

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	28 SEPTEMBER 2023
Report Title:	ETHICAL INVESTMENT POLICY
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, PERFORMANCE & CHANGE
Responsible Officer:	NIGEL SMITH GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	<p>Paragraph 22 of the Financial Procedure Rules requires the Chief Finance Officer to prepare and present an annual Treasury Management Strategy to the Governance and Audit Committee prior to submission to Council for approval in advance of the start of each financial year. This must include an investment strategy.</p> <p>All investments and borrowing transactions shall be undertaken in accordance with the Treasury Management Strategy and with due regard to the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Code of Practice on Treasury Management in the Public Services.</p>
Executive Summary:	<ul style="list-style-type: none"> • Environmental, Social and corporate Governance (ESG) are becoming increasing important factors in the investment decision-making process. • It is proposed that the Council adopts ESG commitments as part of future Treasury Management Strategies and practice.

1. Purpose of Report

- 1.1 The purpose of the report is to present to the Governance and Audit Committee the Ethical Investment Policy at **Appendix A**, for consideration. The Ethical Investment Policy will be incorporated into the 2024-25 Treasury Management Strategy, which will be presented to Council for approval in February/March 2024.

2. Background

- 2.1 Environmental, Social and corporate Governance are becoming increasingly important factors in the investment decision-making process. Members have requested that the Council consider an ethical investment policy when considering treasury management investments.

- 2.2 Treasury Management Practice Note 1 in the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice 2021 notes that ‘The organisation’s credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation’s ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.’

3. Current situation / proposal

- 3.1 **Appendix A** sets out the Council’s proposed approach to ESG in Treasury Management. It notes the Treasury Management Strategy 2023-24 sets out the following:

‘ESG Policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors’ decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.’

It is proposed that the Council adopts the following commitments as part of its Treasury Management Strategy from 2023-24:

- Ensure as far as possible, that its investment parties are committed to the principles of ESG
- The Council and its counterparties will seek to act with integrity at all times in their dealings
- The Council will seek to encourage positive ESG behaviour
- The Council will comply with any industry standard ESG guidelines that may arise and always seek to ensure best practice in managing its treasury investments.

- 3.2 The Council invests in Money Market Funds, and those it uses have signed up to the UN Principles for Responsible Investment, UK Stewardship Code 2020 and the Net-Zero Asset Managers Initiative. Local Authorities are significant providers of social value in their services. They are also, as public bodies, accountable for the actions they undertake and are required to demonstrate good governance. It is important to note that the Council does not invest in any specific scheme of any other local authority to which it lends money but lends purely for short-term cash flow purposes.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

- 5.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The well-being objectives are designed to complement each other and are part of an integrated way of working to improve well-being for the people of Bridgend. It is considered that there will be no significant or unacceptable impacts upon the achievement of the well-being goals or objectives as a result of this report.

6. Climate Change Implications

- 6.1 There are no climate change implications as a result of this report.

7. Safeguarding and Corporate Parent Implications

- 7.1 There are no Safeguarding or Corporate Parent implications as a result of this report.

8. Financial Implications

- 8.1 The Council invests its short-term available cash resources to ensure those resources are invested securely, have sufficient liquidity to be able to access those resources when needed, and then to achieve a return commensurate with the level of security and liquidity.

9. Recommendation

- 9.1 It is recommended that the Governance and Audit Committee considers the Ethical Investment Policy and agrees its inclusion in future Treasury Management Strategies.

Background documents

None