



14.4 **INVESTMENT & MANAGEMENT POLICY**

EXECUTIVE MEMBER: **CHRIS CARROLL, GENERAL MANAGER, CUSTOMER AND CORPORATE SERVICES**

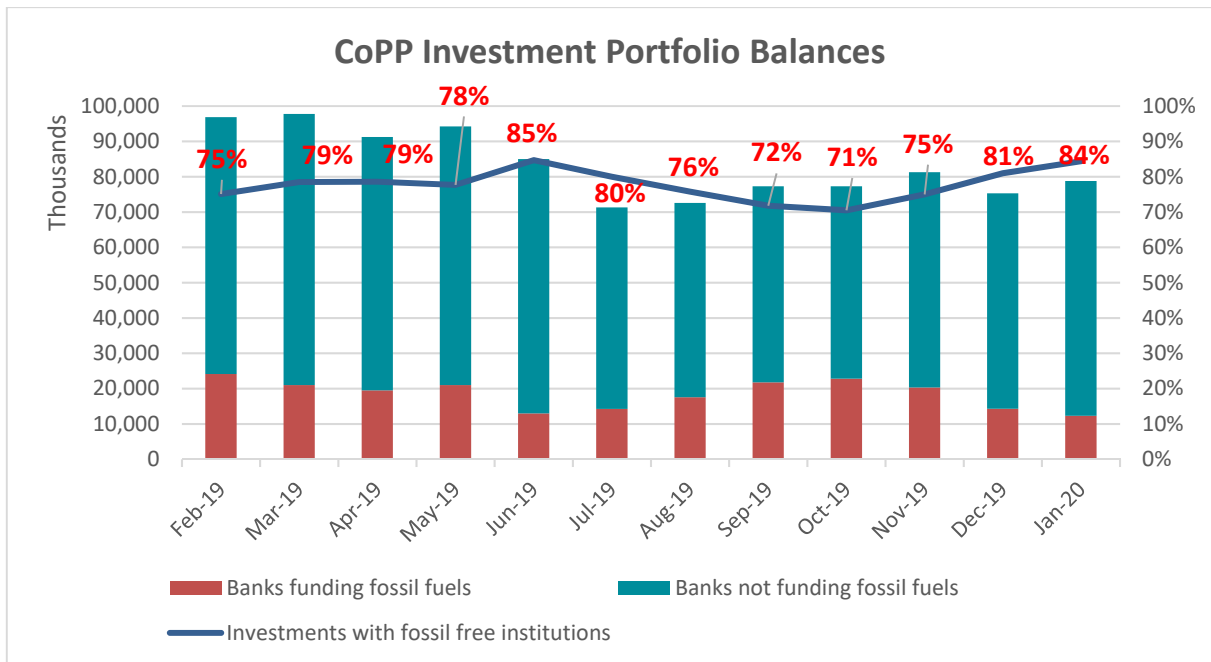
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1. PURPOSE

- 1.1 To obtain Council approval of the revised Investment & Treasury Management Policy, which sets out the principles to be followed by Council officers when investing surplus funds with financial institutions to ensure we balance the security of investments with interest earning potential and support environmentally and socially responsible investing.

2. EXECUTIVE SUMMARY

- 2.1 The Investment & Treasury Management Policy (renamed from Investment Policy) seeks to optimise investment returns while balancing risk, liquidity and achieving Council's environmental and social objectives.
- 2.2 The Policy has a sunset clause requiring review every 2 years.
- 2.3 The current policy has seen Council's investment portfolio perform consistently above fossil fuel free targets and performance benchmarks. As a result of this only minor changes have been proposed to the policy.
- 2.4 The minimum criteria for financial institutions to meet for short and long-term investments, and the maximum individual thresholds have remained unchanged. The maximum threshold for investments placed with institutions that meet the Corporate Social Responsibility (CSR) indicators has been updated to 40% (from 30%) to support Council in strengthening its CSR investment objectives.
- 2.5 In January 2020, 84% of the investment portfolio was held with institutions that are fossil fuel free, meeting our CSR objectives. This has been consistently above target throughout the prior policy.



3. RECOMMENDATION

That Council:

- 3.1 Adopts the revised Investment & Treasury Management Policy as set out in Attachment 1 to this report.
- 3.2 Delegates authority to the Chief Executive Officer to make minor editorial amendments to the document that do not alter the intent of the Policy.
- 3.3 Formally rescinds the current Investment Policy.

