The pilot is overseen by an Advisory Committee made up of an initial seven participating investors and local industry network observers.

Through mutually beneficial engagement, investors are seeking that sovereigns:

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

Since September 2022 investors have conducted approximately 40 engagement meetings with 26 sovereign entities and other relevant stakeholders as part of the engagement. This includes regular meetings with senior figures in the Commonwealth Treasury, Australian Office of Financial Management, Department of Climate Change, Energy, the Environment and Water and all major state governments.

The PRI has committed to reviewing the pilot in mid-2024. As part of this the PRI is planning to release a short report detailing lessons from the pilot to assist other collaborative sovereign engagement efforts and to inform future PRI work.

At the same time, the PRI is receiving significant signatory interest in expanding its collaborative sovereign engagement work. This is expected to grow in coming years as industry practice matures and more investors integrate the ASCOR framework and other sovereign ESG assessments into the sovereign debt and other investments. As a result, the PRI is actively exploring an expanded collaborative sovereign engagement on climate program.

**PROJECT AIMS AND CONSULTANT PROFILE**

The aim of this consultancy project is to:

- Conduct a review of the Australian pilot engagement to date.
- Identify key lessons and recommendations for other collaborative sovereign engagement projects including a potentially expanded PRI program.
- Provide initial advice based on the above review and lessons on the likely components for a criterion to help determine future focus countries and a framework to track impact.

Key skills and experience required for the consultancy include:
- Demonstrated experience in reviewing programs with a complex mix of participants and stakeholders.
- Proven understanding of investor engagement practice, sovereign debt markets and sovereign ESG metrics.
- Proven understanding of structures and practices of political engagement by the private sector.
- Proven understanding of the political economy and regulatory landscape of Australia.

**ACTIVITIES AND EXPECTATIONS**

Project activities will focus on reviewing the Australia pilot on its Terms of References, engagement aims and general progress, and identifying lessons and recommendations to inform any expanded PRI program of sovereign engagement on climate change and other collaborative efforts by the PRI or other entities. The PRI expects the methodology for doing this to consider the following elements:

- A plan to interview conveners, participants and observers of the pilot.
- An approach to review the engagement tactics, asks and aims of the pilot and what potential impact it might have had.
- A survey of existing literature on sovereign engagement and understand what additional data the Australian pilot has provided.
- Identifying the needs of additional sovereign engagement activities across different market types, investor types and topics.
- Comparative assessment of the structure and design of the engagement against other industry practice, guidance, and collaborative engagement initiatives.

Resulting from the review and lessons the PRI is also seeking initial guidance on the likely components of a selection criterion for future focus countries and an engagement impact assessment. This may require the consultant to:

- Identify the type of metrics and data sources that would underpin any selection criteria.
- Consider how to categorise different types of markets and whether assessment metrics may need to vary across these categories.
- Consider how the ASCOR assessment database may factor into any selection criterion and identify if any other assessment database should usefully be considered.

Ultimately, the PRI will make a final decision on any country selection criterion and future focus country choice in any expanded project. Beyond interviews with core participants, conveners, and observers of the pilot, data collection methods (desk research, expert interviews...etc.) are to be decided by the consultant.

Throughout the course of this project, the PRI expects regular meetings with the selected consultant to monitor project progress and help clarify any questions or doubts as work progresses. This may require calls out of business hours to accommodate staff and participants in a range of markets. In
addition, the consultant may be requested to present their findings to the engagement Advisory Committee and the PRI executive.

The consultancy fees associated with the delivery of these activities are expected to be within the following range: £25,000 - £30,000. Consultants are asked to break down their proposed budget into relevant line items.

**DETERMINABLES AND TIMINGS**

Based on the activities above, we would expect the following deliverables to be completed.

- Documentation of the methodology and literature review for the basis of the pilot review.
- A review and lessons report of no more than 10-15 pages plus appendixes (if required).
- Summary presentation slides.

The expected timeline for this work is February – end March 2024. More detail on timings and milestones is provided in the table below. The PRI will not be able to extend any timeline for the delivery of this work.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Timing</th>
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<tbody>
<tr>
<td>Deadline for RIP responses</td>
<td>7 February 2024</td>
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<tr>
<td>Project start date</td>
<td>15 February 2024</td>
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<tr>
<td>Draft review</td>
<td>9 March 2024</td>
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<tr>
<td>PRI review (may include review by Advisory Committee)</td>
<td>16 March 2024</td>
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<tr>
<td>Final material due</td>
<td>31 March 2024</td>
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The PRI may also offer an extended or secondary contracting phase to the successful contractor/s to design a full country selection criteria and impact assessment framework, subject to budget availability and satisfactory completion of the initial project deliverables.

**HOW TO SUBMIT A PROPOSAL**

Please send your proposal via email to tom.arup@unpri.org.au by Wednesday 7 February 2024. Feel free to contact us with any questions regarding the project or the requests outlined in this document.

Proposals must include:

- Evidence demonstrating that the consultancy possesses the key skills and experience outlined in this Request for Proposals.
- A brief biography of up to key three staff who would be involved.
- An outline of the proposed activities.
- A proposed budget for the project.
- Proposals should not extend over 4 pages.

All proposals will be treated as confidential.