

# APPENDIX A



## Fossil Fuel Investment Policy

Responsible Business Unit:	Corporate Services
Responsible Author:	Director Corporate Services
Approved By:	Chief Executive
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## PURPOSE

Darebin City Council is concerned about the impact of that the consumption of fossil fuels has on greenhouse gas emissions. In addition, Council recognises the role of financial institutions in financing new fossil fuel projects in Australia.

This Policy will guide how Council invests its funds to ensure that it does not support the fossil fuel industry directly and influences investment by financial institutions away from the fossil fuel industry.

## OBJECTIVE

To ensure Council will move away from directly investing in any company for whom the extraction, production, refining, or distribution of fossil fuels forms a core part of their business strategy, nor in any company whose principal business involves providing infrastructure or services to companies previously mentioned.

To adopt a positive screening approach for Council's investment with financial institutions:

- a) Actively invest with fossil free financial institutions within the Darebin City Council Investment Policy parameters; and
- b) Advocate for fossil free financial institutions to improve their credit rating and financial rate of return.

## DEFINITIONS

Term	Definition
ADI	Authorised Deposit-taking Institution
Credit Rating Agency	A credit rating agency is a company that assigns credit ratings, which rate a debtor's ability to pay back debt by making timely interest payments and the likelihood of default. An agency may rate the creditworthiness of issuers of debt obligations, of debt instruments, and in some cases, of the servicers of the underlying debt, but not of individual consumers.
Direct Divestment	No direct investment in any company that involves fossil fuel in their core business strategy or principle business activity. This usually refers to stocks held for resources companies and alike, and has been the main focus of many organisations that have declared their commitment to fossil fuel divestment.
Indirect Divestment	Divest from financial institutions or companies that invest in fossil fuel companies. Diversification of portfolios amongst companies makes it difficult to readily identify all indirect investments; therefore companies usually limit their divestment policies to direct investments only.
Market Forces	An affiliate project of Friends of the Earth Australia. Market Forces present the results of their research online ( <a href="http://www.marketforces.org.au/banks/compare">http://www.marketforces.org.au/banks/compare</a> ) to give a guide to bank investment/ financing of fossil fuel assets.
Standard & Poor's	Standard & Poor's Financial Services (also referred to as S&P) is an American financial services company, founded by Henry Varnum Poor in 1860 in New York. S&P controls approximately 40% of the global credit rating market share.

## POLICY

### Investments

Council's current Investment practice restricts investments to only term deposits and cash at call and investments will not be made into other Minister-authorized investments unless specifically approved by Council. This is primarily to reduce the risk of loss of capital and to keep the cost of managing investments low in a low interest earning environment.

Council's Investment Policy states that the order of investment priority shall be preservation of capital, maintenance of liquidity, and return on investments, with detailed consideration as following (in priority order):

- Preservation of capital (security of funds). More specifically, financial institutions must meet minimum requirements of credit rating and liquidity and capital adequacy ratio before they can be considered for Council's financial investments.

Council will not invest in any investment arrangement with an S&P credit rating of BBB or lower. Portfolio investment parameters are listed as following:

S&P long term rating	S&P short term rating	Individual counterparty limit	Total limit
AAA	A-1+	33%	100%
AA	A-1	33%	100%
A	A-2	25%	60%

Due to operating cash flow requirements, Council's financial investments are generally short term, with no funds locked for more than 12 months.

- Return on investments. This refers to the interest rate provided by financial institutions.
- Corporate social responsibility. This includes both ethical and sustainability considerations.

Constrained by the *Local Government Act 1989*, Council cannot invest in direct shares of companies or invest in managed funds and therefore is already in compliance with direct divestment.

### Investments

Council's Investment Strategy will give preference to ADIs that state they do not finance fossil fuel projects if the investment transaction is compliant with Council's Investment Policy and the rate of investment is within 0.05 percentage points when compared against other investments available to Council at the time.

### Borrowings

Preference will be given to non-fossil fuel aligned financial institutions if the rate of investment applicable to the loan is no worse than other interest rates available to Council at the time.

### Transactional Banking Services

Preference will be given to non-fossil fuel aligned financial institutions to undertake transactional banking services if the financial institutions tendered "value for money" rate for the services provided is no worse than other options available to Council at the time.

## **RELATED POLICIES AND DIRECTIVES**

Treasury / investment policy

## **RELATED LEGISLATION**

*Local Government Act 1989*

## **REVIEW**

Council will review this policy every two (2) years.

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**Rasiah Dev**  
**Chief Executive Officer**

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**Date**