4. KEY POINTS/ISSUES

- 4.1 To ensure Council's exposure to financial risk is minimised investments can only be placed in higher rated banks meeting the minimum credit rating criteria obtained from Standard and Poor's and Moody's.
- 4.2 Credit ratings are set depending on if the investments are to be held short or long term to allow portfolio diversification and each institution Council invests with must meet the following minimum criteria (unchanged):
 - 4.2.1 Investments for 365 days or longer must be with institutions with a long-term rating of BBB+/Baa1 or above
 - 4.2.2 Investments for less than 365 days must be with institutions with a short-term rating of A-2/P-2 or above



- 4.2.3 The policy limits the maximum investments allowable with each financial institution, to further reduce exposure to financial risk and diversify the portfolio as follows:
- 4.2.4 Investments in individual institutions rated A+/A-1 or above capped at 40% of the portfolio.
- 4.2.5 Investments in individual institutions rated BBB+/A-2 or above capped at 10%.
- 4.2.6 Council's commitment to Corporate Social Responsibility is a key objective of the policy and officers must where practicable preference institutions who meet this criterion and consider the following:
- 4.2.7 The Declaration of a Climate Emergency requires officers to consider climate impacts and to actively and regularly review the portfolio to identify and minimise investments that directly or indirectly support fossil fuel companies.
- 4.2.8 Council supports the Treaty on the Prohibition of Nuclear Weapons and does not invest directly in companies that produce nuclear weapons and preferences financial institutions and products that do not directly or indirectly fund activities in the Arms industry.
- 4.2.9 Council will not invest with financial institutions or products that directly or indirectly fund activities related to offshore detention, tobacco, gambling or entertainment involving animals.
- 4.3 To strengthen our investment in environmentally and socially responsible institutions and achieve Council's objective, investments individual institutions rated BBB+/A-2 who meet the CSR criteria are granted a special threshold of 40% (increased from 30%).

5. CONSULTATION AND STAKEHOLDERS

- 5.1 The policy was reviewed and endorsed by the Executive Leadership Team and the Audit and Risk Committee.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 The policy limits Council's financial risks due to the strict criteria that must be met before an investment can be placed including:
 - 6.1.1 The types on investment allowed
 - 6.1.2 The maximum amount allowed to be invested
 - 6.1.3 The maximum percentage of the fund allowed to be invested with individual entities based on their credit rating.
 - 6.1.4 The threshold for individual entities ensuring the portfolio is spread across several institutions and not concentrated with one or two.
 - 6.1.5 The short and long term credit ratings that must be satisfied before surplus funds can be invested.
 - 6.1.6 Direction on what steps are required in the event of a credit rating downgrade placing the portfolio in breach and the funds at risk.



7. FINANCIAL IMPACT

7.1 There is limited financial impact from the proposed changes. Council may achieve a slightly higher rate of return through allowing greater investment in institutions rated BBB+/A-2 who attain CSR status.

8. ENVIRONMENTAL IMPACT

8.1 The policy enables Council to strengthen its ability to invest in financial institutions that maximise social and environmental outcomes.

8.2 The policy stipulates that Council will not invest in companies that produce nuclear weapons and will preference those who do not fund activities in the Arms industry.

9. COMMUNITY IMPACT

9.1 The policy enables Council to strengthen its ability to invest in financial institutions that are socially responsible in line with the Organisational Strategy 2017-21.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

10.1 Strategic Direction 2- The proposed policy enables surplus funds to be placed with institutions that have proven alignment with Council's commitment to environmental commitments.

10.2 Strategic Direction 6 Our Commitment to You- The proposed policy provides aims to maximise returns on investment and enable the preservation of capital and the maintenance of liquidity. This assists the organisation in achieving optimum financial sustainability ratios and performance benchmarks.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

11.1.1 The new Policy will have immediate effect once adopted.

11.2 COMMUNICATION

11.2.1 Responsible officers who place funds for investment on behalf of Council will be advised of changes to the policy following adoption by Council.

12. OFFICER DIRECT OR INDIRECT INTEREST

12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

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ATTACHMENTS 1. Investment & Treasury Management Policy 2020