

## 6.2 Update on Responsible Investment

Submitting Councillor: Josh Fergeus

### **MOTION**

*That Council:*

1. *Directs the CEO to present a report to an upcoming Council meeting, no later than March 2021, detailing:*
  - a) *The positive screening approach adopted as a result of Council's Responsible Investment motion passed in June 2018;*
  - b) *The amount of money invested in fossil fuel free financial institutions at 30 June 2018, 30 June 2019, 30 June 2020 and 31 December 2020;*
  - c) *Advice on potential changes to Council policy which could further decrease Council's investment exposure to financial institutions investing in fossil fuels.*

### **INTRODUCTION**

Fossil fuel divestment is the conscious removal of investments in companies that are involved in fossil fuel projects, such as coal or gas. The fossil fuel industry is a leading generator of greenhouse gases which have been attributed to negative impacts on climate and our environment.

Research undertaken by Council's Environmental Advisory Committee was presented at the June 2017 meeting of Council and the June 2018 meeting of Council.

In June 2018, Council passed the following motion:

*That Council:*

1. *Notes that Council has no direct investment (shareholdings) in any fossil fuel company or fossil fuel aligned company;*
2. *Commits to adopting a positive screening approach for Council's investment with financial institutions by actively investing with fossil free financial institutions within the parameters of Council's investment policy;*
3. *Advocates for fossil free financial institutions to improve their credit rating and financial rate of return;*
4. *Amends Council's investment policy to allow for long-term investments in financial institutions receiving a 'BBB' credit rating from leading credit ratings agencies;*
5. *Gives preference to fossil fuel free financial institutions when tendering for transactional banking services, providing:*
  - a) *these services are offered at a comparable rate to services available from other compliant financial institutions at the time;*
  - b) *these services represent 'value for money';*
  - c) *the financial institution and product is otherwise compliant with Council policy.*
6. *Gives preference to fossil fuel free Authorised Deposit-Taking Institutions when making deposits if:*

- a) *the rate of return on investment is greater than or equal to the rates of other Authorised Deposit-Taking Institutions which comply with Council's investment policy and are available at the time;*
- b) *the financial institution and product is otherwise compliant with Council policy.*
7. *Gives preference to fossil fuel free financial institutions when borrowing money if:*
- a) *applicable interest rates are lesser than or equal to interest rates available to Council from other compliant financial institutions;*
- b) *the financial institution and product is otherwise compliant with Council policy.*
8. *Includes a report on Council's compliance with these new parameters within future annual reports of Council.*

### **BACKGROUND**

In the 2016-17 Draft Budget meeting, Council received a submission from a community representative asking Monash Council to declare their current exposure to the fossil fuel industry, and consider divestment provisions in its Investment Policy, as the first key steps to developing an ethical investment policy.

In September 2016, Council's Chief Financial Officer presented an outline of Council's approach to investment to the EAC for discussion, along with context and financial data. A working group was established, including EAC members: Ayush Gupta; Andrew Armstrong; and Mukul Relan.

At the EAC meeting held 30 January 2017, the working group presented findings.

At the Council Meeting, held 31 January, 2017, Cr Fergeus submitted a Notice of Motion (NOM) in relation to the extent to which Council's assets and investments are exposed to the fossil fuel industry. Council resolved that Council officers submit a report to the next Ordinary Meeting of Council in February 2017 which details the terms deposits which the Council currently holds and the banks in which the Council holds those term deposits.

At the Council Meeting, held 28 February 2017, the Director Corporate Services presented a response to the NOM, including details of terms deposits which the Council currently holds.

### **DISCUSSION**

Monash Council has no direct investments in fossil fuels but a large portion of its investments have previously resided in banks which fund fossil fuel projects.

As a significant customer of financial institutions, local government has the potential to influence more responsible funding practices. There are many Australian local government organisations that have divested from fossil fuels.

Many major banks and superannuation companies in Australia are already reducing their exposure to fossil fuel. Due to effective community lobbying, some major banks have decided to not provide funding to the Adani Carmichael mine and other fossil fuel projects.

While it may be difficult for Council to influence banks directly, there is potential for local government to influence the market through divestment.

#### ***POLICY IMPLICATIONS***

Divestment aligns strongly with Council priorities in the Environmental Sustainability Strategy 2016-26 and Council's policy on sustainable procurement. Council's current policy has been influenced by Council's notice of motion passed in June 2018.

#### ***SOCIAL IMPLICATIONS***

Divestment activities need to consider the responsible management of community funds and ensure there is no impact on Council services.

#### ***FINANCIAL IMPLICATIONS***

There are no financial implications to this notice of motion.

#### ***CONCLUSION***

The City of Monash has a stated commitment to integrating best practice climate change thinking into Council's corporate and operational functions, as outlined in the City of Monash Environmental Sustainability Strategy 2016-2026. Recently, Council has committed to achieving net zero emissions by 2025.

It is important for Council to be aware of the efficacy of our current policy settings regarding divestment in order to ensure they are best aligned with our current climate objectives.